Cabo Verde’s economic freedom score is 63.8, making its economy the 77th freest in the 2021 Index. Its overall score has increased by 0.2 point, primarily because of an improvement in fiscal health. Cabo Verde is ranked 5th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Cabo Verde’s economic freedom score has changed very little from last year. The economy remains in the ranks of the moderately free. To achieve greater economic freedom and remain a leader in sub-Saharan Africa, the government needs to strengthen the rule of law by implementing further institutional reforms to bolster property rights, judicial effectiveness, and government integrity.

**IMPACT OF COVID-19:** As of December 1, 2020, 106 deaths had been attributed to the pandemic in Cabo Verde, and the economy was forecast to contract by 6.8 percent for the year.

**BACKGROUND:** Colonized by the Portuguese in the 15th century, Cabo Verde has few natural resources but has managed to become 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 by a wide margin in 2016. Cabo Verde’s economy relies on services, which account for about 75 percent of GDP. Tourism and emigrants’ remittances are important. Foreign aid finances the country’s traditionally high trade deficit. The government wants to generate all energy through renewables by 2025. China invests heavily in Cabo Verde as part of its One Belt, One Road initiative.
Although enforcement is hampered by legal and bureaucratic inefficiency, property rights are generally respected. Completion of a land information database and registration reforms will likely strengthen secured interests in chattel and real property. The judiciary is independent, but the courts are overburdened and understaffed. Cabo Verde is rated sub-Saharan Africa’s least corrupt country in Transparency International’s Corruption Perceptions Index.

The top individual 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 20.1 percent of total domestic income. Government spending has amounted to 31.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 124.2 percent of GDP.

Issuing municipal licenses before inspections has made it easier to start a business. Investments in georeferencing and the geographic information system database make it easier to deal with construction permits. Labor laws are antiquated and enforced inconsistently. The market determines most prices, but planned privatizations of several state-owned and loss-making enterprises, including the electricity company, have been delayed.

Cabo Verde has one preferential trade agreement in force. The trade-weighted average tariff rate is 11.0 percent, and four nontariff measures are in effect. The law generally treats foreign and domestic investors equally. The number of nonperforming loans in the banking system has decreased. Credit is generally allocated on market terms. The central bank has taken various measures to increase liquidity in the banking system since March 2020.