Cabo Verde's economic freedom score is 66.7, making its economy the 49th freest in the 2022 Index. Cabo Verde is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

A sharp downturn in Cabo Verde’s economic growth in 2020 was turned around in 2021. A five-year trend of expanding economic freedom has accelerated. Led by score increases in rule of law, Cabo Verde has recorded a 9.8-point overall gain of economic freedom since 2017 and has risen to the top half of the “Moderately Free” category. Monetary freedom and investment freedom are strong, but fiscal health and labor freedom exhibit weaknesses.

**IMPACT OF COVID-19:** As of December 1, 2021, 350 deaths had been attributed to the pandemic in Cabo Verde, and the government’s response to the crisis ranked 117th among the countries included in this Index in terms of its stringency. The economy contracted by 14.0 percent in 2020.

**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. Former Prime Minister Jose Maria Neves of the opposition African Party for the Independence of Cape Verde won the presidency in October 2021. The other major party, the Movement for Democracy, has the parliamentary majority that it maintained in April 2021 elections. 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.
Property rights are generally respected, although enforcement is hampered by legal and bureaucratic inefficiency. 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. Allegations of graft continue to surround costly infrastructure projects and other spending measures, public procurements, public companies, and the management of public lands.

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 21.2 percent of total domestic income. Government spending has amounted to 32.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 139.0 percent of GDP.

The business regulatory environment has been streamlined in recent years, making it easier to start a business. The number of state-owned enterprises has decreased from 40 in the 1990s to six today. The unemployment rate is high. Child labor is a problem. The market determines most prices, but planned privatizations of several state-owned and loss-making enterprises including the electricity company were postponed again in 2021.

Cabo Verde has one preferential trade agreement in force. The trade-weighted average tariff rate is 12.0 percent, and four nontariff measures are in effect. In general, government policies do not interfere significantly 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.