
CREDIT NUMBER 7005-CV

Financing Agreement

**(Cabo Verde: First Sustainable and Equitable Recovery
Development Policy Financing)**

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7005-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 twenty-one million two hundred thousand Special Drawing Rights (SDR 21,200,000) (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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 January 15 and July 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.

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 soeli.d.santos@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: 07-dez-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Nathan M. Belete

Authorized Representative

Name: Nathan M. Belete

Title: Country Director

Date: 07-Dec-2021

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 improve public debt transparency and strengthen fiscal risk management, the Recipient has issued Regulatory Decree No. 5/2021, dated October 29, 2021 mandating: (a) the quarterly publication of the debt bulletin; (b) the publication of the medium-term debt management strategy; and (c) the inclusion of a fiscal risk statement in the Budget Report.
2. To manage fiscal risks from the SOE sector, the Recipient has issued a Ministerial Resolution No. 48/2021, dated October 15, 2021, mandating: (a) the quarterly publication of the SOE sector bulletin; and (b) the inclusion of a fiscal risk assessment in the quarterly and annual SOE sector bulletins.
3. To support the poorest and most vulnerable population to cope with the protracted economic impact of the COVID-19 crisis, the Recipient has issued Resolution No. 14/2021, dated February 9, 2021, expanding the Social Inclusion Income for Emergency (RSI/E) to households from the poorest quintile not yet covered and all households in the second poorest quintile with children under the age of 15.
4. To improve the usability and the crisis response capabilities of the social protection system, the Recipient's Ministry of Family and Social Inclusion has issued Directive No. 34/2021, dated April 15, 2021, requiring municipalities to register informal workers, identified through the COVID-19 Emergency Cash Transfer Program for Informal Workers (RSO), into the Single Social Registry (*Cadastro Social Único*, CSU).
5. To promote private investment, improve operational performance, and reduce GHG emissions in the electricity sector, the Recipient has approved the restructuring and public divesture of the Electricity Utility Company, through Decree-Law No. 52/2021, dated July 21, 2021.
6. To promote environmentally sustainable investments in the tourism sector, the Recipient has approved Decree-Law No. 87/2020, dated December 18, 2020, regulating the process to approve construction projects in Integrated Tourism Development Zones (*Zonas de Desenvolvimento Turístico Integrado*, ZDTIs) and the relevant licensing process.
7. To attract sustainable and environmentally responsible private sector investment in fisheries, the Recipient has approved Decree-Law No. 15/2021, dated February 9, 2021, regulating aquaculture.

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	21,200,000
TOTAL AMOUNT	21,200,000

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

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 December 31, 2022.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing January 15, 2032 to and including July 15, 2041	1%
commencing January 15, 2042 to and including July 15, 2061	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. “Budget Report” means the analysis of the budget proposal that is annexed to the Recipient’s annual budget laws, starting with budget law for calendar year 2023.
2. “Cape Verdean Escudos” means the Recipient’s lawful currency.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “COVID-19 Emergency Cash Transfer Program for Informal Workers” and “RSO” mean *Rendimento Solidário*, the Recipient’s cash transfer program for informal workers established as a response to the COVID-19 pandemic, through Recipient’s Resolution No. 58/2020, dated March 30, 2020.
5. “Electricity Utility Company” means the Recipient’s main electricity and water utility company established as a public company pursuant to Decree-Law No. 37/1982, dated April 17, 1982, and transformed into a limited liability company through Decree-Law No. 68/1998, dated December 31, 1998.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
7. “GHG” means greenhouse gas emissions.
8. “Integrated Tourism Development Zones” and “ZDTIs” mean *Zonas de Desenvolvimento Turístico Integrado*, areas with a special potential for tourism, established by Law No. 75/VII/2010, dated August 23, 2010 and amended by Law No. 35/IX/2018, dated July 6, 2018.
9. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated September 20, 2021, 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.
10. “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.

11. “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.
12. “Single Social Registry” and “CSU” mean *Cadastro Social Único*, the Recipient’s database containing a record of the most vulnerable families in Cabo Verde, established by Regulatory Decree No. 7/2018, dated September 20, 2018.
13. “SOE” means state-owned enterprise.
14. “Social Inclusion Income for Emergency” and “RSI/E” mean *Rendimento Social de Inclusão Emergencial*, the Recipient’s COVID-19 emergency cash transfer program established under Decree-Law No. 41/2020, dated April 2, 2020.