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**CREDIT (A) NUMBER 7220-CV**

**CREDIT (B) NUMBER 7221-CV**

**CREDIT (C) NUMBER 7219-CV**

# **Financing Agreement**

**(Second Resilient and Equitable Recovery Development Policy Financing  
with a Catastrophe Deferred Drawdown Option)**

**between**

**REPUBLIC OF CABO VERDE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT (A) NUMBER 7220-CV**  
**CREDIT (B) NUMBER 7221-CV**  
**CREDIT (C) NUMBER 7219-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).

WHEREAS 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 of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework.

NOW, THEREFORE, the Recipient and the Association 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) a credit in an amount equivalent to seventeen million six hundred thousand Special Drawing Rights (SDR 17,600,000) (“Credit (A)”);
  - (b) a credit in the amount of twenty million five hundred thousand (EUR 20,500,000) (“Credit (B)”); and
  - (c) a credit in an amount equivalent to seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000) which includes a deferred drawdown option (“Credit (C)”); (Credit (A), Credit (B) and Credit (C), collectively “Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance of Credit (A) and Credit (B).

- 2.03. The Service Charge is three-fourths of one percent ( $3/4$  of 1%) per annum on the Withdrawn Credit Balance of Credit (A) and Credit (C).
- 2.04. The Payment Dates are January 15 and July 15 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 and, with respect to Credit (C), subject to provisions of Section 2.07 below.
- 2.06. The Payment Currency is Euro.
- 2.07. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date for Credit (C), the Association may provide such extension on such terms and conditions as agreed by the Association.  
  
(b) Notwithstanding the provisions of sub-paragraph (a) above, the Closing Date for Credit (C) shall not be extended if at the time of Recipient's request, the events specified in sub-paragraph (b) (i) of Section 3.05 of the General Conditions have occurred.
- 2.08. 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, that 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  
Ministry of Finance  
Avenida Amílcar Cabral  
C.P. 30, Praia  
Cabo Verde, and
  - (b) the Recipient's Electronic Address is:  
  
E-mail: Gilson.g.pina@mf.gov.cv and 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:  
248423 (MCI)              1-202-477-6391

AGREED as of the Signature Date.

**REPUBLIC OF CABO VERDE**

**By**

*Olavo Avelino Garcia Correia*

\_\_\_\_\_  
**Authorized Representative**

**Name:** Olavo Avelino Garcia Correia  
\_\_\_\_\_

**Title:** Minister of finance  
\_\_\_\_\_

**Date:** 18-Nov-2022  
\_\_\_\_\_

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Jean-Francois Marteau*

\_\_\_\_\_  
**Authorized Representative**

**Name:** Jean-Francois Marteau  
\_\_\_\_\_

**Title:** Acting Country Director for Cabo Verde  
\_\_\_\_\_

**Date:** 18-Nov-2022  
\_\_\_\_\_

## 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 further increase debt transparency, the Recipient has issued regulatory decree No. 40/2022 dated July 14, 2022, broadening the coverage of public debt in the annual debt bulletins to cover the nonfinancial public sector (central government, state owned enterprises and municipalities).
2. To further strengthen fiscal risk management, the Recipient has issued a statement of the ministerial order No. 96/2022 dated July 12, 2022, setting out relevant criteria to assess the credit risk of guarantees' beneficiaries and the basis for charging fees, requiring collateral, and instituting a reserve fund.
3. To further strengthen the management of fiscal risks associated to disaster and climate-related shocks, the Recipient has issued resolution No. 75/2022 dated June 30, 2022, mandating: (i) the assessment of contingent liabilities associated to disaster and climate-related risks; and (ii) its inclusion in the Annual Fiscal Risk Statement.
4. To increase the resilience of the most vulnerable population to external shocks, including droughts, the Recipient has enacted decree-law No. 33/2022 dated July 27, 2022, establishing a shock-responsive safety net framework, indicating its features, implementation processes, roles and responsibilities.
5. To increase the resilience of vulnerable households to droughts, the Recipient has issued decree-law No. 32/2022 dated July 27, 2022, amending decree-law No. 59/2018 dated November 16, 2018, which established the National Emergency Fund (FNE), to expand the eligible expenditures financed by the FNE, enabling drought-related emergency response and recovery activities.
6. To improve the coordination of social programs and the efficiency of targeting the poor and most vulnerable, the Recipient has: (i) issued regulatory decree No. 41/2022 dated July 27, 2022, which amends regulatory decree No. 7/2018 dated September 20, 2018, to mandate social programs using the social registry to provide feedback data; and (ii) issued *Portaria* No. 33/2022 dated July 14, 2022, which instructs the housing rehabilitation program (PRH) to focus support to households in group I and II in the Single Social Registry.
7. To implement the power sector restructuring, the Recipient has enacted decree-law No. 34/2022 dated July 27, 2022, to: (i) mandate ELECTRA's disinvestment from

power sector activities; and (ii) vertically unbundle the power sector by creating a thermal electricity generation company, an electricity distribution company, and an electricity system operator company.

8. To modernize the tourism regulatory framework and in line with the ENDRR strategy, the Recipient has adopted three decree laws stipulating: (i) updated licensing requirements for tourism accommodation operators, including disaster and climate risk considerations (decree-law No. 45/2022 October 7, 2022); (ii) a legal regime for tourism and hospitality establishments in rural areas (decree-law No. 43/2022 dated October 7, 2022); and (iii) updated rules and norms for tourism service providers (decree-law No. 44/2022 October 7, 2022).
9. To promote the development of the fisheries sector and sustainable use of marine and coastal resources, the Recipient has issued *Portaria* No. 36/2022 dated July 25, 2022, which approves the list of eligible species for aquaculture activities.

**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 for Credit (A); a single withdrawal tranche for Credit (B); and a single withdrawal tranche for Credit (C), 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 EUR) for Credit (B)</b> | <b>Amount of the Financing Allocated (expressed in SDR) for Credit (C)</b> |
|---------------------------|--|--|--|
| Single Withdrawal Tranche | 17,600,000   | 20,500,000   | 7,900,000  |
| <b>TOTAL AMOUNT</b>       | 17,600,000   | 20,500,000   | 7,900,000  |

**C. Withdrawal Tranche Release Conditions**

**1. Withdrawal of Tranche Release Conditions with respect to Credit (A) and Credit (B)**

- (a) 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: (i) with the Program being carried out by the Recipient; and (ii) with the adequacy of the Recipient's macroeconomic policy framework.

**2. Withdrawal of Tranche Release Conditions with respect to Credit (C)**

- (a) No withdrawal shall be made of the Single Withdrawal Tranche for Credit (C) unless the Association is satisfied, based on evidence satisfactory to it, that a government declaration or other executive notification has been issued or a State of Calamity to respond to an imminent or occurring natural catastrophe.
- (b) Notwithstanding the foregoing, if, at any time prior to the receipt by the Association of a request for withdrawal of an amount of Credit (C), the Association determines that a review of the Recipient's progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance with respect to Credit (C) unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by the Recipient in carrying out the Program.
- (c) No withdrawal shall be made of the Single Withdrawal Tranche for Credit (C) unless the Association is satisfied, based on evidence satisfactory to it, that the situation described in paragraph (c) of Section 3.01 of Article III of this Agreement has been resolved.

**D. Deposit of Financing Amounts**

The Recipient, within thirty (30) days after the withdrawal of any of Credit (A), Credit (B) or Credit (C) 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 Conditions; (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 Condition 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 (4) 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**

1. The Closing Date for Credit (A) is December 31, 2023.
2. The Closing Date for Credit (B) is December 31, 2023.
3. The Closing Date for Credit (C) is February 15, 2026.

**SCHEDULE 2**

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

| <b>Date Payment Due</b>                                    | <b>Principal Amount of the Credit (A)<br/>repayable<br/>(expressed as a percentage)*</b> |
|--|--|
| On each January 15 and July 15:                            |  |
| commencing January 15, 2033 to and including July 15, 2042 | <b>1%</b>  |
| commencing January 15, 2043 to and including July 15, 2062 | <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) of the General Conditions.

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

| <b>Date Payment Due</b>                                       | <b>Principal Amount of the Credit (B)<br/>repayable<br/>(expressed as a percentage)*</b> |
|---|--|
| On each January 15 and July 15:                               |  |
| commencing January 15, 2029 to and including January 15, 2034 | <b>8.33334%</b>  |
| On July 15, 2034  | <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) of the General Conditions.

**III. Repayment Schedule for Credit (C)**

| <b>Date Payment Due</b>                                    | <b>Principal Amount of the Credit (C) repayable (expressed as a percentage)*</b> |
|--|--|
| On each January 15 and July 15:                            |  |
| commencing January 15, 2033 to and including July 15, 2042 | <b>1%</b>  |
| commencing January 15, 2043 to and including July 15, 2062 | <b>2%</b>  |

\* The percentages represent the percentage of the principal amount of Credit (C) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions or Section 2.08 of Article II of this Agreement.

## **APPENDIX**

### **Definitions**

1. “Annual Fiscal Risk Statement” means an analysis of fiscal risks with information on the quantification of such risks and their possible impacts at the macroeconomic level and on public accounts. This statement defined in Regulatory Decree No. 5/2021, dated October 29, 2021 (chapter V), is presented and included in the Recipient’s state budget proposal report, which is an annex to the Recipient’s state budget law to be presented to the National Assembly annually.
2. “Cape Verdean Escudos” means the currency having legal tender in the territory of the Recipient.
3. “Credit (A)” means the credit in the amount referenced in Section 2.01(a) of this Agreement and the Credit for purposes of paragraph 24 of the General Conditions.
4. “Credit (B)” means the credit in the amount referenced in Section 2.01(b) of this Agreement and the Credit for purposes of paragraph 24 the General Conditions.
5. “Credit (C)” means the credit in the amount referenced in Section 2.01(c) of this Agreement and the Credit for purposes of paragraph 24 of the General Conditions.
6. “ELECTRA” means Electra SA, the main electricity and water company in in the Recipient’s territory, initially founded as a public company on April 17, 1982 (under decree-law no. 37/1982) by the merger of Electricidade e Água do Mindelo (EAM - Mindelo Electricity and Water), Central Eléctrica da Praia (CEP - Praia Central Electricity) and Electricidade e Água do Sal (EAS - Sal Electricity and Water, and converted into a public limited company in 1998.
7. “ENDRR” means the Recipient’s National Disaster Risk Reduction Strategy (2018-2030).
8. “Food Insecurity Crisis” means an event or events driven by natural disasters, economic shocks, and/or public health threats, which pose a significant threat of becoming a large-scale food security crisis within a country or across countries, in accordance with criteria acceptable to the Association.
9. “FNE” means the Recipient’s national emergency fund, an autonomous fund with administrative and financial autonomy, operating under the Finance government department, aiming to finance actions, activities and means that contribute to increase the operational readiness of the national authorities in the imminence of natural disasters and response actions, including relief, assistance to the population and restoration of normal living conditions in areas affected by these events, which is governed by its statute approved by Decree-law no. 59/2018.

10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
11. “Preparedness Plan” means the Recipient’s plan to be prepared and adopted in a manner acceptable to the Association, setting out the operational procedures to respond to and contain a Food Insecurity Crisis.
12. “PRH” means the Recipient’s housing rehabilitation program.
13. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 27, 2022 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, including the Recipient’s commitment to develop and adopt a Preparedness Plan no later than twelve (12) months after the Effective Date.
14. “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.
15. “Single Social Registry” means *Cadastro Social Unico*, which is a database containing a record of the most vulnerable families in the Recipient’s territory.
16. “Single Withdrawal Tranche” means the Single Withdrawal Tranche for Credit (A) or the Single Withdrawal Tranche for Credit (B) or the Single Withdrawal Tranche for Credit (C) as the context may require.
17. “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.
18. “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.
19. “Single Withdrawal Tranche for Credit (C)” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche for Credit (C)” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

20. “State of Calamity” means a declaration by the Recipient, through a Resolution from its Council of Ministers, of a state of calamity (*situação de calamidade*) due to a catastrophe, in accordance with article 20 of Law No. 12/VIII/2012 of March 7, 2012 and article 265(2) of the Recipient’s Constitution of 2010, as they may be amended from time to time.