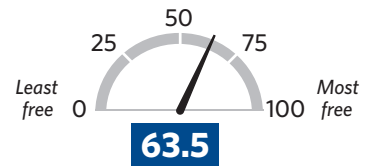


# CAPE VERDE

## Economic Freedom Score



World Rank: **66**

Regional Rank: **4**

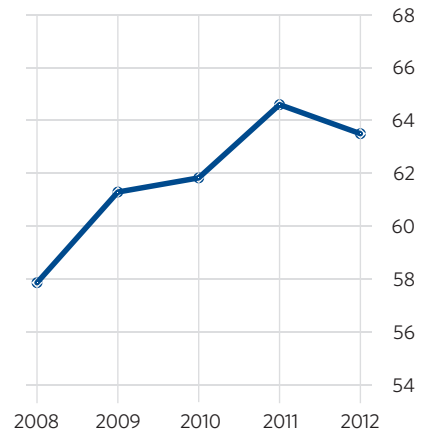
**C**ape Verde's economic freedom score is 63.5, making its economy the 66th freest in the 2012 *Index*. Its overall score is 1.1 points worse than last year as a result of score declines in four of the 10 components of economic freedom, including business freedom and government spending. Cape Verde is ranked 4th out of 46 countries in the Sub-Saharan Africa region, and its overall score is much higher than the regional average.

Strong economic performance reflects Cape Verde's commitment to reform. In many of the four pillars of economic freedom, the small island economy has achieved scores above world averages. The foundations of economic freedom are solid, with property rights strongly protected in comparison to other economies in the region.

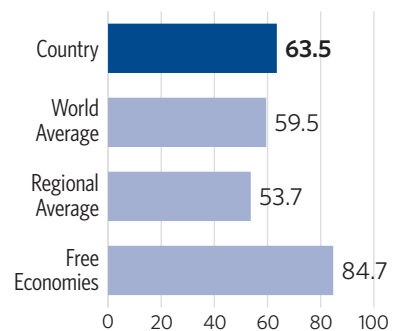
The overall entrepreneurial environment benefits from high levels of regulatory flexibility and efficiency, although reform of the business start-up process has slowed. The tax regime is conducive to vibrant entrepreneurial activity, as are policies that support free trade and open markets. Public spending has been expansionary in recent years, resulting in widening deficits.

**BACKGROUND:** Cape Verde, a West African archipelago, is a stable, multi-party parliamentary democracy. The African Party for the Independence of Cape Verde maintained its majority in the February 2011 legislative elections and installed Jose Maria Neves as prime minister; opposition leader Jorge Carlos Fonseca won the more ceremonial presidency in August. Cape Verde has few natural resources and is subject to frequent droughts and serious water shortages. Services dominate the economy, but light industry, agriculture, and fishing employ a majority of the workforce. Cape Verde has close economic and political ties to the European Union, and its currency is pegged to the euro. The EU has granted Cape Verde special partnership status, under which Cape Verde and the EU cooperate to improve governance, security and stability, regional integration, and anti-poverty efforts. Cape Verde joined the World Trade Organization in 2008.

## Freedom Trend



## Country Comparisons



## Quick Facts

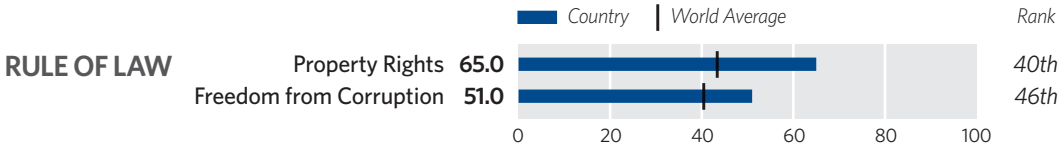
- Population:** 0.5 million
- GDP (PPP):** \$1.9 billion
- 5.4% growth in 2010
- 5-year compound annual growth 6.8%
- \$3,647 per capita
- Unemployment:** 10.7%
- Inflation (CPI):** 2.1%
- FDI Inflow:** \$111.4 million
- Public Debt:** 73.2% of GDP

### How Do We Measure Economic Freedom?

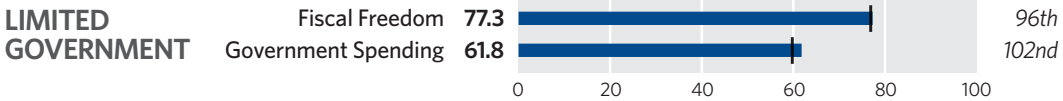
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

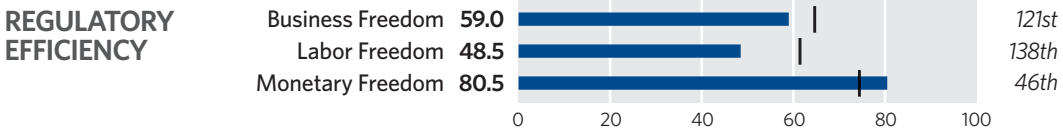
**THE TEN ECONOMIC FREEDOMS**



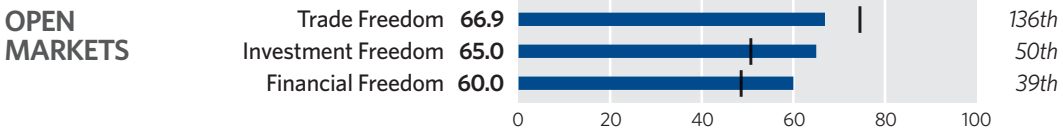
Private property is fairly well protected. The constitutional provision for an independent judiciary is generally respected, but the judicial system is inefficient, with the case backlog resulting in delays. Several recently signed treaties provide stronger protection for intellectual property. Political and economic governance is generally regarded as among the region's best, behind Botswana and South Africa.



The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT), with the overall tax burden amounting to 20.6 percent of total domestic income. Government spending has increased to 35.7 percent of total domestic output, leading to a budget deficit of over 10 percent of GDP and growing public debt that has reached 73.2 percent of GDP.



The business environment has gradually become more efficient. The process for launching a business is more streamlined, and licensing requirements are less burdensome. Modern and efficient bankruptcy procedures are not fully developed. Employment regulations remain rigid despite recent reform efforts. The market determines most prices, and inflation has been modest.



The trade weighted tariff is 11.6 percent. Non-tariff barriers include restrictions on services market access. Foreign investment is officially encouraged and receives the same treatment as domestic investment. Most sectors are open, but all foreign investment requires prior authorization. With credit generally allocated on market terms, small and medium-size enterprises have increasingly adequate access to financing.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	-5.8	Trade Freedom	-0.7
Freedom from Corruption	0	Government Spending	-9.2	Labor Freedom	-1.5	Investment Freedom	+5.0
				Monetary Freedom	+1.3	Financial Freedom	0