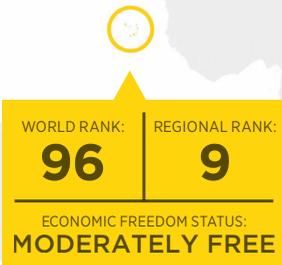


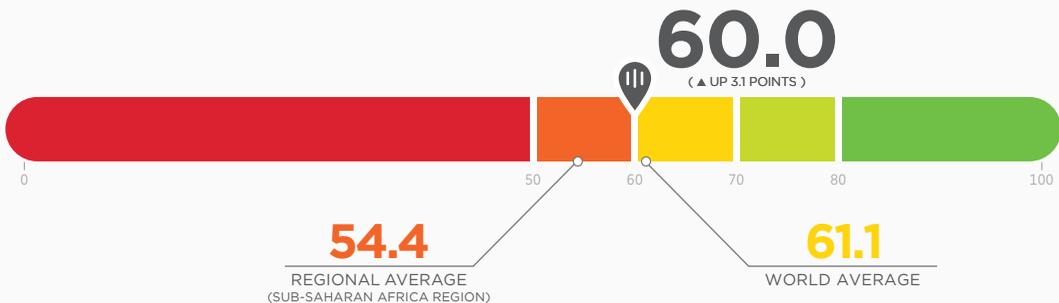
# CABO VERDE

Cabo Verde's economic freedom score is 60.0, making its economy the 96th freest in the 2018 *Index*. Its overall score has increased by 3.1 points, almost entirely because of a significant effort to reduce the fiscal deficit. Government debt, unfortunately, has continued to grow. Cabo Verde is ranked 9th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Since its economy is vulnerable to external shocks, Cabo Verde has benefited from reasonably well-maintained monetary stability, a relatively high level of market openness that facilitates trade and investment, a sound and transparent legal framework, and an independent judiciary that to some extent institutionalizes and supports the rule of law. Recent progress in deficit reduction was made possible by a combination of spending cuts and higher tax revenues from greater economic growth.



## ECONOMIC FREEDOM SCORE

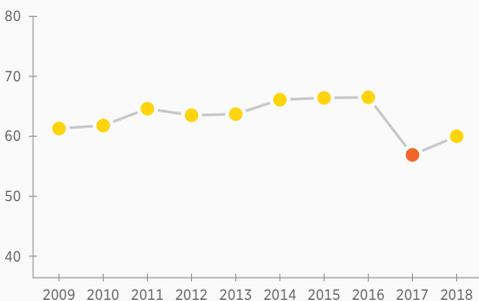


**NOTABLE SUCCESSES:**  
Monetary Stability and Investment Freedom

**CONCERNS:**  
Fiscal Health, Labor Freedom, and Rule of Law

**OVERALL SCORE CHANGE SINCE 2014:**  
-6.1

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.5 million

**GDP (PPP):**  
\$3.5 billion  
4.0% growth in 2016  
5-year compound annual growth 1.5%  
\$6,662 per capita

**UNEMPLOYMENT:**  
10.5%

**INFLATION (CPI):**  
-1.5%

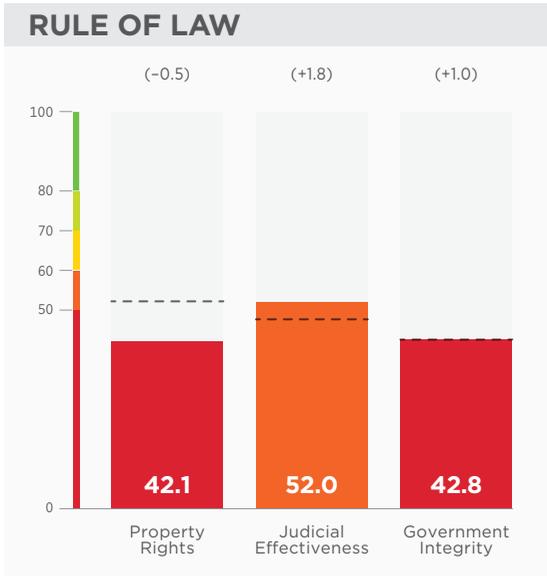
**FDI INFLOW:**  
\$119.4 million

**PUBLIC DEBT:**  
133.8% of GDP

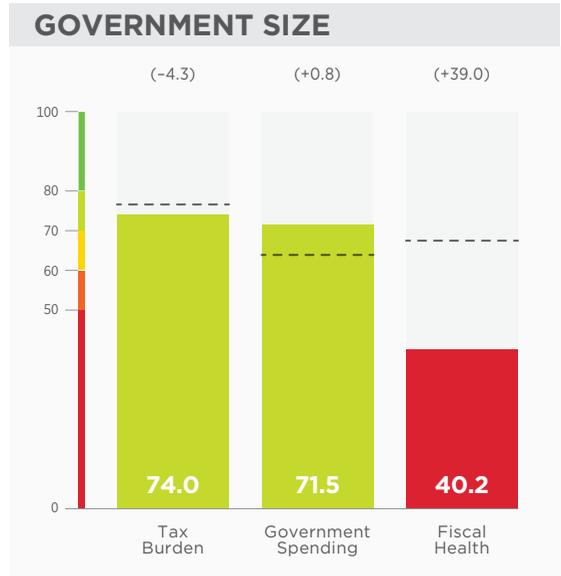
2016 data unless otherwise noted. Data compiled as of September 2017

**BACKGROUND:** Colonized by the Portuguese in the 15th century, Cabo Verde has few natural resources but became a trading center and is now a stable, multiparty parliamentary democracy. President Jorge Carlos Fonseca of the Movement for Democracy was elected to a second five-year term in 2016. The economy relies on services, which account for about three-fourths of GDP. Tourism and emigrants' remittances are also important. The country's traditionally high trade deficit has been financed by foreign aid. The government's goal is to generate all energy through renewables by 2020. China invests heavily in the country, and Cabo Verde has announced its willingness to participate in China's "One Belt, One Road" initiative.

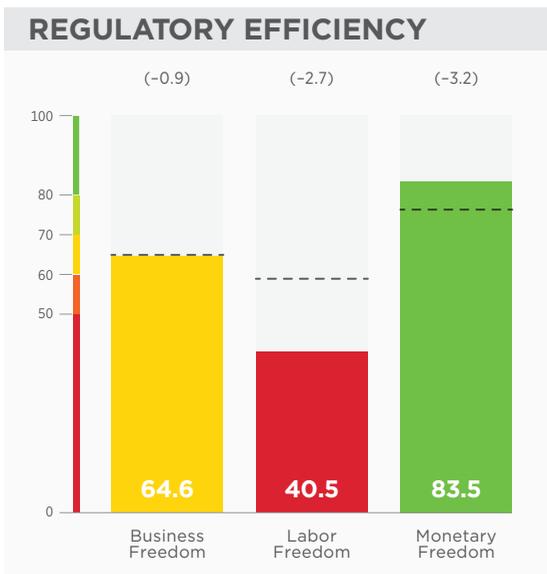
# 12 ECONOMIC FREEDOMS | CABO VERDE



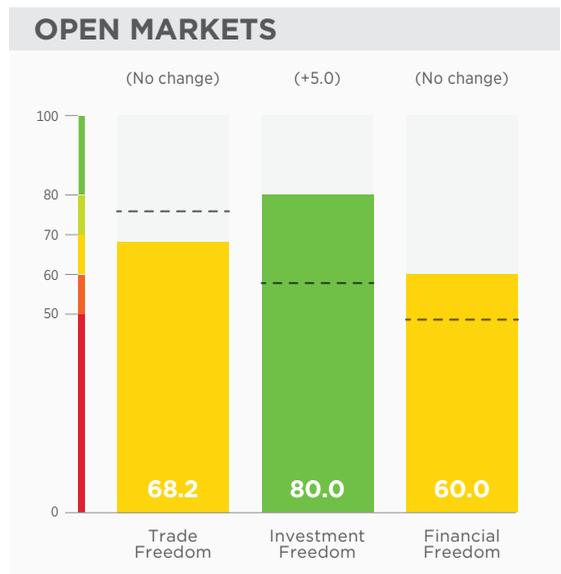
Property rights are recognized and guaranteed by several Cabo Verdean laws, as well as by the constitution. The judicial system is transparent and independent. There is no government interference in the court system, but the system is overburdened, inefficient, and understaffed. Levels of transparency in Cabo Verde are relatively high and levels of corruption relatively low compared to those in other African nations.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 24 percent. Other taxes include a value-added tax. The overall tax burden equals 27.4 percent of total domestic income. Over the past three years, government spending has amounted to 30.8 percent of total output (GDP), and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 133.8 percent of GDP.



The overall business climate has become more efficient in recent years. The government is pursuing economic reforms to develop the private sector and attract foreign investment to diversify the economy. High unemployment is an ongoing problem. A large share of the jobs is in the tourism industry, dependent on economic conditions in the eurozone countries. The market determines most prices, but the government subsidizes electricity and water.



Trade is extremely important to Cabo Verde's economy; the combined value of exports and imports equals 101 percent of GDP. The average applied tariff rate is 10.9 percent. Nontariff barriers impede some trade. In general, government policies do not significantly interfere with foreign investment. The financial system is dominated by banking. The share of nonbank financial institutions is negligible except for the state-owned pension fund.