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**CREDIT (A) NUMBER 7658-CV**  
**CREDIT (B) NUMBER 7657-CV**

# **Financing Agreement**

**(Second Fiscal Space and Sustainable Growth Development Policy Financing)**

**between**

**REPUBLIC OF CABO VERDE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT (A) NUMBER 7658-CV**  
**CREDIT (B) NUMBER 7657-CV**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF CABO VERDE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program, and which are described in Section I. A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient credits, which are deemed as Concessional Financing for purposes of the General Conditions, as follows:
  - (a) In an amount equivalent to one million Special Drawing Rights (SDR 1,000,000), as such amount may be converted from time to time through a Currency Conversion (variously, “Credit” and “Financing”) (Credit (A)).
  - (b) In the amount of twenty-three million seven hundred thousand Dollars (\$23,700,000), as such amount may be converted from time to time through a Currency Conversion (variously, “Credit” and “Financing”) (Credit (B)).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Service Charge is applicable only to Credit (A) and is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance of Credit (A).
- 2.04. The Payment Dates are February 1 and August 1 in each year.

- 2.05. The principal amount of the Credits shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.06. The Payment Currency is Dollar.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
  - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its minister responsible for finance.

- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Minister of Finance and Business Development  
Ministry of Finance and Business Development  
Avenida Amílcar Cabral  
C.P. 30, Praia  
Cabo Verde

- (b) the Recipient's Electronic Address is:

E-mail: gilson.g.pina@mf.gov.cv; soeli.d.santos@mf.gov.cv

- 6.03. For purposes of Section 11.01 of the General Conditions:

- (a) the Association's address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

- (b) the Association's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	kmiwa@worldbank.org

AGREED as of the Signature Date.

**REPUBLIC OF CABO VERDE**

**By**

*Olavo Correia*

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**Authorized Representative**

**Name:** Olavo Correia

**Title:** Minister of finance

**Date:** 13-Dec-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

**Keiko Miwa**

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**Authorized Representative**

**Name:** Keiko Miwa

**Title:** Country Director

**Date:** 12-Dec-2024

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. To increase domestic revenues, and with a broader objective to finance climate mitigation and adaptation, the Recipient has submitted to Parliament the 2025 Budget Bill of law which introduces a levy on passenger tickets for international air and maritime travel (as evidenced by the Note of submission of an amendment to the 2025 Budget Bill to the President of the National Assembly, dated October 24, 2024).
2. To reduce foregone revenue for new investments under Contractual Conventions, the Recipient has (i) submitted to Parliament the 2025 Budget Bill of law, which increases the import duty rate from zero to 5 percent; and (ii) replaced the standard 5 years exemption period with one that considers the investment impact (ranging from 2-5 years) (as evidenced by the Note of submission of an amendment to the 2025 Budget Bill to the President of the National Assembly, dated October 24, 2024; and Council of Ministers Resolution 90/2024, published in the Recipient's Official Gazette Series I no. 99 dated October 21, 2024).
3. To mainstream climate resilience in public investment projects, the Recipient has issued a Decree-law regulating the National Investment System, which requires the (i) inclusion of climate risk management in the design of new public investment projects, and (ii) use of climate resilience criteria as a key principle for budget prioritization (as evidenced by Decree Law No. 54/2024 dated November 5, 2024, published in the Recipient's Official Gazette Series I no. 105 dated November 5, 2024).
4. To strengthen SOE fiscal risk management, the Recipient submitted to Parliament a Bill of law revising the State Enterprise Sector Law (LSPE), which, *inter-alia*, requires: (i) ex-ante approval of SOE borrowing, (ii) separate reporting and disclosure on commercial and non-commercial financial transactions, and (iii) annual approval of risk management reports on fiscal risk and on climate and environmental risk (as evidenced by the draft Bill of law revising the State Enterprise Sector Law, submitted to Parliament on April 30, 2024, and the respective Note of submission of the Bill of law to the President of the National Assembly, dated April 30, 2024).
5. To further promote the digitalization and climate resilience of public services and facilitate the transition from traditional service delivery to virtual e-

services, the Recipient has submitted to Parliament a Bill of law revising the Law of Administrative Modernization (as evidenced by the draft Bill of law revising the Law of Administrative Modernization, submitted to Parliament on October 30, 2024 and the respective Note of submission of the Bill of law to the President of the National Assembly, dated October 30, 2024).

6. To mitigate revenue risk for the private sector, the Recipient has submitted to Parliament a Bill of law establishing a compensation mechanism for future financial obligations between the energy distribution company (EDEC) and local municipalities (as evidenced the draft Bill of law establishing a compensation mechanism for future financial obligations between EDEC and local municipalities, submitted to Parliament on October 2, 2024, and the respective Note of submission of the Bill of law to the President of the National Assembly dated October 2, 2024).
7. To strengthen the sustainability and sanitary standards of the fisheries value-chain, the Recipient has approved a Decree-Law regulating the first sale of fish in authorized auction sites (as evidenced by Decree law No. 55/2024 dated November 5, 2024, published in the Recipient's Official Gazette Series I no. 105 dated November 5, 2024).
8. To further enhance the tourism sustainability and resilience of the tourism sector, the Recipient has: (i) issued a Decree-Law to regulate "complementary lodging", which facilitates the formalization and licensing of Airbnb-type accommodations; and (ii) approved a *Joint Ministerial Order (Portaria Conjunta)* prohibiting the import of single-use plastics, thereby promoting increased reusability and sustainability within the food, beverage and hospitality industries (as evidenced by (a) Decree-Law No 16/2024 dated October 31, 2024, published in the Recipient's Official Gazette no. 103 Series I dated October 31, 2024, and (b) Joint Ministerial Order n. 5/2024 dated March 21, 2024, published in the Recipient's Official Gazette Series I no. 23 dated March 21, 2024).
9. To improve access to childcare services, particularly for rural populations, and in accordance with Decree-Law 79/2021 which defines the activity of Childcare Workers, the Recipient has issued a Ministerial Order (*Portaria*) to establish the procedures to license home-based childcare workers, including through the use of a dedicated online platform (as evidenced by Ministerial Order 36/2024 dated August 9, 2024, published in the Recipient's Official Gazette Series I no. 77 dated August 9, 2024).

**Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR) for Credit A</b>	<b>Amount of the Financing Allocated (expressed in USD) for Credit B</b>
(1) Single Withdrawal Tranche	1,000,000	23,700,000
<b>TOTAL AMOUNT</b>	1,000,000	23,700,000

**C. Withdrawal Tranche Release Conditions**

No withdrawal shall be made of the Single Withdrawal Tranche for Credit (A) and the Single Withdrawal Tranche for Credit (B) unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

**D. Deposit of Financing Amounts**

The Recipient, within thirty (30) days after the withdrawal of Credit (A) or Credit (B) from the respective Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Condition; (b) the details of the account to which the Cape Verdean Escudos equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

**E. Audit.** Upon the Association's request, the Recipient shall:



1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and
3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

**F. Closing Date.** The Closing Date is December 30, 2025.

**SCHEDULE 2**

**I. Repayment Schedule for Credit (A)**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 1 and August 1	
commencing February 1, 2035 to and including August 1, 2044	<b>1%</b>
commencing February 1, 2045 to and including August 1, 2064	<b>2%</b>

\* The percentages represent the percentage of the principal amount of Credit (A) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b).

**II. Repayment Schedule for Credit (B)**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 1 and August 1	
commencing February 1, 2031 to and including February 1, 2036	<b>8,33334%</b>
On August 1, 2036	<b>8,33326%</b>

\* The percentages represent the percentage of the principal amount of Credit (B) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b).

## APPENDIX

### Definitions

1. “Cape Verdean Escudos” means the currency having legal tender in the territory of the Recipient.
2. “Credit (A)” means the credit in the amount referenced in Section 2.01(a) of this Agreement (Credit Number IDA-7658-CV) and the and the Credit for purposes of paragraph 24 of the General Conditions.
3. “Credit (B)” means the credit in the amount referenced in Section 2.01(b) of this Agreement (Credit Number IDA-7657-CV) and the and the Credit for purposes of paragraph 24 the General Conditions.
4. “Contractual Conventions” refer to *Convenções Contratuais* which are a type of tax incentive that allows investments that meet specific criteria to be exempt from and/or benefit from lower rates on certain taxes, as regulated by Law no. 26/VIII/2013 dated 21 of January and updated through Law no. 86/IX/2020 dated 28 of April.
5. “Decree-Law 79/2021” refers the Recipient’s Decree that defines the terms and conditions to accessing the profession and exercising childcare activities.
6. “EDEC” means *Empresa de Distribuição de Eletricidade de Cabo Verde S.A.*, the Recipient’s energy distribution company as registered and published in the Official Gazette No. 108 on June 17, 2024.
7. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
8. “Law of Administrative Modernization” means the Recipient’s Law No. 39/VI/2004 of February 2, 2004, which establishes a set of administrative modernization measures applicable to the entire administration of the State, aimed at providing more and better public services and promoting citizen participation.
9. “National Investment System” means the Recipient’s national regulatory framework for the selection of investment projects.
10. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 27, 2024 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in

Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.

11. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
12. "Single Withdrawal Tranche" means the Single Withdrawal Tranche for Credit (A) or the Single Withdrawal Tranche for Credit (B) as the context may require.
13. "Single Withdrawal Tranche for Credit (A)" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche for Credit (A)" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
14. "Single Withdrawal Tranche for Credit (B)" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche for Credit (B)" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
15. "SOE" means a State-owned enterprise.
16. "State Enterprise Sector Law" means the Recipient's Law No. 104/VIII/2016 (*Lei do Sector Publico Empresarial e Empresas Publicas*) dated January 6, 2016 and published in the Recipient's Official Gazette Serie I, No.1 on January 6, 2016, which establishes the principles and rules applicable to the State enterprise sector, including the general bases of public companies' governance.