

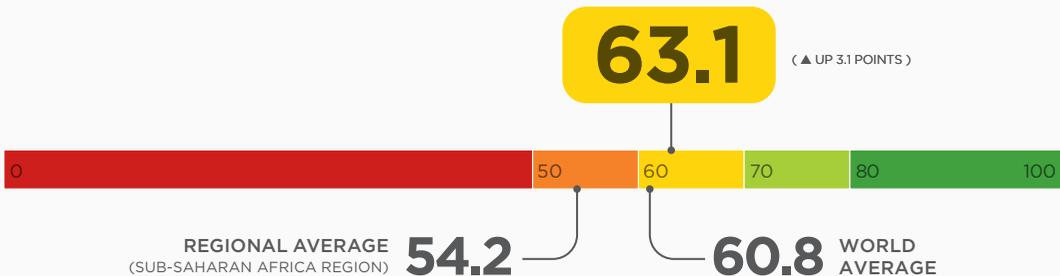
# CABO VERDE

Cabo Verde's economic freedom score is 63.1, making its economy the 73rd freest in the 2019 *Index*. Its overall score has increased by 3.1 points, with spikes in scores for **fiscal health** and **labor freedom** easily outpacing a decline in **judicial effectiveness**. Cabo Verde is ranked 4th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

The government aims to expand and modernize infrastructure, improve the business environment by cutting red tape and implementing other business-friendly reforms, streamline administrative procedures, increase labor market flexibility, and strengthen the performance of state-owned enterprises. Though 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 institutionalizes and supports the rule of law.



## ECONOMIC FREEDOM SCORE



**RELATIVE STRENGTHS:**  
Monetary Freedom and Investment Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):**  
+13.4

**CONCERNS:**  
Government Integrity and Property Rights

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.5 million

**GDP (PPP):**  
\$3.7 billion  
4.0% growth in 2017  
5-year compound annual growth 2.0%  
\$6,944 per capita

**UNEMPLOYMENT:**  
10.3%

**INFLATION (CPI):**  
0.8%

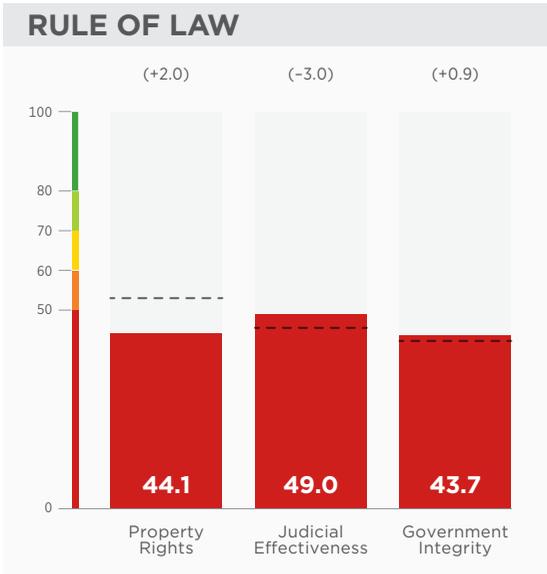
**FDI INFLOW:**  
\$108.6 million

**PUBLIC DEBT:**  
126.0% of GDP

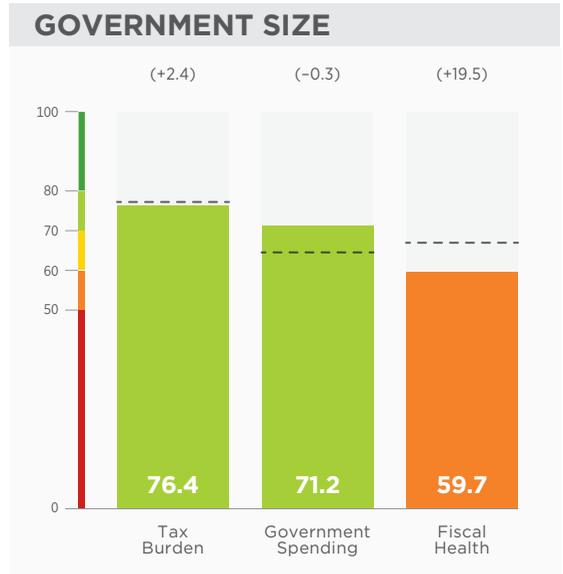
2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** Colonized by the Portuguese in the 15th century, Cabo Verde has few natural resources but managed to become a trading center and is now a stable, multiparty parliamentary democracy. Jorge Carlos Fonseca of the Movement for Democracy was elected to a second five-year term as president in 2016. The economy relies on services, which account for about 75 percent of GDP. Tourism and emigrants' remittances are also important. Foreign aid finances the country's traditionally high trade deficit. The government wants to generate all energy through renewables by 2020. China invests heavily in Cabo Verde, which has announced its willingness to participate in China's "One Belt, One Road" initiative.

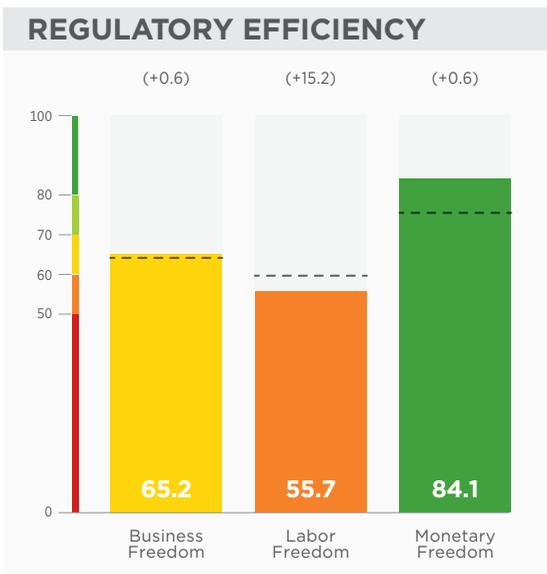
# 12 ECONOMIC FREEDOMS | CABO VERDE



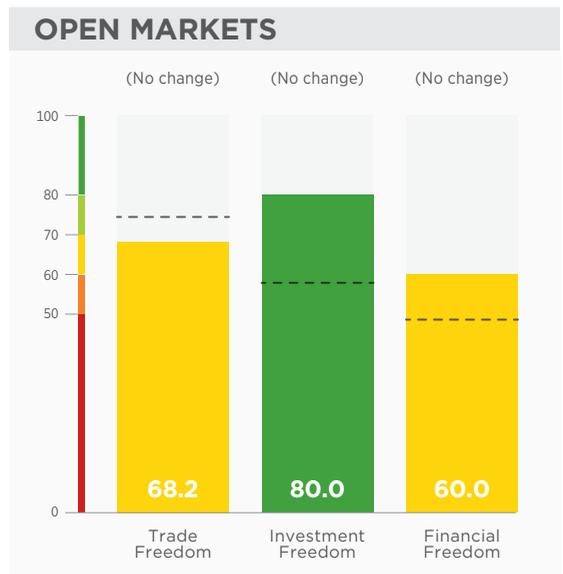
Private property is reasonably well protected, and the government is implementing reforms to increase the reliability and protection of land information. The judiciary's constitutional independence is generally respected, but a shortage in staff creates a case backlog that causes significant delays. Levels of transparency are relatively high and levels of corruption are relatively low in Cabo Verde 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 23.7 percent of total domestic income. Over the past three years, government spending has amounted to 31.0 percent of the country's output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 126.0 percent of GDP.



The overall business environment has become more efficient. The process for launching a business is more streamlined, and licensing requirements are less burdensome. Despite efforts to reform the labor market, the unemployment rate remains persistently high. The market determines most prices, and subsidies to the state-owned, loss-making airline were reduced in 2016, but the government still subsidizes electricity and water.



The combined value of exports and imports is equal to 103.1 percent of GDP. The average applied tariff rate is 10.9 percent. As of June 30, 2018, according to the WTO, Cabo Verde had four nontariff measures in force. Foreign and domestic investors are generally treated equally under the law. The number of nonperforming loans in the banking system has decreased. Credit is generally allocated on market terms.