
CREDIT (A) NUMBER 7457-CV
CREDIT (B) NUMBER 7458-CV

Financing Agreement

(First Fiscal Space and Sustainable Growth Development Policy Financing)

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER (A) 7457-CV
CREDIT NUMBER (B) 7458-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 eleven million five hundred thousand Special Drawing Rights (SDR 11,500,000), 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 seven million seven hundred thousand Special Drawing Rights (SDR 7,700,000), 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 for Credit (A) and for Credit (B) 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 The Service Charge is applicable only to Credit (A) and is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance of Credit (A).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 January 1 and July 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; 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:	E-mail:
248423 (MCI)	1-202-477-6391	kmiwa@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF CABO VERDE

By

Olavo Correia

Authorized Representative

Name: Olavo Correia

Title: Minister of finance

Date: 12-Dec-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Keiko Miwa

Authorized Representative

Name: Keiko Miwa

Title: Country Director

Date: 11-Dec-2023

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 tax revenue from international trade and as part of the phased adoption of the ECOWAS Common External Tariff (CET) Schedule, the Recipient has submitted to Parliament the 2024 Budget Bill which alters the Customs Tariff to align with the ECOWAS commitments (as evidenced by the Administrative Notice from the Legal Advisor of the National Assembly to the President of the National Assembly dated October 3, 2023).
2. To increase transparency and accountability in tax exemptions, the Recipient has issued a ministerial order introducing a quantification of tax exemptions in GRE (as evidenced by Ministerial Order no. 67/2023 dated September 26, 2023, published in the Recipient's Official Gazette no. 178 series II dated September 29, 2023).
3. To strengthen the climate resilience of all new public investments, the Recipient has issued a ministerial order, establishing a standardized screening system for the appraisal of new public investment including climate and disaster risk management considerations (as evidenced by Ministerial Order no. 71/2023 dated October 4, 2023, published in the Recipient's Official Gazette no. 183 series II dated October 6, 2023).
4. To promote the digitalization and climate resilience of public services and facilitate the transition from traditional service delivery to virtual e-services, the Recipient has issued: (a) a Decree-Law, updating the digital signature legislation (as evidenced by Decree-Law no. 27/2023 dated October 20, 2023, published in the Recipient's Official Gazette No. 109 Series I dated October 20, 2023); and (b) a Decree-Law, institutionalizing the electronic platform for public contracting and regulating the electronic processing of public contracts (as evidenced by Decree-Law no. 11/2023 dated February 17, 2023, published in the Recipient's Official Gazette no. 17 series I dated February 17, 2023).
5. To improve fisheries management, the Recipient has approved a decree-law governing fisheries licensing, better aligning access and sustainable exploitation with current international standards (as evidenced by Decree-Law no. 29/2023 dated October 31, 2023, published in the Recipient's Official Gazette no. 113 series I dated October 31, 2023).

6. To promote the protection, recognition, and sustainability of the historical hiking trails, the Recipient has enacted a decree-law introducing a management framework that promotes the proper use, maintenance, and rehabilitation of the existing hiking network (as evidenced by Decree-Law no. 28/2023 dated October 20, 2023, as published in the Recipient's Official Gazette no. 109 Series I dated October 20, 2023).
7. To lift one of the predominant constraints to gender equality in the labor market and unlock women's potential to be economically productive, the Recipient has amended the Labor Code and enacted a law establishing 90 days paid maternity leave and 10 days paid paternity leave (as evidenced by Law no. 32/X/2023 dated August 4, 2023, published in the Recipient's Official Gazette no. 82 Series I dated August 4, 2023).

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) for Credit A	Amount of the Financing Allocated (expressed in SDR) for Credit B
(1)Single Withdrawal Tranche	11,500,000	7,700,000
TOTAL AMOUNT	11,500,000	7,700,000

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 Condition.

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 for Credit (A) and Credit (B) is December 31, 2024.

SCHEDULE 2

I. Repayment Schedule for Credit (A)

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1	
Commencing January 1, 2034, to and including July 1, 2043	1%
Commencing January 1, 2044, to and including July 1, 2063	2%

* 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)

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1	
commencing January 1, 2030, to and including January 1, 2035	8.33334%
On July 1, 2035	8.33326%

* 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-7457-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-7458-CV) and the and the Credit for purposes of paragraph 24 the General Conditions.
4. “ECOWAS” means the Economic Community of West African States established pursuant to the Treaty of ECOWAS dated May 28, 1975.
5. “ECOWAS Common External Tariff” means the Common External Tariff for Economic Community for West African States adopted at the Heads of State Summit in October 2013.
6. “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).
7. “GRE” means “*Sistema de Gestão das Receitas do Estado*”, the Recipient’s State Revenue Management System.
8. “Labor Code” means the Recipient’s labor code decree no. 5/2007, as published in the Official Gazette no. 37 series I dated October 16, 2007.
9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 14, 2023 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 Single Withdrawal Tranche for Credit (A) or the Single Withdrawal Tranche for Credit (B) as the context may require.
12. “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.
13. “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.