
CREDIT NUMBER 6744-CV

Financing Agreement

(Second State-Owned Enterprises Reform and Fiscal Management
Development Policy Financing)

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6744-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 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to eighteen million three hundred thousand Special Drawing Rights (SDR 18,300,000) (variously, “Credit” and “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.
- 2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.04. The Payment Dates are May 15 and November 15 in each year.
- 2.05. The principal amount of the Credit 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 that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

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 (20) 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:

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;

Hernani.trigueiros@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:

H.E. Dr. Olavo Avelino Garcia Correia

Authorized Representative

Name: H.E. Dr. Olavo Avelino Garcia Correia

Title: Minister of finance

Date: 28-ago-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Nathan M. Belete

Authorized Representative

Name: Nathan M. Belete

Title: Country Director

Date: 25-Aug-2020

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 enhance the financial sustainability and quality of maritime inter-island service provision, the Recipient has established, in the Concession Contract, rules governing public service obligations and quality requirements of maritime inter-island transportation.
2. To increase energy affordability for low-income households, the Recipient has: (a) adopted decree law No. 22/2019 dated June 4, 2019, granting access to the social electricity tariff to households classified as very poor and poor in the Single Social Cadaster; and (b) adopted joint directive No. 14/2020 dated March 19, 2020, making the enrollment of these households into the social tariff scheme automatic.
3. To increase the sustainability of the energy sector and reduce the cost and environmental impact of power generation, the Recipient has adopted resolution No. 39/2019 dated April 8, 2019, approving the 2018-2040 Power Sector Master Plan, fostering the use of renewable energies.
4. To promote energy efficiency, the Recipient has adopted decree law No. 25/2019 dated June 13, 2019, establishing a national labeling system for electrical equipment, including fines for suppliers, distributors, and retailers who do not comply with the labelling system.
5. To improve fiscal transparency and increase social inclusiveness of Casa Para Todos, the Recipient has: (a) carried out an independent financial audit of IFH's 2019 accounts dated March 30, 2020 and; (b) issued resolution No. 161/2019 dated December 30, 2019, establishing subsidies for youth and persons with disabilities to buy their first home.
6. To improve competition and ensure an open and non-discriminatory access regime in the international bandwidth capacity market, the Recipient has adopted decree No. 8/2019 dated October 15, 2019, implementing ECOWAS Regulation C-REG-06-06-12, stipulating conditions for accessing landing stations for international submarine fiber optic cables.
7. To strengthen the Medium-Term Fiscal Framework, the Recipient has enacted law No. 69/IX/2019 dated December 31, 2019, approving the 2020 Budget that includes a MTFF consistent with the provisions of the new budget and debt laws and reflecting medium-term fiscal targets supporting a decline in the public debt to GDP ratio.

8. To improve the financial independence and sustainability of the Court of Accounts, the Recipient has adopted decree law No. 50/2019 dated November 28, 2019, updating the Court of Accounts' legal regimen, including the establishment of inflation-linked services fees.
9. To rationalize tax expenditures, the Recipient has enacted law No. 86/IX/2020 dated April 28, 2020, to revoke or streamline the main cost ineffective tax incentives.

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:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	18,300,000
TOTAL AMOUNT	18,300,000

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche 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

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the 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 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 (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.** The Closing Date is July 7, 2021.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2030, to and including May 15, 2040	1%
commencing November 15, 2040, to and including May 15, 2060	2%

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

APPENDIX

Definitions

1. “2018-2040 Power Sector Master Plan” means the Recipient’s strategy establishing measurable targets for power generation from renewable resources until year 2040 adopted through resolution No. 39/2019 dated April 8, 2019.
2. “2020 Budget” means the Recipient’s national budget for year 2020.
3. “Cape Verdean Escudos” means the Recipient’s lawful currency.
4. “Casa Para Todos” means the Recipient’s social housing program initiated in 2010 to reduce the social housing deficit in Cabo Verde.
5. “Concession Contract” means the contract dated February 15, 2020, signed between the Recipient and *Transinsular – Transportes Marítimos Insulares, S.A.*, to operate inter-island maritime transportation in the Recipient’s territory.
6. “Court of Accounts” means *Tribunal de Contas*, the Recipient’s supreme audit institution of the executive branch, established pursuant to Law No. 24 / IX / 2018 dated February 2, 2018.
7. “ECOWAS Regulation C-REG-06-06-12” means a regulation issued by the Economic Community of West African States on conditions for access to submarine cable landing stations and on international terrestrial capacity, dated June 6, 2012.
8. “Electricity Utility Company” means the Recipient’s main electricity and water utility company established as a public company pursuant to Decree-Law n° 37/1982 dated April 17, 1982, and transformed into a limited liability company through Decree-Law n° 68/1998 dated December 31, 1998.
9. “GDP” means Gross Domestic Product.
10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.
11. “IFH” means *Imobiliária, Fundiária e Habitat S.A.*, a state-owned enterprise for housing and urban land development established pursuant to Decree-Law No. 72/99 dated November 29, 1999.
12. “Medium-Term Fiscal Framework” and “MTFF” mean a 3-year planning exercise of the Recipient’s strategy to reach fiscal objectives and ensure fiscal and debt sustainability.

13. “National Assembly” means the Recipient’s highest legislative body.
14. “National Development Plan” means the Recipient’s economic development plan designed by the current administration to guide economic and social policies during 2017-2021.
15. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 11, 2020, 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.
16. “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.
17. “Single Social Cadaster” means *Cadastro Social Unico*, which is a database containing a record of the most vulnerable families in Cabo Verde.
18. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.