

**Cabo Verde: Sixth Review Under the Extended Credit Facility Arrangement, Request for Extension and Augmentation of the Arrangement, Request for Extension of the Arrangement Under the Resilience and Sustainability Facility, Rephasing of Availability Dates, and Modification of a Reform Measure-Press Release; Staff Report; and Statement by the Executive Director for Cabo Verde**



# CABO VERDE

September 2025

## SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION AND AUGMENTATION OF THE ARRANGEMENT, REQUEST FOR EXTENSION OF THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REPHASING OF AVAILABILITY DATES, AND MODIFICATION OF A REFORM MEASURE—PRESS RELEASE, STAFF REPORT AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CABO VERDE

In the context of the Sixth Review Under the Extended Credit Facility Arrangement, Request for Extension and Augmentation of the Arrangement, Request for Extension of the Arrangement Under the Resilience and Sustainability Facility, Rephasing of Availability Dates, and Modification of a Reform Measure, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 9, 2025, following discussions that ended on May 13, 2025, with the officials of Cabo Verde on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 25, 2025.
- A **Statement by the Executive Director** for Cabo Verde.

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## Cabo Verde: IMF Executive Board Concludes the Sixth Review Under the Extended Credit Facility Arrangement and Approves the Requests for Extension and Augmentation of the Arrangement, and the Extension and Rephasing Under the Resilience and Sustainability Facility Arrangement.

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the sixth review under the Extended Credit Facility (ECF) arrangement and approved a fifteen-month extension and an augmentation equivalent to thirty percent of quota under the ECF arrangement. The Executive Board also approved a fifteen-month extension of the Resilience and Sustainability Facility (RSF) arrangement and the rephasing of availability dates under the RSF arrangement.
- The ECF arrangement aims to strengthen public finances, ensure debt sustainability, minimize fiscal risks from public enterprises, modernize monetary policy, and raise potential growth. The RSF arrangement aims to support the government's climate reforms and catalyze private climate finance.
- All end-December 2024 quantitative performance criteria (PCs), continuous PCs, and structural benchmarks (SBs) under the ECF arrangement were met. The indicative target (IT) on social spending at end-December 2024 was not met, albeit by a small margin. Implementation of reform measures (RMs) under the RSF arrangement has been slower than expected, reflecting the complexity and interconnectedness of the reforms and capacity constraints.

**Washington, DC:** The Executive Board of the IMF completed the sixth review under the ECF arrangement, which was approved on June 15, 2022, and approved a fifteen-month extension and augmentation under the arrangement. The augmentation of 30 percent of quota (SDR 7.11 million) brings access under the ECF arrangement to SDR 52.14 million. The completion of the sixth ECF review allows the disbursement of SDR 4.51 million (approximately US\$6.18 million). The Executive Board also approved the authorities' request for a fifteen-month extension under the RSF arrangement, rephasing of the availability dates for delayed reform measures (RMs), and the modification of one RM.

Cabo Verde's economy continues to perform well, underpinned by tourism, robust export performance, and private consumption growth. Economic growth in 2024 was strong at 7.3 percent, with 5.2 percent growth expected in 2025. Inflation is projected to stay near 2 percent, and the current account is expected to return to a small deficit in 2025. Continued data-driven adjustments in monetary policy may be needed to protect the exchange rate peg and appropriate reserves buffers. The financial system is liquid, profitable, and well capitalized. The 2024 fiscal balance exceeded program targets, driven by lower primary expenditures and strong tax revenue growth. The public debt-to-GDP ratio continues to decline.

Performance under the ECF arrangement continues to be strong. All end-December 2024 quantitative performance criteria (PCs), continuous PCs, and structural benchmarks (SB) for end-December 2024

were met. Implementation of RMs under the RSF has been weaker than expected despite efforts and ongoing CD support.

Cabo Verde's medium-term economic outlook remains favorable. Growth is expected to gradually converge to 4.8 percent by 2028, with inflation remaining around 2 percent, broadly in line with euro area inflation. The current account is expected to remain in deficit in the medium term as temporary factors dissipate due to increased capital expenditure on climate and infrastructure, while tourism-related growth moderates. The 2025 budget is aligned with the program and a continued decline in the public debt-to-GDP ratio to 104.9 percent by end-2025, below pre-pandemic levels.

The macroeconomic outlook remains favorable but is subject to downside risks. Risks stem from global uncertainty, uncertainties in global trade frameworks, and external financing challenges, while rising spending on climate and infrastructure, as well as slower tourism growth, could contribute further to imbalances. Delays in SOE reforms may impact fiscal stability. The high level of debt is a source of vulnerability, and concessional financing to limit debt servicing costs remains important. On the upside, continued strength in tourist arrivals could lift growth.

Following the Executive Board discussion on Cabo Verde, Acting Chair and Deputy Managing Director Bo Li issued the following statement:

Economic activity in Cabo Verde in 2024 was strong, growth in 2025 is projected to remain above potential, and the near-term outlook is favorable despite downside risks. Inflation has been low and is expected to remain at moderate levels in the medium term. Risks to the outlook include lower external demand in major tourism source countries; uncertainties related to global trade frameworks; and climate-related shocks.

"Program performance under the ECF was strong. All performance criteria were met. All program-supported structural reforms were also implemented. Progress under the RSF arrangement has been weaker than expected, reflecting the complexity and interconnectedness of the reforms and domestic capacity constraints.

"The fiscal position in 2024 exceeded program targets, and the debt-to-GDP ratio has continued to decline. The execution of public capital spending improved relative to 2023. Over the medium-term, domestic revenue mobilization and steadfast progress on fiscal structural reforms will continue while protecting social spending and prioritizing high-quality public investments. Steady progress on state-owned enterprise (SOE) reforms remains critical for limiting fiscal risks and improving services.

"The monetary policy framework is focused on safeguarding the peg. The BCV has continued to normalize monetary policy: interest differentials with the ECB have turned positive which will help protect external buffers. The financial sector remains stable, well-capitalized, profitable and liquid, although non-performing loans require continued monitoring.

"The authorities should continue implementing their ambitious structural reform agenda. This includes the implementation of the reform measures under the RSF arrangement to help catalyze broader financial and technical support for building climate resilience. To improve reform implementation capacity under the RSF, more resources need to be invested in planning and management. Other important actions include accelerating reforms to improve the business environment."



# CABO VERDE

June 25, 2025

## SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION AND AUGMENTATION OF THE ARRANGEMENT, REQUEST FOR EXTENSION OF THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REPHASING OF AVAILABILITY DATES, AND MODIFICATION OF A REFORM MEASURE

### EXECUTIVE SUMMARY

**Context.** Cabo Verde's economy continues to perform well. The authorities have successfully maintained macroeconomic and financial stability and remain committed to the program objectives. Economic growth in 2024 was strong at 7.3 percent fueled by tourism, with low 1.0 percent inflation and a current account surplus.

**Outlook and Risks.** Cabo Verde's outlook remains solid, with 5.2 percent growth expected in 2025, converging to 4.8 percent by 2028. Inflation is projected to stay near 2 percent, while the current account will return to deficit at -1.3 percent of GDP in 2025 and widening to -2.4 percent in 2026. Risks stem from global uncertainty, trade tensions, and external financing challenges, while rising spending on climate and infrastructure, as well as slower tourism growth could contribute further to imbalances. Foreign reserves are adequate, but delays in SOE reforms and rising debt may impact fiscal stability.

**Program Issues.** All end-December 2024 quantitative performance criteria (PCs), continuous PCs, and structural benchmarks (SB) for end-December 2024 have been met. The indicative target (IT) on social spending at end-December 2024 was not met, albeit by a small margin. Implementation of reform measures (RMs) under the RSF has been relatively weak and progressed more slowly than expected. Despite efforts and ongoing CD support, none of the six RMs have been completed under this review, and no disbursement under the RSF arrangement.

**Program extension, augmentation, rephasing, and conditionality.** Staff supports the authorities' request for a 15-month extension and augmentation of the ECF arrangement, along with a 15-month extension of the RSF. The ECF extension and augmentation would

address balance of payments (BoP) challenges, bolster economic resilience, and mitigate fiscal and monetary vulnerabilities, through policies to maintain debt sustainability; strengthen public financial management; advance strategic investments in renewable energy, digitalization, and the blue economy; and enhance the monetary policy framework. The augmentation is justified by increased BoP needs stemming from global uncertainty, rising investment-related imports, and elevated external financing risks. The proposed additional conditionality would support the authorities in addressing these BoP needs and program objectives. The RSF extension would provide additional time for climate-related reforms, given the slower-than-expected RM implementation so far.

**Approved By  
Costas Christou (AFR)  
and Niamh Sheridan  
(SPR)**

The discussions took place in Praia, Cabo Verde during May 5–13, 2025. The team consisted of Martin Schindler (head), José Sulemane, Nombulelo Gumata, Daniel Cunha, and Fidel Barroeta (all AFR), Bruno Albuquerque (SPR), Rodrigo García-Verdú (Res. Rep.), and António de Andrade (Local Economist, Res. Rep. Office). Mr. Pedro Miranda (OEDBR) also participated in the mission. The mission met with Vice Prime Minister and Minister of Finance Olavo Correia, Central Bank Governor Oscar Santos, members of the National Assembly, other government and central bank officials, representatives of the private sector, and development partners. Lester Magno (AFR) assisted in the preparation of this report.

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# CONTEXT AND RECENT DEVELOPMENTS

## Context

- 1. Cabo Verde's economy demonstrated strong growth momentum in 2024,** underpinned by resilient tourism activity, steady private consumption, and robust exports. The government has navigated macroeconomic challenges effectively, sustaining fiscal stability and advancing key structural reforms. However, challenges persist, including climate vulnerabilities, fiscal pressures from state-owned enterprises (SOEs), and global economic uncertainties.
- 2. The country is at a midpoint in its political cycle.** Municipal elections in December 2024 proceeded smoothly but provided early signs that the ruling party may face challenges in the 2026 legislative (April) and presidential (October) elections. While political pressures may create fiscal risks, policies remain focused on debt sustainability and economic resilience, with a particular emphasis on improving public investment and SOE management.
- 3. Program performance is on track. All quantitative performance criteria (PC) for end-December 2024** and all continuous PCs, as well as all structural benchmarks (SB) under this review were met. The Indicative Target (IT) for social spending at end-December 2024 was not met, albeit by a small margin. Reform Measures (RMs) under the RSF are progressing, although more slowly than foreseen, and none of the six RMs were completed under this review.
- 4. A 36-month ECF arrangement (approved June 15, 2022, SDR 45.03 million, 190 percent of quota) supports the authorities' economic policy agenda.<sup>1</sup>** Its main objectives are to strengthen public finances, lower debt, improve public enterprises, modernize monetary policy, and boost economic growth. An 18-month RSF arrangement (approved December 11, 2023, SDR 23.7 million, 100 percent of quota) focuses on climate reforms and catalyze private finance for climate adaptation and transition.
- 5. The authorities are requesting a fifteen-month extension of the ECF arrangement and an augmentation equivalent to thirty percent of quota.** The extension until December 21, 2026, is warranted to ensure the continued success of the authorities' economic policy and structural reform agenda under the program. It will also help address risks associated with longer-term structural challenges posed by climate change, thereby contributing to Cabo Verde's prospective Balance of Payments (BoP) needs. The augmentation will help address the country's increased prospective BoP needs amid global uncertainty, substantial investment-driven import demand in the near and medium term, and heightened financing risks, including regarding the Millennium Challenge Corporation (MCC)'s third compact, announced in December

<sup>1</sup> A technical 3-month extension through September 21, 2025, was approved by the Board to provide more time for preparing the sixth ECF review.

2023 but recently put on hold. The augmentation of 30 percent of quota (SDR 7.11 million) will bring the total ECF arrangement to SDR 52.14 million.

## 6. The authorities are also requesting a fifteen-month extension of the RSF arrangement.

While the ECF extension would support broader economic policies, extending the RSF would complement these efforts by providing more time to complete delayed RMs.

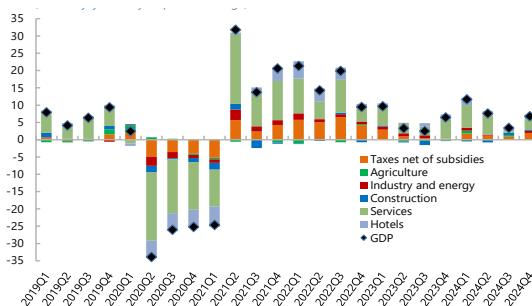
## Recent Developments

### 7. Macroeconomic performance in 2024 was strong.

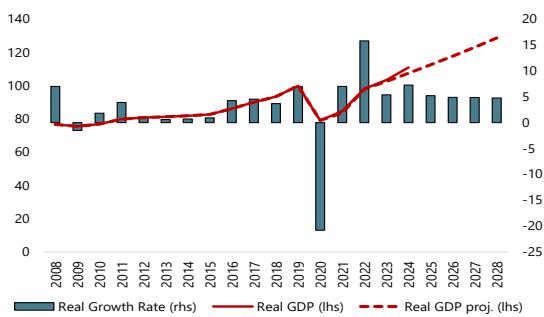
- Real GDP growth is estimated at 7.3 percent while inflation remains low (Text Figure 1).**

Tourism was a key driver for macroeconomic growth, with air passenger arrivals in 2024 having surpassed pre-pandemic levels (Text Figure 2a); net exports and private consumption also contributed, with a small drag from investment. The output gap is estimated to be slightly negative (Annex III). Inflation has remained below 2 percent since October 2023, mirroring declines in the euro area, and stood at 1.0 percent on average and 1.4 percent y-o-y in December 2024. Core inflation reached 1.6 percent (y-o-y) at end-2024. Inflation in the first four months of 2025 rose above 2 percent y-o-y for the first time since October 2023.

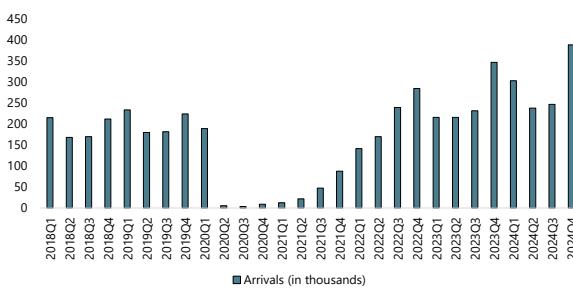
**Text Figure 1a. Cabo Verde: Contributions to Growth**  
(Quarterly, year-on-year percent change)



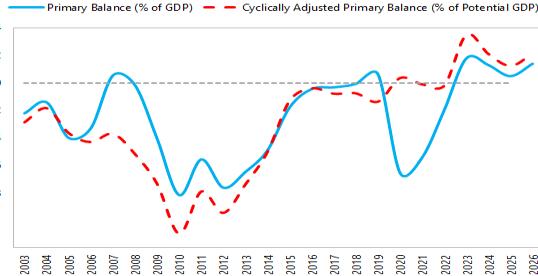
**Text Figure 1b. Cabo Verde: Real Output and Growth Rates**  
(2019 Base = 100)



**Text Figure 2a. Cabo Verde: Tourism Developments**



**Text Figure 2b. Cabo Verde: Primary Balance and Cyclically Adjusted Primary Balance**



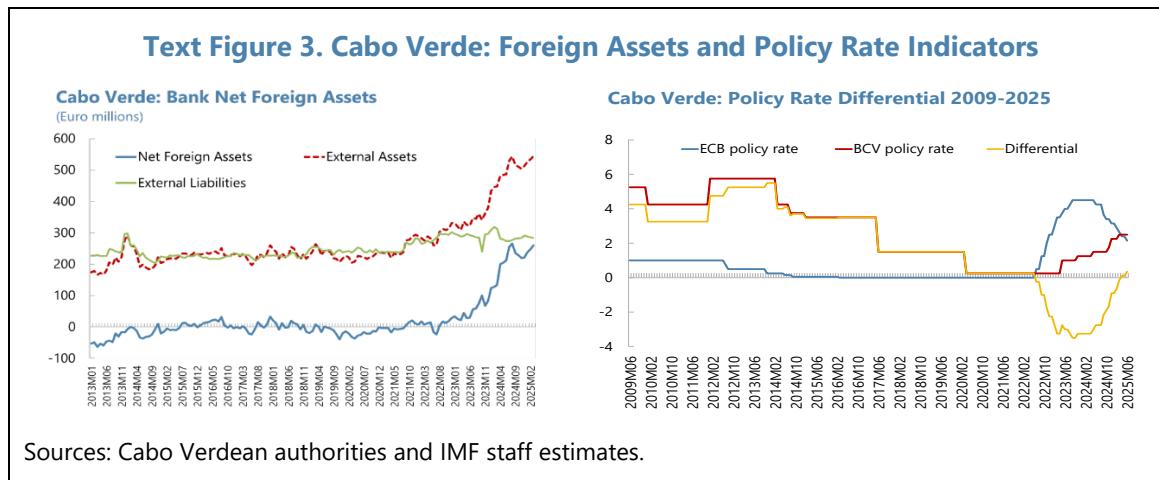
Sources: Cabo Verdean authorities and IMF staff estimates.

- **The 2024 fiscal balance exceeded program targets, driven by lower primary expenditures and strong tax revenue growth.** Economic activity and policy measures linked to enhancing electronic invoicing and modernizing tax arrears collection boosted the tax-to-GDP ratio to 20.1 percent, a 0.9 percentage point increase over 2023. While tax collection increased by 14 percent y-o-y, overall revenue growth was lower at 7 percent reflecting a mild nominal contraction in grants, tied to the under-execution of capital spending, and in other revenues reflecting the base effect of the 2023 one-off first installment of the airport concession fee. Primary expenditure remained stable at 23.4 percent of GDP. Current primary spending came in 1.3 percent of GDP below program projections due to the nominal wage bill freeze and slower growth in the acquisition of goods and services. The 2024 primary balance thus registered a surplus of 1.3 percent of GDP (versus a projected deficit of 0.1 percent at the fifth review) (Text Figure 2b), helped by cyclical factors (Annex VI).
- **The current account balance was stronger than expected, and reserves comfortably exceeded the December 2024 target (Table 6).** The current account surplus of 3.7 percent of GDP in 2024 (following a deficit of 2.5 percent of GDP in 2023)—the first surplus since the pandemic and reaching an all-time high—was driven by a temporary surge in exports of goods and services, robust remittances, and moderate growth in goods imports, partially related to low public investment. Growth in goods exports largely reflected the 2023 delay in renewing a European Union (EU) fish trade derogation (granted in May 2024), enabling a sharp expansion in fish exports during 2024Q2.<sup>2</sup> The financial account recorded a large deficit of 3.8 percent of GDP in 2024 (relative to a surplus of 3.9 percent of GDP in 2023) mainly on account of the increase in banks' net foreign assets, and to a base effect related to the airport concession to Vinci Airports in 2023. Gross international reserves (GIR) stood at €736 million at end-December against a target of €643 million, covering 5.9 months of prospective imports.
- **Monetary policy tightening has continued to protect reserves by narrowing the interest rate gap with the euro area.** The BCV has continued to normalize monetary policy over the past meetings, with the aim of aligning its policy rates with those of the ECB. In its latest May 2025 meeting, the BCV increased the deposit rate by 30 bps to 2.25 per cent to fully close the gap with the ECB. The policy rate stood at 2.5 percent, representing a positive differential of 35 bps relative to the ECB policy rate, an important adjustment from the negative 215 bps in September 2024. Although banks reduced external assets to €222 million at end-December 2024, they have increased again in 2025Q1 to €261 million, remaining considerably above end-2023 levels (€84 million) (Text Figure 3). As of March

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<sup>2</sup> To support Cabo Verde's fish exports, the EU typically grants an annual derogation from standard rules of origin, allowing the country to export certain fish products under preferential tariff conditions. Until these special licenses are approved, exports are subject to a capped limit. The delay in securing the derogation in 2023 consequently impacted fish exports that year. On May 6, 2024, the EU renewed the derogation until the end of 2025, granting originating status to 6,300 tons of fish products—including tuna, mackerel, and frigate tuna—processed in Cabo Verde from fish which is not of Cabo Verde origin. Fish exports account for about 80 percent of Cabo Verde's total goods exports.

2025, M2 grew by 8.2 percent y-o-y, total deposits by 7.6 percent, and credit to the private sector by 5.0 percent. Despite successive policy interest rate hikes, the impact on bank lending rates and credit to the economy has been muted (Annex IV).



- The financial sector appears stable, adequately capitalized, profitable, and liquid, although non-performing loans (NPLs) require close monitoring (Table 5). At end-December 2024, regulatory capital to risk-weighted assets (CAR) equaled 23.9 percent, broadly unchanged from end-December 2023 and well above the regulatory minimum of 12 percent. Returns on equity and assets stood at 18.3 and 1.9 percent, respectively, both moderately higher than at end-December 2023 (18 and 1.8 percent, respectively). The relatively low return on assets is mainly a reflection of legacy NPLs related to the 2008 global financial crisis. At 7.9 percent of total loans at end-December 2024, NPLs were slightly higher than at end-2023 (7.3 percent), but substantially down from about 11 percent in 2024Q3. The improvement in the NPLs reflects the combination of an improvement in overall economic conditions which has contributed to a recovery in firms' profitability, together with the restructuring of a NPL secured by a state guarantee related to an SOE in the transport sector. Lastly, despite the improvement in NPLs, credit-at-risk has been increasing, raising concerns over future vulnerabilities.

## OUTLOOK AND RISKS

- Cabo Verde's economic outlook remains solid but is subject to substantial risks. GDP growth in 2025 is projected at 5.2 percent with underlying potential growth around 4.8 percent (Annex III). Inflation is expected to remain aligned with euro area trends at around 2 percent. The current account is projected to return to a gradually widening deficit—1.3 percent of GDP in 2025 and 2.4 percent in 2026—as temporary factors dissipate due to increased capital expenditures on climate and infrastructure while tourism-related growth moderates. The medium-term current account projections have been downgraded relative to the 5<sup>th</sup> ECF review on the back of the intensification of global trade tensions, which are expected to negatively impact key trading partners, and the increased uncertainty regarding external financing (e.g., MCC's third compact). The financial account is expected to recover gradually to 0.1 percent of GDP in 2025 and a surplus

of 1.9 percent of GDP in 2026, although projections for 2025 have been revised downward relative to the 5<sup>th</sup> ECF review reflecting the persistence in banking sector outflows. Reserves are projected to remain within the target levels set out by the BCV, with the reserve coverage ratio reaching 5.3 over the medium term.

**9. Risks are tilted to the downside.** Cabo Verde is vulnerable to external shocks, including in energy, food prices, and tourism, as well as uncertainties related to global trade frameworks. Climate-related risks, such as rising sea levels and extreme weather events, pose long-term threats to infrastructure and economic stability. Delays in SOE reforms and increasing public debt could undermine fiscal sustainability. While the direct impact of the new US tariffs on Cabo Verde is likely to be small, with the US accounting for only 3.7 percent of goods exports in 2024 and the proposed tariff at the low end (10 percent), the indirect impact could be bigger if the tariffs cause a global economic slowdown and heightened external financing risks, potentially hurting exports and tourism revenues. While ODA cuts pose risks to the external position, their impact on fiscal accounts is limited, as grants are typically earmarked for specific expenditures and thus have a neutral effect on the primary balance. While upcoming elections may create additional fiscal risks. On the upside, continued strength in tourist arrivals could lift growth.

**10. Contingency planning in case a severe downside scenario materializes includes several policy measures.** An escalation of trade-related conflicts could significantly impact both the global economy and Cabo Verde. Transmission channels would likely include weaker external demand, which would reduce Cabo Verde's exports to key trading partners, lower remittances, and dampen tourism inflows—ultimately weighing on the current account balance. Cabo Verde's goods exports are heavily concentrated in fish products (79 percent of total exports in 2024), and clothing and apparel (10.5 percent of total exports), with the vast majority destined for European markets (94.7 percent), particularly Spain and Portugal. Given this export structure, the Cabo Verdean economy has limited direct exposure to higher U.S. tariffs. Ongoing policy efforts under the ECF and RSF arrangements, including to diversify the economy, strengthen fiscal buffers, and increase climate resilience, would help Cabo Verde better cope with adverse shocks, including climate shocks. In addition, contingency measures include expanding social protection to shield the most vulnerable, adjusting fiscal expenditures while safeguarding capital spending, and advancing structural reforms to enhance international competitiveness and productivity. The authorities' strong track record of program commitment would facilitate the implementation of needed policy adjustments.

## PROGRAM PERFORMANCE

**11. Performance under the ECF has been strong, while the implementation of reform measures (RMs) under the RSF has been slower than expected.**

- All QPCs for end-December 2024 were met, as well as all continuous PCs were met. The Indicative Target (IT) for social spending at end-December 2024 was not met due to slower-than-projected spending increases in health and education programs (Table 6).

- **SBs** related to tax expenditures and the adoption of the 2025 budget consistent with program parameters, both end-December 2024, were met (Table 7a).
- **Program performance under the RSF has been relatively weak.** **RMs** for the 3<sup>rd</sup> RSF review are progressing, albeit more slowly than foreseen. RM4 scheduled for this review, will be delayed. FAD will provide additional TA to support RM4 by helping develop a pipeline of green and resilient capital projects. Past FAD TA helped estimate the cost-recovery tariffs for electricity and water (RM5 and RM6, respectively)—both RMs were scheduled for this review, but are now expected to be implemented by end-2025. RM7 and RM8, though advanced, still need additional work and are expected to be completed by October 2025. On RM9, the authorities received training from MCM in September 2024 and have hired a consultant to provide capacity to BCV on banks' climate information architecture, and MCM will continue provide TA. This RM has been delayed since the 2<sup>nd</sup> RSF review, and the new implementation date is April 2026. In summary, RM4, RM5, RM6, RM7, RM8 and RM9 will be delayed and rephased for future reviews.

## POLICY DISCUSSIONS

### A. Strengthen Public Finances to Preserve Debt Sustainability

**12. Fiscal policy remains anchored by a primary balance path consistent with reducing the public debt-to-GDP ratio.** The 2025 budget is aligned with the program (SB, December 2024). The primary balance is projected at 0.5 percent of GDP in 2025, below the 2024 outturn but exceeding previous projections (0.4 percent of GDP, fifth review).

- **Tax revenue.** Tax revenue in 2024 was higher than expected at the fifth review reflecting stronger tax arrears collection, tax compliance measures, and higher tobacco and alcohol taxes. In 2025, tax collection is expected to benefit from reduced tax expenditures (SBs, September and December 2024) (Text Table 2), cutting customs exemptions and other preferential tax treatment related to the ECOWAS implementation (WTO-compliant), and harmonization of tobacco, alcohol, and fuel taxes. The already legislated tax on arrivals is expected to be implemented in July 2025 following delays related to coordination with ICAO and the domestic civil aviation regulator. A reduced CIT exemption on large investment-related imports passed into law in 2024<sup>3</sup> and the VAT reform law to be submitted to parliament up to end-June 2025 are expected to further expand the tax base in 2026.

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<sup>3</sup> Incentives under contractual conventions have been part of Cabo Verde's legislation for several years. Previous to the new law, these incentives were designed to exempt firms from several taxes, such as import duty, CIT, property tax and stamp duty, and are granted by the Council of Ministers on condition that the beneficiaries meet the requested conditions.

**Text Table 1. Cabo Verde: Revised 2024-25 Fiscal Framework**

	2024				2025			
	Budget Millions of CVE	Percent of GDP	5th Review-SR Millions of CVE	Percent of GDP	Est. Outturn Millions of CVE	Percent of GDP	Budget Millions of CVE	Percent of GDP
<b>Revenue</b>	77,050	27.5	67,064	24.1	69,525	24.6	90,584	30.5
Taxes	55,281	19.8	54,010	19.4	56,639	20.1	60,544	20.4
Grants	6,410	2.3	3,958	1.4	2,926	1.0	4,944	1.7
Other revenue	15,337	5.5	9,096	3.3	9,960	3.5	25,017	8.4
<b>Expenditure</b>	85,227	30.5	73,607	26.5	72,486	25.7	95,667	32.2
Expense 1/	74,417	26.6	68,076	24.5	65,888	23.4	80,998	27.3
Net acquisition of nonfinancial assets	10,810	3.9	5,531	2.0	6,598	2.3	14,668	4.9
<b>Primary balance</b>	-1,938	-0.7	-325	-0.1	3,626	1.3	1,092	0.4
<b>Overall balance</b>	-8,177	-2.9	-6,542	-2.4	-2,962	-1.0	-5,082	-1.7
<b>Net other liabilities</b>	657	0.2	-558	-0.2	-1,267	-0.4	-1,115	-0.4
o/w Onlending to SOEs for investment purpose	-194	-0.1	-441	-0.2	-13	0.0	-696	-0.2
o/w Other onlending (net)	-75	0.0	172	0.1	452	0.2	315	0.1
o/w Capitalization	-2,600	-0.9	-2,600	-0.9	-2,869	-1.0	-2,200	-0.7
o/w Drawdown of deposits	1,215	0.4	0	0.0	-215	-0.1	1,856	0.6
<b>Financing needs</b>	-7,520	-2.7	-7,100	-2.6	-4,229	-1.5	-6,197	-2.1
<b>Financing</b>	7,520	2.7	7,100	2.6	4,229	1.5	6,197	2.1
Domestic (net)	3,835	1.4	5,494	2.0	3,029	1.1	1,549	0.5
External (net)	3,685	1.3	1,607	0.6	1,200	0.4	1,012	0.3
<b>Public debt (percent of GDP)</b>	...	...	111.8	...	109.9	...	...	107.1
<b>Memorandum items:</b>								
Of which non-cash revenues 2/	0	0.0	0	0.0	0	0.0	4,911	1.7
Of which non-cash expenditures 2/	0	0.0	0	0.0	0	0.0	4,911	1.7
Nominal GDP	279,849		277,851		282,079		296,751	
							297,596	
								303,426

Sources: Cabo Verdean authorities and IMF staff projections.

1/ Considering 2025 budget clause to adjust downwards of goods and services expenditures

2/ Program projections do not include non-cash transactions as per the TMU definitions

- Non-tax revenue.** Stronger-than-expected collection of services fees contributed to a higher 2024 outturn. Staff's 2025 projections differ from the budget due to a 1.7 percent of GDP non-cash transfer from ASA (state-owned air traffic control company), offset by an equivalent airport infrastructure asset acquisition by the central government from ASA, which is excluded from staff projections. Other revenues were lower than budgeted due to a downward revision of recurrent collections compared to the fifth review by around 3 percent of GDP, in part reflecting lower property income linked to a reassessment of real estate asset values.
- Grants.** Grants in 2024 were lower mostly due to the under-execution of capital spending related to the non-operationalization of the third MCC compact. Grants in 2025 are projected to increase by 0.3 percent of GDP. In the fifth review, staff projections included grants from a prospective third MCC compact, assuming annual disbursements of 0.4 percent of GDP during 2024-2028 (Text Table 3). However, as the arrangement has been put on hold, grants projections are revised downward by the same amount, with a corresponding 0.4 percent of

**Text Table 2. Cabo Verde: Tax Revenue Projections 2024-26**  
(Percent of GDP)

Tax revenue to GDP 2024 (5th review)	19.4
Tax and revenue measures 2024	0.9
Increase in tobacco alcohol lump-sum tax	0.2
Compliance measures and electronic invoicing	0.3
Arrears collection	0.4
Change in nominal GDP (relative to 5th review)	-0.1
Tax revenue to GDP 2024 (6th review)	20.1
Tax policy measures 2025	0.6
Reduction in tax expenditures (customs and excise)	0.4
ECOWAS implementation	0.2
Harmonize tobacco, alcohol, and fuel taxation	0.2
Other taxes	0.2
Tourists arrivals	0.2
Change in nominal GDP (relative to 5th review)	-0.5
Tax revenue to GDP 2025 (6th review)	20.1
Tax policy measures 2026	0.6
Reduction in tax expenditures (Non-customs)	0.6
Item by item revision of domestic and import VAT exemptions	0.3
Reduction of CIT exemption on import component of new investments	0.3
Change in nominal GDP (relative to 5th review)	-0.5
Tax revenue to GDP 2026 (6th review)	20.2

Sources: Cabo Verdean authorities and IMF staff estimates.

GDP reduction in current transfers in the BoP. As a result, the freeze in MCC funding contributes to a weaker fiscal and external position, and hence larger BoP needs, over the medium term.

**Text Table 3. Cabo Verde: Revised Grants**

(Percent of GDP)

	t=2024 5th Review	t=2025 Est. Outturn	t=2025 5th Review	Cumulative change 5th Review	Cumulative change Proj.
<b>Grants in <math>t_{-1}</math></b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.0</b>	
Change in grants	0.1	-0.3	0.3	0.3	0.4
MCC compact	0.4	0.0	0.0	0.0	0.4
Other bilateral agreements	-0.3	-0.3	0.3	0.3	0.0
<b>Grants in t</b>	<b>1.4</b>	<b>1.0</b>	<b>1.7</b>	<b>1.3</b>	

Sources: Cabo Verdean authorities and IMF staff estimates.

- **Spending.** Primary spending in 2025 is projected to be 1.8 percent of GDP below the fifth review projections (Text Table 4), reflecting higher nominal GDP growth and lower nominal expenditures. Due to the lower-than-expected 2024 outturn, the growth rate of nominal spending remains broadly in line with the fifth review. Capital expenditures are projected to rise in 2025, as are current expenditures reflecting the legislated wage increase for public servants (following a five-year nominal freeze) and higher spending on goods and services tied to public investment feasibility studies. For 2026, the phasing out of the 2025 second tranche of the one-off airport concession fee (Annex VI) will require structural expenditure consolidation. A new SB is proposed to ensure that the 2026 budget is consistent with the program (SB, December 2025).

**Text Table 4. Cabo Verde: Revised 2024-25 Expenditures**

(Percent of GDP)

	t=2024 5th Review	t=2024 Est. Outturn	t=2025 5th Review	t=2025 Proj.
<b>Primary Expenditures in <math>t_{-1}</math></b>	<b>23.1</b>	<b>23.1</b>	<b>24.3</b>	<b>23.4</b>
Change in primary expenditures	1.2	0.3	3.1	2.2
Current	0.9	-0.3	2.1	1.9
Wage Bill	0.6	-0.6	0.4	1.6
Use of goods and services	0.2	0.0	1.2	0.6
Others	0.1	0.3	0.5	-0.3
Net acquisition of non-financial assets	0.3	0.6	1.0	0.3
<b>Primary Expenditures in t</b>	<b>24.3</b>	<b>23.4</b>	<b>27.4</b>	<b>25.6</b>
<b>Interest Bill in t</b>	<b>2.2</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>
<b>Total Expenditures in t</b>	<b>26.5</b>	<b>25.7</b>	<b>29.5</b>	<b>27.6</b>

Sources: Cabo Verdean authorities and IMF staff estimates.

- **Financing.** Financing needs are projected to increase in 2025 with net external financing projected at 0.9 percent of GDP, exceeding 2024 mainly due to increased project and on-lending loans linked to higher capital expenditures. The requested ECF augmentation of thirty percent of quota raises net external borrowing by 0.1 percent of GDP in 2025

and 0.2 percent in 2026. Net domestic financing is projected at 1.2 percent of GDP, slightly above 2024 (1.1 percent of GDP).

**13. The public debt-to-GDP ratio continues to decline** and is expected to reach 104.9 percent by end-2025, below pre-pandemic levels, notwithstanding increased capital and current expenditures. The February 2025 joint Bank/Fund Debt Sustainability Analysis (DSA) assessed Cabo Verde to be at high risk of overall debt distress, and at moderate risk of external debt distress; an updated analysis indicates no significant changes in that assessment (Figures 7 and 8). The DSA confirms

that (total) debt remains sustainable due to manageable debt service, supported by a favorable debt composition. The authorities are aiming for a debt level below 70 percent of GDP by 2034, a suitable fiscal policy target beyond the ECF period.

#### **14. Achieving medium-term fiscal goals hinges on sustained progress in revenue mobilization and expenditure reforms.**

Staff project a 2.1 percent of GDP decline in current primary expenditures in 2026, more than offsetting the phasing out of the 2025 airport concession fee (Annex V).

Over the medium term, additional steps to tackle international tax avoidance, support green initiatives, and further reduce VAT, PIT, and customs tariff exemptions would enhance revenue. With FAD support, a new tax authority is expected to be formed in 2025, with the human and IT resources needed to implement digitalization initiatives, improve compliance enforcement, and strengthen internal oversight. The creation of a tax policy unit would further accelerate the design and rollout of tax measures. The 2026 wage bill is projected to grow by less than nominal GDP, assuming stable employment and modest pay increases from career progression. Prioritizing goods and services and efficiency gains from reduced direct

**Text Figure 4. Cabo Verde: Public Debt, 2015–26 (Percent)**



Source: Cabo Verdean authorities; and IMF staff estimates.

Note: External debt includes publicly-guaranteed SOE debt from 2015.

**Text Table 5. Cabo Verde: External Borrowing Program, 2025–26**

PPG external debt contracted or guaranteed	2025		2026	
	Volume of new debt, USD million 1/	Present value of new debt, USD million 1/	Volume of new debt, USD million 1/	Present value of new debt, USD million 1/
Sources of debt financing	157.7	95.1	122.3	73.2
Concessional debt, of which 2/	157.7	95.1	122.3	73.2
Multilateral debt	123.9	75.0	82.6	48.8
Bilateral debt	33.7	20.1	39.7	24.4
Non-concessional debt, of which	0.0	0.0	0.0	0.0
Semi-concessional debt 3/				
Commercial terms 4/				
Uses of debt financing	157.7	95.1	122.3	73.2
Infrastructure	78.2	47.2	68.5	40.5
Budget financing	79.4	47.9	53.8	33.1

Sources: Cabo Verdean Authorities; IMF Staff calculations

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

The 2024 QPC on the present value of new debt is set according to the latest DSA (SPM No 24/9).

2/ Debt with a grant element that exceeds a minimum threshold. This minimum is typically 35 percent, but could be such established at a higher level.

Some of the loans are packaged with grants, that the overall financing package meets the 35 percent concessionality threshold

3/ Debt with a positive grant element which does not meet the minimum grant element.

4/ Debt without a positive grant element. For commercial debt, the present value would be defined as the nominal/face value.

procurement are expected to lower current primary spending relative to GDP. On expenditure, medium-term primary spending would stabilize at around 25 percent of GDP, with the wage bill at about 9 percent, consistent with SDS peers. The medium-term structural primary balance would stabilize near 1.3 percent of GDP, broadly in line with the fifth review.

**Text Table 6. Cabo Verde: Sources of Financing for 2024–26**  
(Millions of CVE)

	2024 Millions of Escudos	Percent of GDP	2025 Millions of Escudos	Percent of GDP	2026 Millions of Escudos	Percent of GDP
Total financing needs	4,229	1.5	6,267	2.1	4,551	1.4
Financing sources	4,229	1.5	6,267	2.1	4,551	1.4
Domestic Financing (Net)--Issuance of treasury securities	3,029	1.1	3,539	1.2	3,317	1.0
External financing (Net)	1,200	0.4	2,728	0.9	1,234	0.4
Disbursements	12,472	4.4	14,049	4.6	13,100	4.0
<i>Of which budget support</i>						
IMF	7,251	2.6	7,003	2.3	6,555	2.0
<i>Of which RSF</i>	1,930	0.7	2,981	1.0	1,720	0.5
World Bank	712	0.3	1,432	0.5	1,075	0.3
African Development Bank	2,519	0.9	2,519	0.8	2,519	0.8
Program and project loans	2,802	1.0	1,503	0.5	4,036	1.2
EU GLOBAL GATEWAY	5,221	1.9	6,048	2.0	5,955	1.8
AFD	0	0.0	0	0.0	1,580	0.5
JICA	584	0.2	0	0.0	0	0.0
OFID	559	0.2	1,947	0.6	248	0.1
World Bank	357	0.1	0	0.0	0	0.0
BADEA	2,415	0.9	1,977	0.7	2,305	0.7
Kuwait	706	0.3	300	0.1	0	0.0
Other	2	0.0	1,779	0.6	1,812	0.6
<i>Onlending loans</i>	597	0.2	45	0.0	10	0.0
Amortization	465	0.2	13	0.0	998	0.3
	11,271	4.0	11,321	3.7	11,867	3.9

Sources: Cabo Verdean authorities and IMF staff projections.

## B. Reduce Fiscal Risks from SOEs and Improve their Financial Management

**15. SOEs remain a key fiscal risk.** Transparency improvements have enhanced decision-making capabilities by increasing the availability of information but have yet to translate into improved performance. The World Bank-supported unbundling of Electra is a positive move toward deeper structural reforms in the energy sector, aligned with RSF objectives. However, ongoing losses at SOEs, especially in transportation, continue to strain fiscal accounts. The national airline's defaults on government-guaranteed bank loans have increased NPLs and diverted resources from better uses, such as strengthening inter-island connectivity. Enforcing the timely publication of audited financial statements by all SOEs is critical to further strengthening fiscal transparency and accountability (SB December 2025 and June 2026).

**16. Efforts to restructure or divest SOEs should continue.** The authorities are taking valuable steps, including privatization initiatives in airport logistics and pharmaceuticals SOEs, and working on the concession of ports. These actions, however, should be part of a broader strategy, particularly with a view to improving inter-island air transport while developing a clear and comprehensive plan for addressing the loss-making TACV airline that currently operates domestic and international routes.

**17. Recent developments in air transport provide an opportunity to enhance essential services and mitigate fiscal risks.** Following the withdrawal of the inter-island concessionaire, the government established a new SOE airline to sustain domestic connectivity. Although this approach

diverges from the government's intended regulatory role, the domestic market has the potential to break even given the profitability of routes connecting Praia with Sal, Boavista, and Mindelo, thus avoiding adding fiscal strain. While the new airline is not operational, TACV has stepped in, operating both in the domestic and external markets. TACV's international operations continue to incur losses, which may deepen with increasing competition from foreign low-cost carriers and should force the authorities to rethink public financial support for international air connectivity. However, they remain cautious about becoming overly reliant on low-cost providers for international air travel.

## C. Modernize the Monetary Policy Framework and Improve Resilience of the Financial System

**18. Monetary policy remains focused on safeguarding the peg, backed by strong external buffers.** The BCV has tightened policy and regularly shares data with staff on reserves and banks' net FX positions. Following policy actions by both BCV and ECB in May and June 2025, the interest rate gap with the euro area turned positive, however, banks' (net) external assets continued to increase in 2025Q1. In its May 2025 communiqué, the BCV raised the deposit rate and committed to a data-driven approach, closely monitoring developments in foreign reserves and commercial banks' net foreign assets, but fell short of committing to further widening the positive policy rate differential. While the real policy rate at about 0.7 percent in April 2025 reached its highest level since late 2017 following continuous monetary policy tightening over the past two years, it is still well below the historical pre-pandemic average of about 2¼ percent. Given continued net foreign asset accumulation and rising inflation, there is thus scope for further tightening by the BCV, especially as the ECB's monetary policy normalization may be coming to an end. Ensuring a substantial positive interest rate differential more consistent with pre-pandemic norms will be key to reversing banks' financial outflows and protecting the peg to the euro. Including forward guidance along these lines in BCV communications would be helpful.

**19. The financial sector is stable but highly concentrated, with high NPLs that require monitoring.** The financial sector is stable, but high NPLs, particularly in the transport and construction sectors, require monitoring. NPLs increased from 7.3 percent in 2023Q4 to 11 percent in 2024Q3 largely due to the airline SOE, but declined to 7.9 percent in 2024Q4 due to the combined effects of improved economic activity and the restructuring of a transport sector SOE NPL secured by a state guarantee. That said, significant regional heterogeneity notwithstanding, NPLs in Cabo Verde are in line with average levels among regional peers, including ECOWAS members. The seven banks in the system held assets equivalent to 126.4 percent of GDP in September 2024, dominated by two banks of high systemic importance holding around 55 percent of total assets of the banking system and 62.1 percent of total credit. While the system remains resilient to liquidity risks, heavy reliance on the National Social Security Institute (INPS) deposits poses concerns. A macroprudential TA mission in March 2025 provided recommendations on how to address these risks. It recommended that the (i) legal framework for the BCV as the macroprudential authority be finalized, (ii) the mandate and

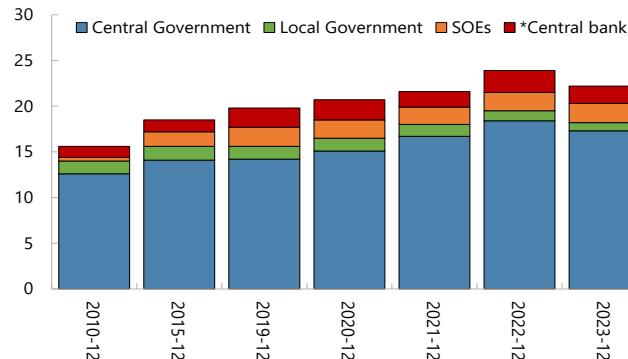
operation of the BCV Financial Stability Committee to cover all micro and macro prudential matters, (iii) make the systemic risk assessment more forward-looking, (iv) accelerate the adoption of some Basel III elements that are more critical for macroprudential policies, (v) introduce the Capital Conservation Buffer (CCB), and the Countercyclical Capital Buffer (CCyB) framework with a positive neutral CCyB level, loan-to-value (LTV) limits for mortgages at a level that does not disrupt credit flows, and Liquidity Coverage Ratio (LCR) framework with highly differentiated runoff rates between sight and term deposits.

**20. High portfolio concentration and exposure to sovereign debt require close monitoring.** Stress tests show resilience to simple shocks but highlight vulnerabilities. Rising credit-at-risk levels call for stronger supervision, with the BCV advised to update prudential provisioning guidelines in line with IMF recommendations.

**21. Excess liquidity, driven by lower reserve requirements, COVID-19 liquidity injections, a higher interest rate abroad, and limited lending opportunities, has encouraged banks to invest abroad.** Gradually restoring reserve requirements to levels closer to pre-pandemic norms can strengthen financial stability, boost international reserves, and improve monetary policy transmission. Shifting INPS assets abroad, gradually and in coordination with the BCV, would also help reduce excess liquidity while attaining a higher yield and reducing volatility through a more diversified portfolio. The BCV should also enhance open market operations and sterilization efforts to manage excess liquidity effectively.

**Text Figure 5. Cabo Verde: Banks' Exposure to the Public Sector**

(by public entity, percent of assets)



Sources: Cabo Verdean authorities, IMF MFS and Staff estimates.

Notes: \*Central Bank=Central Bank, excluding deposits.

**22. The BCV is implementing the 2022 safeguards assessment recommendations.** Amendments to its Organic Law, in line with IMF recommendations, aimed at enhancing decision-making, autonomy, and transparency, are awaiting final parliamentary approval, following its general approval in May 2025. The BCV supports the amendments and plans to implement outstanding safeguards recommendations.

**23. Cabo Verde should continue strengthening its AML/CFT framework and address key gaps.** Despite efforts since 2019, Cabo Verde has made limited progress to improve its technical compliance with the AML/CFT standard. Since approving in 2023 of the National Strategy for Preventing and Combating Money Laundering, Terrorist Financing, and the Proliferation of Weapons of Mass Destruction (ENCAVE), the government has advanced some initiatives towards the strengthening of the AML/CFT framework. These include (a) approval in the generality by the National Assembly (February 2025) of the draft amendments to the AML law; (b) the preparation of

a proposed legal framework on Ultimate Beneficial Ownership (UBO); and (c) the establishment (April 2025) of a dedicated unit within the BCV to oversee AML/CFT/CPF supervision independently from prudential supervision. The draft amendments to the AML law include obligations for regulatory and supervisory bodies to conduct oversight of Designated Non-Financial Businesses and Professions (DNFBPs). With the approval of the law, the competent authorities will have to focus on finalizing implementing regulations and ensure that they carry out the required oversight properly to enhance the effectiveness of the AML/CFT/CPF system. The BCV also needs to expand its oversight of Virtual Asset Service Providers.

## D. Reforms for Broad-Based Growth and Increased Climate Resilience

**24. Structural reforms are key to building resilience against shocks, including adverse climate events.** On the revenue side, further steps to improve tax compliance and streamline tax exemptions and other preferential tax treatment are needed to broaden the tax base. On spending, the wage bill is set to grow less than nominal GDP, and prioritizing services and reducing direct procurement (SBs December 2025) should also curb primary expenditure. The Sustainable Development Strategy 2022–2026 (PEDS II) strategy prioritizes access to finance and a better business environment. The authorities should focus on SME-friendly reforms and private sector-led diversification. Lowering finance, electricity, water, and transport costs is essential. Diversification efforts include expanding integrated tourist resort projects and developing the blue and digital economies. The RSF reforms support private climate finance, aligned with the PEDS II goals.

**25. Strengthening support to vulnerable households continues to be a government priority.** Cash transfers to the poorest have increased, funded by the Social Protection Fund. The Ministry of Family and Social Inclusion expanded the Unique Social Registry to cover all poor and vulnerable households, aiding climate-related policy impacts. Staff will engage closely with the authorities on achieving social spending targets going forward.

**26. Progress on RMs in support of the climate change agenda is mixed, with capacity constraints creating some implementation challenges.** Regarding RMs for the current review:

- **RM4:** FAD will provide support once the pipeline of public capital projects is presented by the authorities. As a consequence, RM completion is delayed to October 2025.
- **RM5:** Findings from FAD CD in December identified missing information for calculating the cost-recovery tariff at required disaggregation levels, including separate accounting data for electricity generation, electricity distribution, water desalination, and on subsidies provided to Electra. Given the challenges, RM completion will be delayed to December 2025.
- **RM6:** FAD has delivered TA in March on water subsidy reform. Unlike electricity, multiple utility SOEs across islands with different models complicate the cost-recovery tariff calculation, requiring additional data collection. The team has discussed with the authorities the modification of this RM, in line with FAD TA recommendations (Table 11), narrowing the

scope to what is feasible given the specificities of Cabo Verde, and focus on the Santiago Island, which is where most of the losses are accrued. The RM completion will be delayed to December 2025.

- **RM7:** The USR was expanded to cover 100 percent of vulnerable households, and the inclusion of households living in areas vulnerable to climate change is still ongoing. Given the additional work needed, including completion of RM8, this RM is expected to be completed by October 2025.
- **RM8:** The National Institute of Territorial Management (INGT) has completed the process of defining natural disaster risk and vulnerability maps, showing regional exposures to climate hazards to assess risks and vulnerabilities of the population, infrastructure assets, and businesses. In addition, land use planning and construction code requirements are in the process of being amended to consider disaster risks and vulnerabilities in urban and rural development planning and construction. Given the additional work needed, including full documentation of RM implementation, this RM is expected to be completed by October 2025.
- **RM9:** The BCV hired a consultant to help develop the architecture and the taxonomy, a publication of climate risk and opportunities, and disclosure guidelines to help banks submit their internal roadmaps. MCM will support the authorities by reviewing the consultant's work and providing direct assistance to BCV as needed. Given the challenges, completion of this RM will be delayed to April 2026.

## PROGRAM ISSUES AND RISKS

**27. The authorities are requesting an extension and augmentation of the current ECF arrangement until December 21, 2026, to address BoP challenges, strengthen economic resilience, and mitigate fiscal and monetary vulnerabilities.** Amid exceptional global economic uncertainty, the extension would provide continued concessional financing and policy guidance to support the authorities' ongoing efforts to maintain debt sustainability; enhance public financial management; facilitate strategic investments in renewable energy, digital transformation, and the blue economy; and further strengthen the monetary policy framework. Recent global trade disruptions and associated second-round effects could constrain export growth, while addressing long-term structural challenges, including climate change and economic diversification, will raise import needs and create additional BoP needs, exacerbated by a reduction in external financing. Complex SOE and financial sector reforms also require more time. An augmentation of access, with three additional reviews and corresponding disbursements, would meet increased prospective BoP needs and support the authorities' policy agenda. As under the current ECF arrangement, the augmentation would provide budget support to support priority spending, particularly on infrastructure and energy efficiency.

**28. Proposed additional conditionalities for 2025–2026.** In alignment with the continued implementation of the reform agenda, additional conditionalities have been proposed for the period 2025–2026. Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) are expected to remain in effect through September 2026. The proposed new Structural Benchmarks (SBs) will primarily focus on enhancing fiscal, monetary, and financial sector governance, as detailed in Table 7b.

### **Fiscal Structural Benchmarks**

The new fiscal SBs aim to improve budgetary discipline, tax administration, public procurement, and fiscal transparency. These include:

- Submission to Parliament of the 2026 national budget, in full compliance with the program parameters (SB1, end-December 2025).
- Establishment of a manual data exchange mechanism between the Directorate of National Revenue and Excise (DNRE) and the National Registry of Identification (RNI) to facilitate access to data on (SB2, end-December 2025):
  - Civil identification
  - Real property ownership
  - Vehicle registration.
- Initiation of manual data exchange between DNRE and the National Institute of Social Security (INPS) to ensure the regular sharing of taxpayer information (SB3, end-December 2025).
- Transition from manual to automated data exchange between DNRE and INPS to enhance data integrity and timeliness (SB6, end-September 2026).
- Implementation of reforms aimed at strengthening the public procurement process (code and electronic public procurement) (SB4 and SB5, both for end-December 2025).
- Publication of audited financial statements for State-Owned Enterprises (SOEs), addressing existing gaps in fiscal transparency (SB7, end-December 2025; SB8, end-June 2026).

The effective use of third-party data (notably SBs 2, 3 and 6) is expected to significantly enhance compliance with Personal Income Tax (PIT) obligations and support the broadening of the tax base. The manual exchange of data is envisioned as a transitional step toward a fully automated system, thereby contributing to sustained compliance gains. Coordination efforts are ongoing between DNRE, the Ministry of Justice, and INPS to facilitate access to civil and taxpayer databases.

The benchmark concerning SOE financial reporting addresses a material risk to fiscal transparency, particularly in light of the fact that TACV remains the sole major SOE that does not regularly publish

timely audited financial statements. In the area of public procurement, the currently high incidence of direct contracting is being addressed through a targeted SB aimed at reinforcing value-for-money principles.

### ***Monetary and Financial Sector Structural Benchmarks***

Proposed SBs in the monetary and financial domains are aligned with the recommendations of the 2021 Financial Sector Stability Review (FSSR) and ongoing technical assistance (AFW2, STA, MCM). There is a need to have an integrated database system that will serve the whole BCV and also produce good quality statistics and on time. Just to give an example, for SB9, BCV is designed to compile data and series on deposits, credit and type of credit, clients, guarantees and so on. In addition, there is a need to build up basic information for strengthening the macroprudential framework and policy, and also the fact that the Macroprudential Unit depends on data from other Departments/Units within the BCV. A starting point is the creation of the Credit Registry Platform (CRC) which will collect around 230 variables/indicators that can be used for macroprudential activities. The SBs put sequence and alignment on critical activities that will help:

- Strengthening the macroprudential regulatory framework, including the integration of systemic depositors into the supervisory perimeter (SB9 for end-December 2025; SB11 for end-June 2026; SB12 for end-September 2026; and SB13 for end-October 2026).
- Enhancing the coverage and reliability of monetary statistics to better inform policy formulation and surveillance (SB10 for end-March 2026; SB14 for end-September 2026).

Going forward, the QPC for non-concessional borrowing is proposed to include an exception for disbursements related to the 2013 Kuwait Fund loan which supports critical and urgent healthcare infrastructure projects integral to the authorities' development program and for which concessional financing is not available. Efforts by the authorities to obtain concessional terms with the Kuwait Fund were unsuccessful, while switching to an alternative lender would have triggered new procurement and preparation procedures, substantially delaying the timely delivery of hospitals and the country's first blood testing laboratory. The macroeconomic impact, including on public debt sustainability, is negligible.

**29. Financing assurances.** The Fund-supported program continues to be fully financed with firm commitments for the 12 months following the review, and there are good prospects of adequate financing for the remainder of the (extended) program. Lower net external financing is offset by the reduction of gross financing needs and domestic financing supported by strong financial positions of key domestic government debt holders. In addition to Fund support, financing in 2025 and 2026 is being provided through budget support from development partners and multinational development institutions, including the World Bank and the African Development Bank. Budget support for 2025 and 2026, adjusted for the revised RSF disbursement schedule, remains broadly in line with the levels of the fifth review. In January 2025, Portugal announced an increase in its debt-for-climate swap with Cabo Verde from US\$13 million to US\$45 million, extending the arrangement through 2030. The swap redirects debt service coming due to a newly

created Climate and Environmental Fund, with potential to cover the full outstanding debt. Operational rules are still pending while debt service payments continue being paid directly to Portugal, to be redirected to the fund once finalized.

**30. Cabo Verde's capacity to repay the Fund is adequate but subject to risks** (Table 8). The stock of credit outstanding to the Fund as a share of GDP based on existing and prospective drawings rises to the 75<sup>th</sup> percentile of past UCT arrangements for PRGT countries (Figure 1, Annex II), with a peak in 2026 at around 3.9 percent of GDP, and subsequently remaining above the interquartile range until 2032. However, debt service to the Fund as a share of exports and as a share of revenues both stay within the interquartile range and are also below the median for the comparator group until 2029 and 2027, respectively. Fund credit outstanding peaks in 2026 at 390 percent of quota, 15.5 percent of gross international reserves, and 10 percent of exports. Annual repayments to the Fund would peak in 2029 at 1.2 percent of exports, 1.8 percent of reserves, and 9.5 percent of PPG external debt service. Downside risks to capacity to repay include the high risk of overall debt distress, the possible materialization of SOE risks that could reduce debt service capacity, and spillovers from global shocks. Risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, adequate reserve coverage, and the ongoing debt reduction under the program.

**31. The reduction of debt-to-GDP ratio is a central objective of the ECF augmentation request supported by Cabo Verde's favorable debt composition.** According to the February 2025 joint Bank/Fund DSA, Cabo Verde is assessed to be at high risk of overall debt distress but moderate risk of external debt distress; updated analysis indicates no significant changes in that assessment (see Figure 7 and 8). The high risk of debt distress is due to persistent but progressively smaller breaches of the PV of total debt-to-GDP ratio during the program period, with the deviation from the threshold narrowing during the program period. Debt vulnerabilities will be reduced by the decline of the total debt-to-GDP ratio over the course of the program, underpinned by fiscal adjustments, limits on non-concessional debt, and reforms of SOEs along with a strong tourism sector, which is projected to support medium-term growth. The baseline overall debt-to-GDP indicator remains above the DSA threshold until the early 2030s, reflecting the initial high stock of debt and the inclusion of the stock of uncalled domestically guaranteed debt to SOEs into the DSA perimeter. External debt service indicators are projected to remain comfortably below the DSA thresholds, and on a persistent downward trajectory, during the medium term. Debt is sustainable being financed on concessional terms with a low average interest rate of around 1 percent and a favorable maturity profile. De facto senior debt, including IFIs, other multilaterals, and collateralized debt, represents the major share of external debt and is expected to remain broadly stable over the medium term.

**32. Risks to the program are assessed as moderate.** A global slowdown, an intensification of global conflicts, trade tensions, and tighter financial conditions may threaten program performance. High debt distress remains a concern, particularly if SOE-related guaranteed debt were to migrate to the government. Should risks materialize, the authorities' strong track record of program implementation and cooperation with the Fund would support needed policy adjustments.

**33. Data provision and capacity development (CD).** Data provision is adequate for program monitoring. The CD strategy aligns with the policy frameworks under the ECF and RSF arrangements. IMF CD support has aided past reforms, with good progress. Priorities include revenue mobilization, public finance, central banking, financial stability, and macro statistics.

**34. Use of RSF resources.** RSF disbursements would increase external financing by about CVE 1.5 billion in 2025 (0.5 percent of GDP). RSF support substitutes for more expensive domestic financing with cumulative estimated savings in debt service equivalent to 0.4 percent of GDP until 2029. These savings will help build buffers and make Cabo Verde more resilient to climate-related shocks.<sup>4</sup> They will also create fiscal space, including to support critical climate-related public investment.

**Text Table 7. Cabo Verde: External Financing Gap 2020-26**  
(Millions of Euros, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026
<b>Current account balance</b>	<b>-246</b>	<b>-210</b>	<b>-76</b>	<b>-59</b>	<b>94</b>	<b>-35</b>	<b>-70</b>
Balance of goods and services	-579	-602	-744	-824	-782	-892	-985
Exports of goods	113	151	269	238	303	308	323
Imports of goods	692	753	1013	1062	1085	1200	1308
Exports of services	258	245	543	661	768	791	823
Imports of services	192	194	236	257	277	303	332
Balance on primary income	-36	-24	-27	-28	-48	-50	-55
Balance on secondary income	303	364	388	389	433	420	479
<b>Financing</b>							
Capital account	22	23	21	17	38	36	37
Financial account, net 1/	-7	169	67	91	-97	3	57
Direct investment, net	55	78	99	139	81	81	82
Portfolio investment, net	0	-1	0	0	0	0	0
Other investment, net	-61	92	-32	-49	-178	-79	-25
Net acquisition of financial assets	12	66	45	92	129	45	11
Net incurrence of liabilities	-49	158	13	43	-49	-33	-15
Monetary Authority	-1	1	0	0	0	0	0
Central Government	-30	93	31	-14	-31	-2	-10
Disbursements 1/	10	133	69	74	71	100	98
Amortization	-41	-39	-38	-88	-102	-103	-108
Exceptional financing	0	0	0	0	0	0	0
Commercial Banks	4	39	20	-6	-6	-2	7
Non-bank flows	-21	24	-38	63	-12	-29	-12
<b>Errors and omissions 2/</b>	<b>25</b>	<b>29</b>	<b>-2</b>	<b>-22</b>	<b>-1</b>	<b>0</b>	<b>0</b>
<b>Overall balance</b>	<b>-206</b>	<b>10</b>	<b>9</b>	<b>27</b>	<b>33</b>	<b>4</b>	<b>25</b>
<b>Financing</b>	<b>206</b>	<b>-10</b>	<b>-24</b>	<b>-46</b>	<b>-44</b>	<b>-18</b>	<b>-30</b>
Change in reserves (-:=increase, excl. ECF and RSF)	75	-10	-24	-46	-44	-18	-30
Loans (Multilaterals excl. IMF)	131	0	0	0	0	0	0
Financing gap	0	0	-14	-19	-11	-14	-6
Use of ECF	0	0	14	19	11	14	6
<b>Residual Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Memorandum Items:							
Targeted reserves path as months of prospective imports	7.4	5.7	5.7	6.0	5.9	5.6	5.4
Use of Fund credit RSF	0	0	0	0	6	13	10

Source: Cabo Verdean authorities and IMF staff estimates.  
1/ Includes reserves and exceptional financing.  
2/ Including banks' delays on trade credits reporting.

<sup>4</sup> An MoU between the MoF and BCV details the institutional onlending arrangements.

## STAFF APPRAISAL

**35. Cabo Verde's economic outlook remains solid but is subject to substantial external and fiscal risks.** GDP is projected to expand by 5.2 percent in 2025, with potential growth at 4.8 percent, and inflation to remain around 2 percent. A moderate current account deficit is expected due to higher climate spending and softer tourism and remittances growth. Key risks include trade tensions, financing uncertainty, and climate shocks. Reserves remain adequate, and contingency plans focus on diversification, resilience, and social protection. Tourism may provide upside potential.

**36. Fiscal performance in 2025 is expected to be strong and aligned with debt reduction goals,** targeting a stronger primary balance. Tax revenue is expected to increase due to lower tax exemptions and other preferential tax treatment and ongoing tax reforms. Although capital and current spending will rise, total primary spending will remain below earlier forecasts. Non-tax revenue is adjusted to exclude one-off transfers, while property income projections are being reassessed. Growing financing needs will be met primarily through external sources, with reduced reliance on domestic borrowing.

**37. Monetary policy has continued the tightening cycle to protect the exchange rate peg and build reserve buffers.** The policy rate differential has recently turned positive, but banks' deposits abroad have resumed their upward trend in 2025Q1. Reserves, however, remain adequate. Adjusting the forward rate guidance that the BCV will continue to target a BCV-ECB interest rate gap more consistent with pre-pandemic norms would be appropriate. Financial stability risks stemming from an increase in interest rates are seen to be limited at this stage given the limited monetary policy passthrough. The potential emergence of financial stability risks is generally best addressed via macroprudential measures.

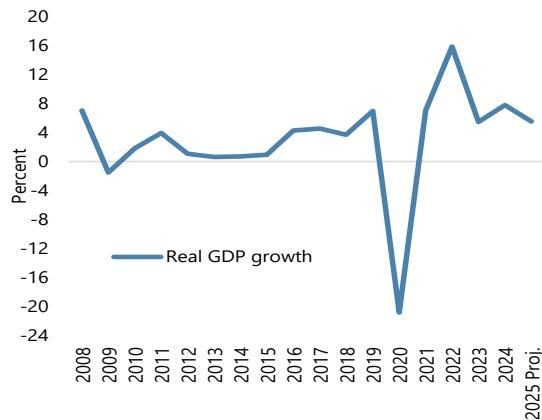
**38. Program performance under the ECF has been strong.** All end-December 2024 QPCs and all continuous PCs were met. The Indicative Target (IT) for social spending at end-December 2024 was not met, albeit by a small margin. All Structural Benchmarks (SB) due end-December 2024 were met. The performance under the RSF was relatively weak as RMs under the RSF have been progressing, but more slowly than expected. Despite efforts and ongoing CD support, none of the six RMs have been completed under this review.

**39. Reform efforts should remain focused on enhancing productivity, fostering sustainable growth, and strengthening resilience to shocks, particularly those related to climate change.** The PEDS II strategy aims to expand financial access and improve the overall business climate. Climate transition measures under the RSF include reforms in the energy and water sectors, with emphasis on infrastructure upgrades, cost reduction, and private sector development. Social initiatives prioritize poverty alleviation, promoting equity, and protecting vulnerable populations.

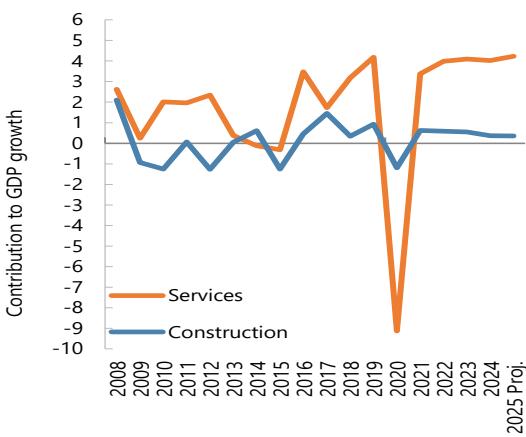
**40. Staff supports the completion of the sixth review under the ECF arrangement, the extension and augmentation of the ECF arrangement, as well as the extension of the RSF arrangement.** Staff also supports the rephasing of the availability dates for delayed RMs 4, 5, 6, 7, 8 and 9 under the RSF arrangement and the modification of RM6.

### Figure 1. Cabo Verde: Recent Economic Developments

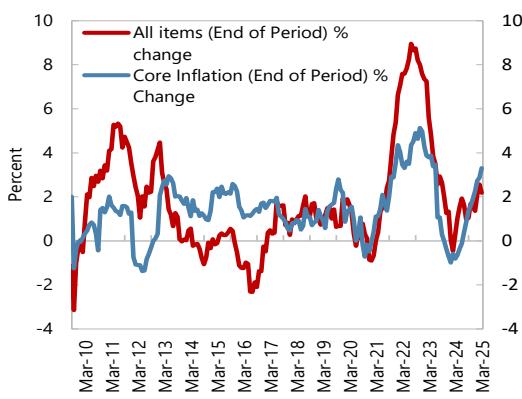
*Economic growth has remained strong in 2024...*



*... and a continued recovery in the Services' sector.*

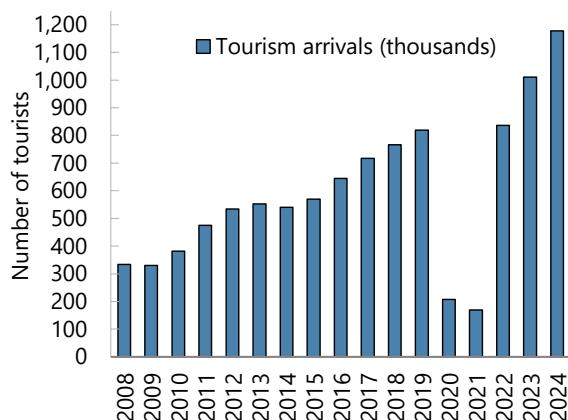


*Headline inflation remains low.*

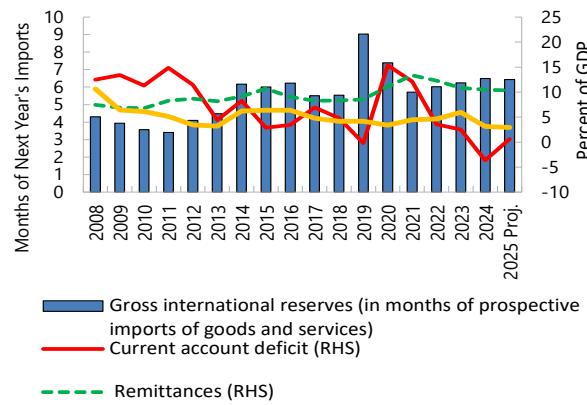


Sources: Cabo Verdean authorities; and IMF staff estimates.

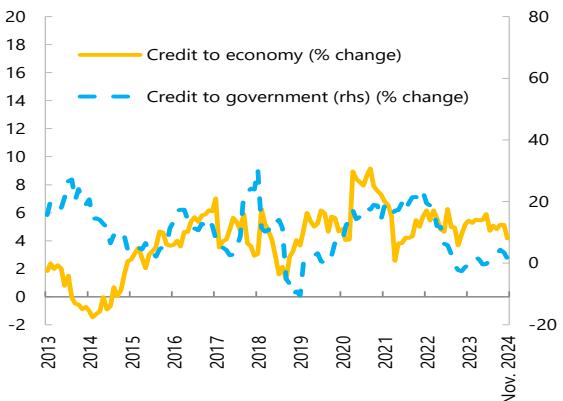
*...reflecting record tourism arrivals...*



*FDI, tourism and remittances helped support reserves despite bank outflows.*

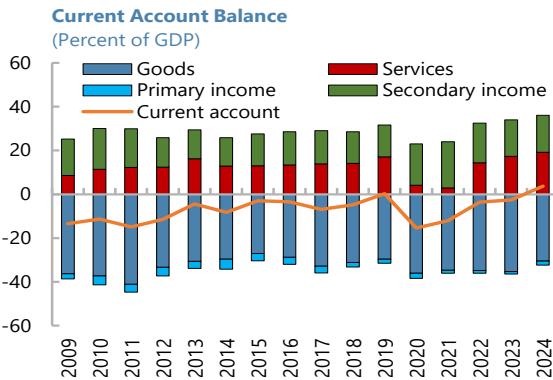


*Credit to the government held steady due to strong fiscal performance.*

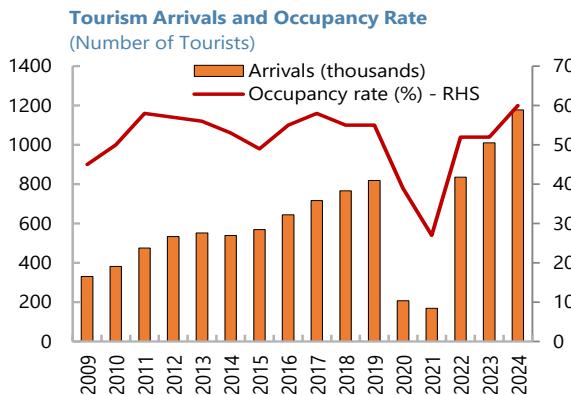


## Figure 2. Cabo Verde: External Sector Developments

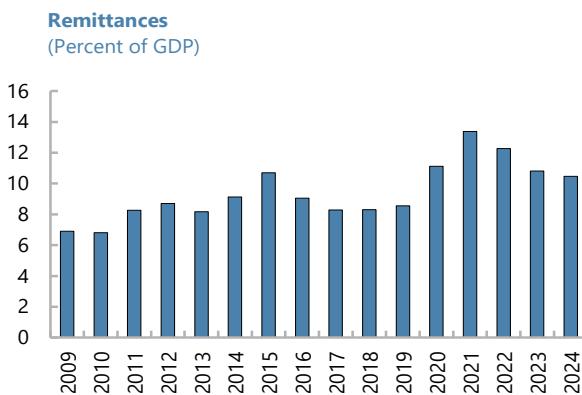
*Strong tourism revenues and weaker capital goods imports led to a current account surplus in 2024.*



*Tourism arrivals reached record levels in 2024...*

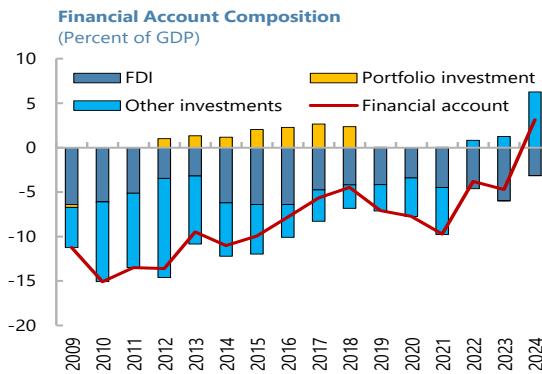


*Remittances stabilized in 2024, remaining an important source of foreign currency...*

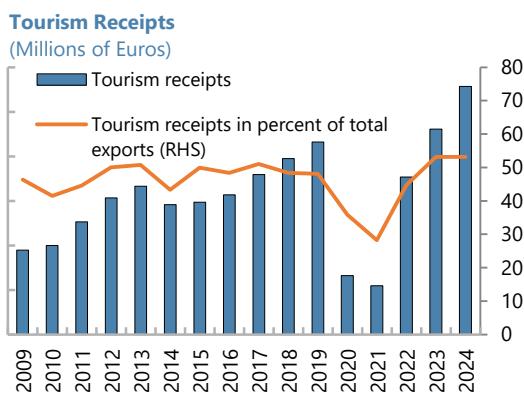


Sources: Cabo Verdean authorities; and IMF staff estimates.

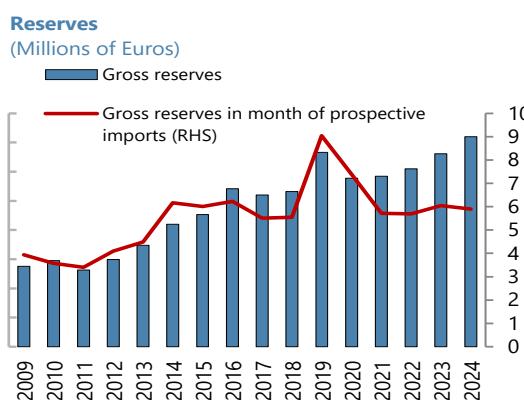
*The financial account turned positive in 2024 due to strong banks' deposit outflows.*



*... resulting in a steady increase in tourism receipts.*



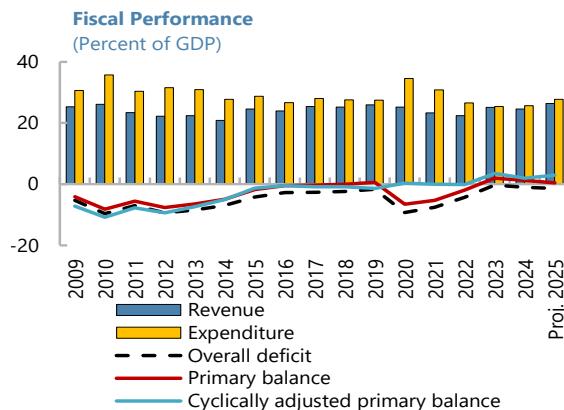
*... supporting the country's reserve position.*



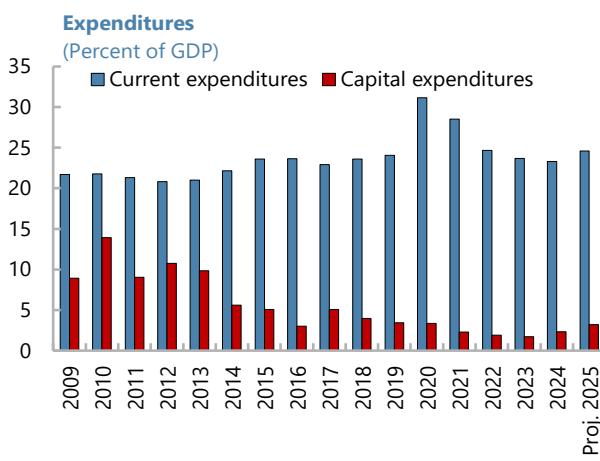
### Figure 3. Cabo Verde: Fiscal Sector Developments

Fiscal performance in 2025 is projected to be consistent with the program path ...

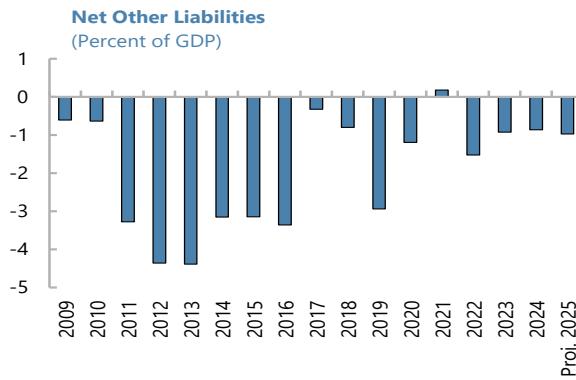
...with the tax-to-GDP ratio recording an all-time high in 2024 and 2025.



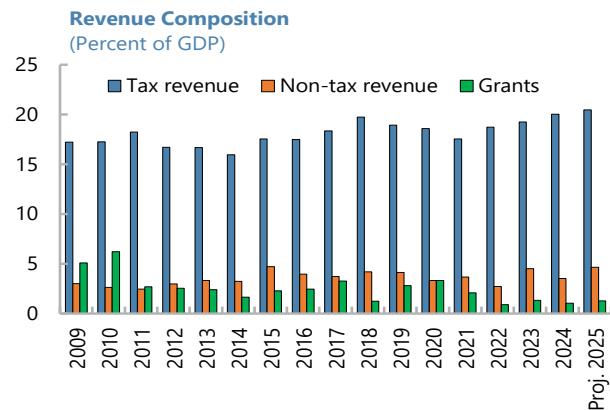
Expenditures are projected to increase due to higher capital spending...



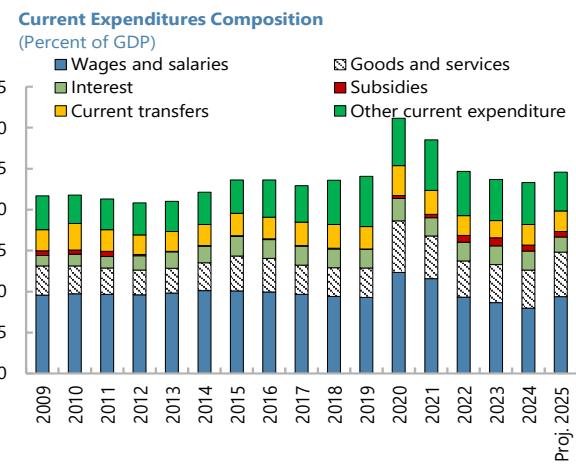
Net other liabilities are projected to be stable in 2025 constraining government support to SOEs...



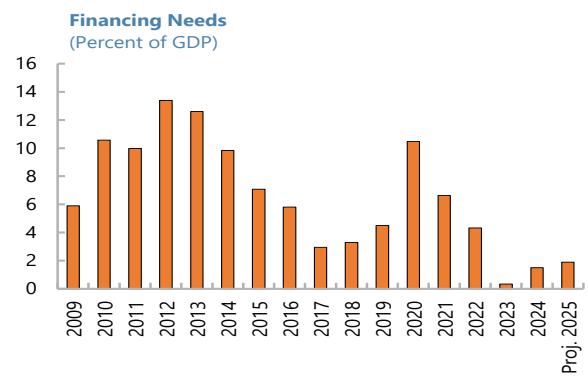
Sources: Cabo Verdean authorities; and IMF staff estimates.



... and current expenditure growth related to the expansion of good and services and wages.

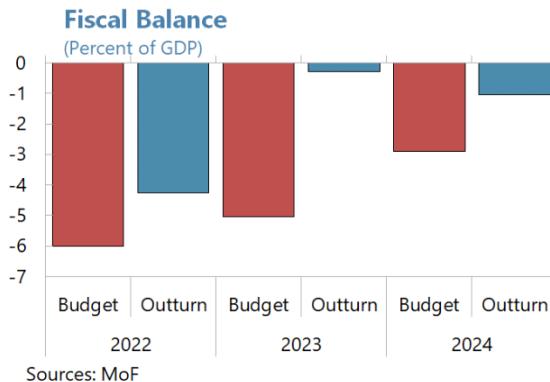


...and financing needs are projected to increase at the margin.

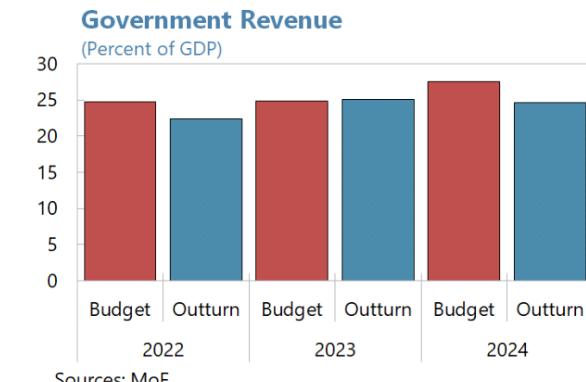


### Figure 4. Cabo Verde: Budget Credibility

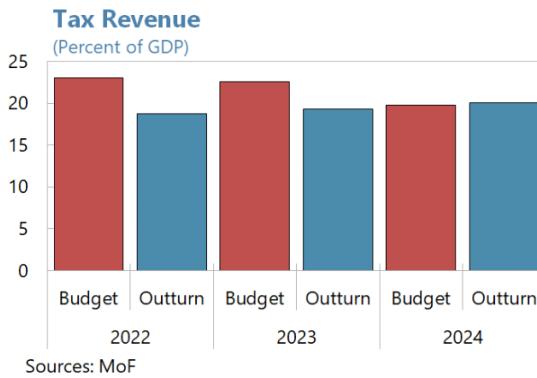
*Fiscal deficits have been significantly smaller than anticipated in the budget during 2022-24...*



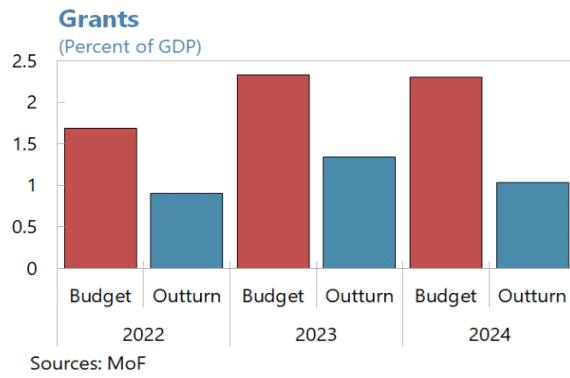
*...while revenues fell slightly short of budget projections...*



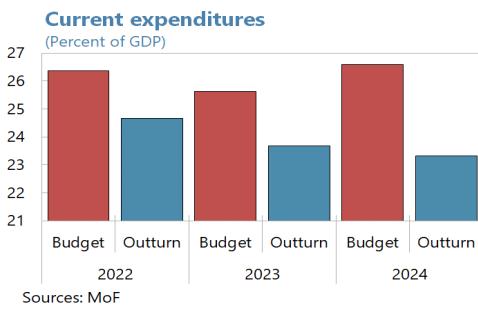
*...with tax revenue falling somewhat below budget projections with the exception of 2024...*



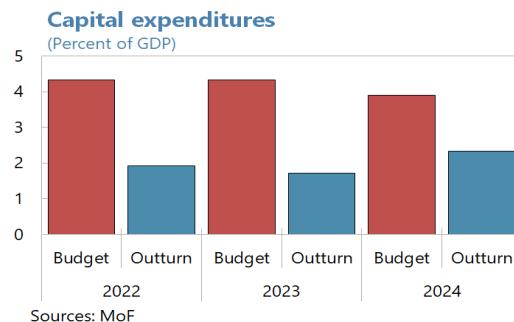
*...and grants consistently underperforming.*



*On the flip side, current expenditures steadily recorded a budget execution rate of around 90 percent...*

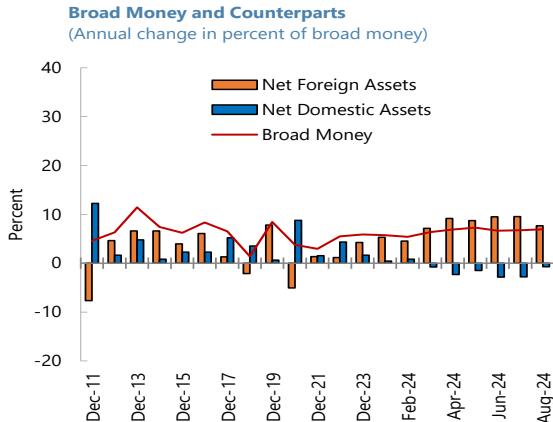


*...while capital spending shortfalls were a key driver behind the better-than-expected fiscal deficit performance*

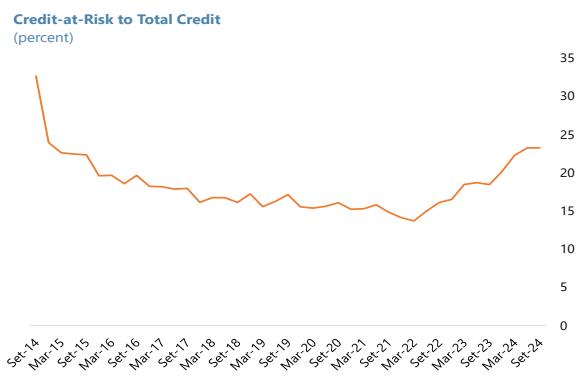


### Figure 5. Cabo Verde: Monetary and Financial Sector Developments

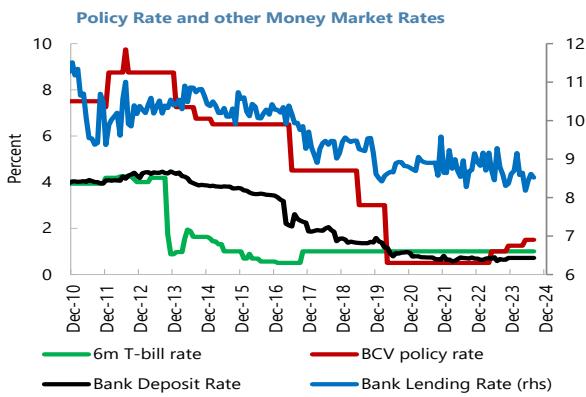
*At end August 2024 broad money increased due to the increase of net foreign assets...*



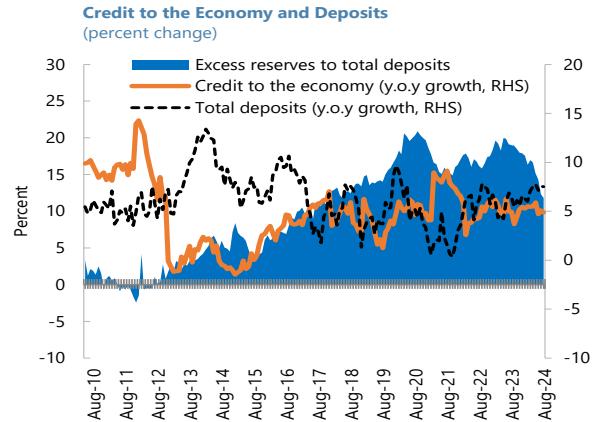
*Credit-at-Risk has been increasing since 2022.*



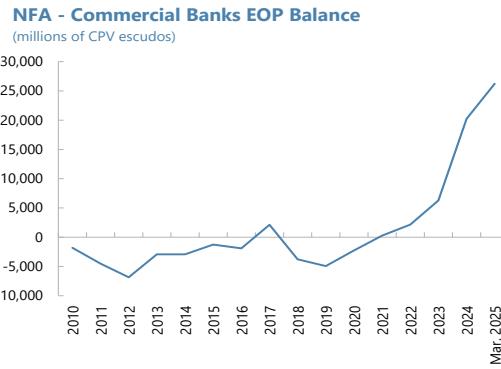
*The central bank has closed the interest differential with the ECB rates.*



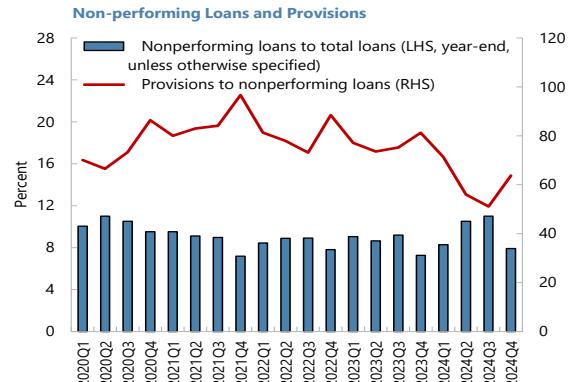
*...credit to the economy increased despite the gradual phasing out of the COVID-19 relief measures.*



*Meanwhile, the large interest rate differential during most of the year led to increasing bank deposits abroad*



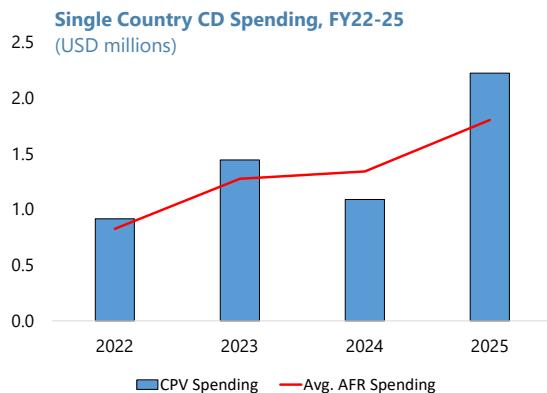
*Nonperforming loans increased in Q3 2024, with a concentration in the transport, real estate and tourism sectors.*



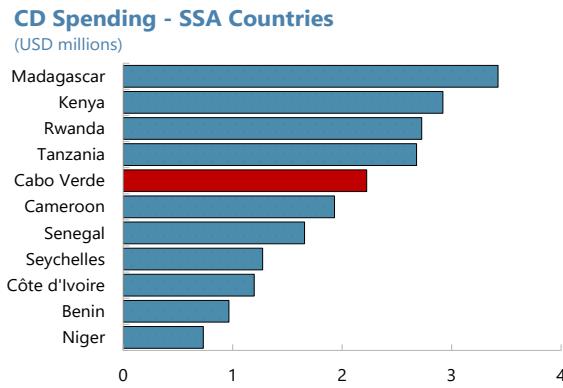
Sources: Cabo Verdean authorities; and IMF staff estimates.

### Figure 6. Cabo Verde: Capacity Development Overview

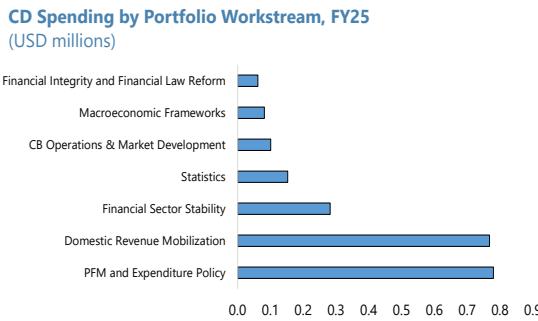
*CD spending in CPV is broadly in line with the AFR average, but projected to rise....*



*...while CD spending is in line with other RSF countries.*



*...under core spending and revenue work streams.*

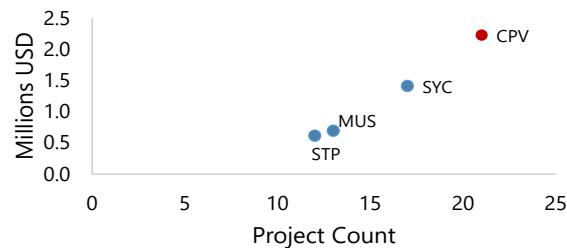


Source: IMF staff calculations based on CDMAP data.

Notes: Years denote fiscal years. Data for FY22 to FY24 is actual data, data for FY25 is based on planned activities in CDMAP as of October 2024. Only projects in the stages "Approval", "Execution" and "Complete" are included. Average spending includes all single country spending in AFR divided by 45.

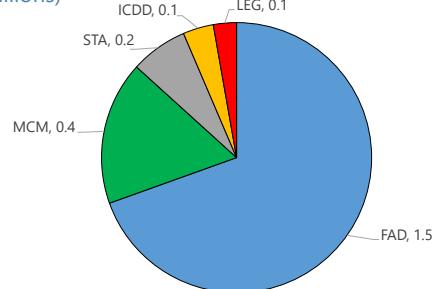
*...with CPV already a heavy CD user compared to SDS peers...*

### CD Spending and Project Count in Tourist-Dependent Small States, FY25



*FAD has conducted most of the CD delivery...*

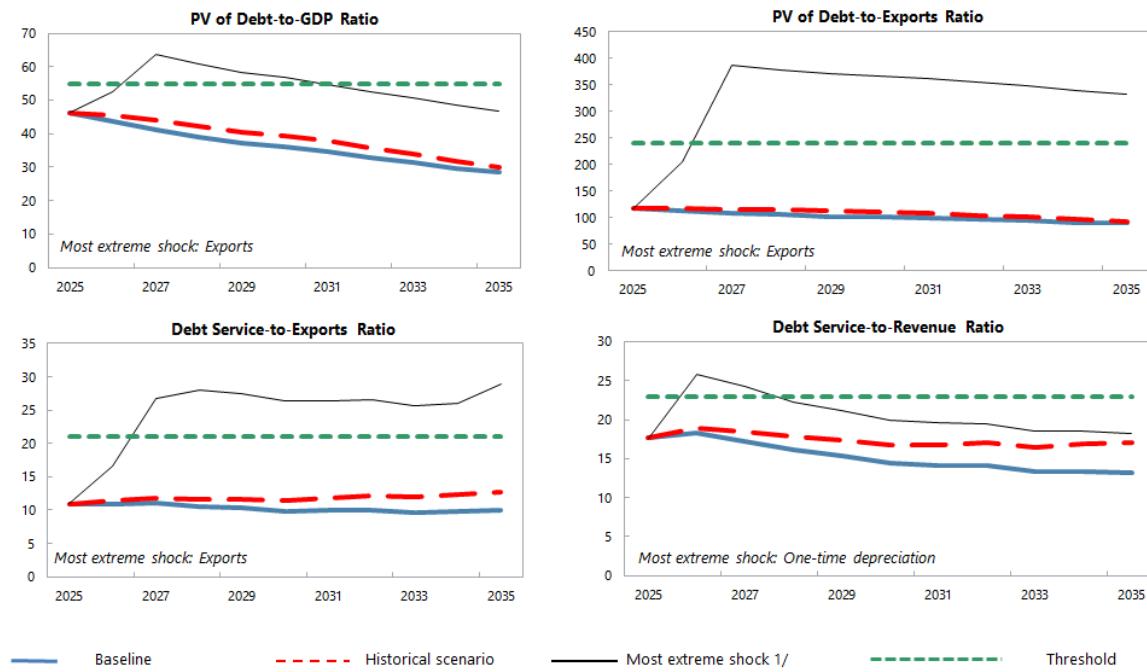
### CD Spending by Delivery Department, FY25 (USD millions)



*Fund CD is supporting key program objectives in 2024*



**Figure 7. Cabo Verde: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–35**



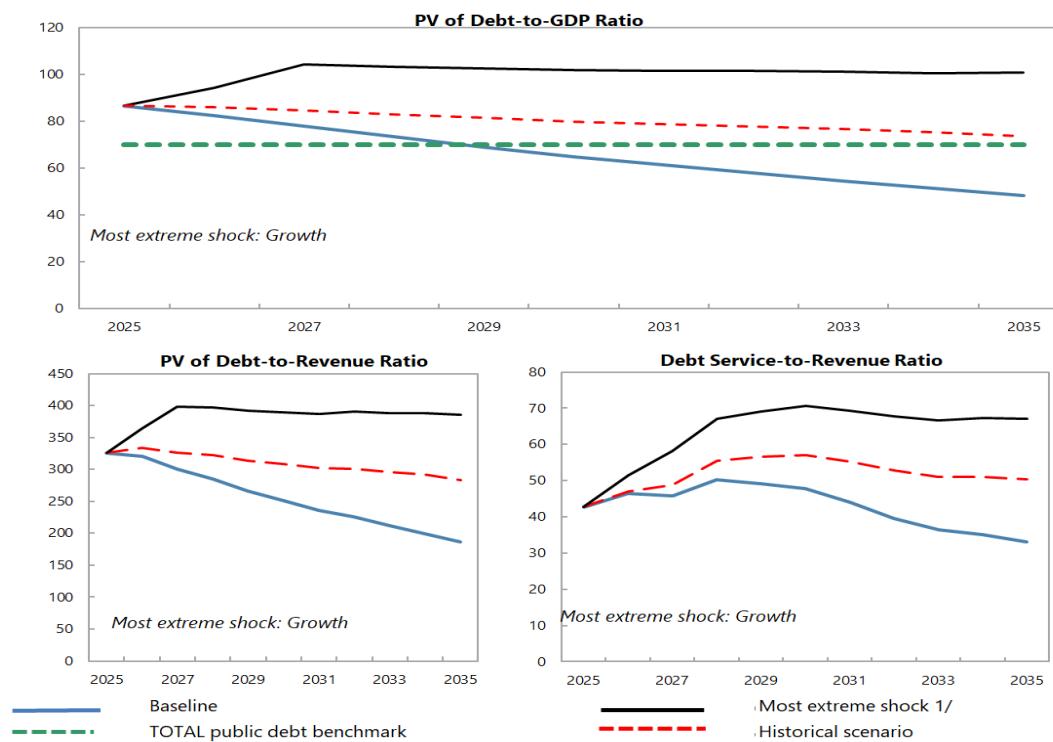
Customization of Default Settings		Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Size	Interactions	Default	User defined
Standardized Tests		Yes		
Tailored Stress				
Combined CL	Yes			
Natural disaster	No	No		
Commodity price	n.a.	n.a.		
Market financing	n.a.	n.a.		

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 8. Cabo Verde: Indicators of Public Debt Under Alternative Scenarios, 2025–35**

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	35%	35%
Domestic medium and long-term	60%	60%
Domestic short-term	1%	6%
<b>Terms of marginal debt</b>		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.4%	1.4%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-0.2%	-0.2%

\* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Table 1. Cabo Verde: Selected Economic Indicators, 2021–30**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Proj.	SR ECF 5th review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percent change)										
<b>National accounts and prices 1/</b>										
Real GDP	7.0	15.8	5.4	7.3	5.0	5.2	4.9	4.9	4.8	4.8
GDP deflator	1.0	6.3	4.1	2.1	2.0	2.2	2.1	2.2	2.1	2.1
Consumer price index (annual average)	1.9	7.9	3.7	1.0	1.5	1.5	2.0	2.0	2.0	2.0
Consumer price index (end of period)	5.4	7.6	1.3	1.5	2.0	2.0	2.0	2.0	2.0	2.0
<b>External sector</b>										
Exports of goods and services	6.4	105.2	10.7	19.2	6.8	2.6	4.3	4.6	4.6	4.6
Of which: tourism	-16.4	225.5	31.6	19.1	6.9	5.0	4.6	5.2	5.2	5.1
Imports of goods and services	7.0	32.0	5.6	3.3	10.4	10.4	9.1	7.5	6.8	6.7
(Change in percent of broad money, 12 months earlier)										
<b>Money and credit</b>										
Net foreign assets	1.4	1.3	2.4	9.9	2.6	0.6	0.8	1.2	1.6	1.8
Net domestic assets	1.6	4.5	3.9	-2.4	4.3	5.3	5.3	5.1	3.9	3.5
Net claims on the central government	2.4	3.1	0.1	-0.6	0.3	0.7	0.6	0.4	0.0	-0.1
Credit to the economy	4.2	3.9	0.1	3.1	4.0	4.5	4.7	4.6	3.8	3.4
Broad money (M2)	3.0	5.8	6.3	7.5	7.0	5.9	6.1	6.3	5.6	5.3
(Percent of GDP, unless otherwise indicated)										
<b>Savings and investment</b>										
Domestic savings	17.6	19.2	17.4	25.6	21.4	20.8	19.4	18.9	18.1	17.9
Government	-5.2	0.8	1.1	1.9	1.4	1.3	2.1	2.7	2.6	2.9
Private	22.8	18.4	16.2	23.6	20.0	19.4	17.3	16.2	15.4	15.0
National investment	26.2	25.7	22.9	21.9	23.6	22.0	21.8	21.9	21.5	21.3
Government	2.3	1.9	1.7	2.3	3.3	2.7	2.8	3.2	3.1	3.3
Private	23.9	23.8	21.2	19.6	20.3	19.3	19.0	18.7	18.4	18.1
Savings-investment balance	-8.5	-6.6	-5.5	3.7	-2.2	-1.3	-2.4	-3.1	-3.4	-3.5
Government	-7.4	-1.1	-0.6	-0.4	-1.9	-1.4	-0.7	-0.5	-0.5	-0.4
Private	-1.1	-5.4	-5.0	4.1	-0.3	0.1	-1.7	-2.5	-3.0	-3.1
<b>External sector</b>										
External current account (including official transfers)	-12.1	-3.5	-2.5	3.7	-2.2	-1.3	-2.4	-3.1	-3.4	-3.5
External current account (excluding official transfers)	-14.5	-4.9	-4.1	1.6	-3.4	-2.5	-3.6	-4.3	-4.5	-4.5
Overall balance of payments	0.6	1.1	2.0	2.0	2.9	1.1	1.4	1.3	1.5	1.5
Gross international reserves (months of prospective imports of goods and services)	5.7	5.7	6.0	5.9	5.2	5.6	5.4	5.3	5.3	5.3
<b>Government finance</b>										
Revenue	23.3	22.3	25.1	24.6	27.7	26.1	24.7	25.6	25.4	25.5
Tax and nontax revenue	21.2	21.4	23.7	23.6	26.1	24.8	23.4	24.3	24.1	24.3
Grants	2.1	0.9	1.3	1.0	1.7	1.3	1.3	1.3	1.3	1.3
Expenditure	30.8	26.6	25.4	25.7	29.5	27.6	25.5	25.7	25.5	25.6
Primary balance	-5.3	-2.0	2.0	1.3	0.4	0.5	1.1	1.3	1.3	1.3
Overall balance (incl. grants)	-7.5	-4.3	-0.3	-1.0	-1.8	-1.6	-0.9	-0.2	-0.1	0.0
Net other liabilities (incl. onlending)	0.9	-0.1	-0.1	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4
Total financing (incl. onlending and capitalization)	6.6	4.3	0.3	1.5	2.3	2.1	1.4	0.6	0.5	3.2
Net domestic credit	1.6	2.4	0.2	1.1	0.5	1.2	1.0	0.7	0.1	-0.7
Net external financing	5.0	2.0	0.2	0.4	1.8	0.9	0.4	-0.1	0.4	0.5
<b>Public debt stock and service 2/</b>										
Total nominal government debt	148.5	127.2	115.7	109.9	107.1	104.9	99.9	94.1	88.9	83.9
External government debt	105.8	88.3	75.2	75.2	71.4	71.2	67.3	63.1	59.9	56.9
Domestic government debt	42.6	39.0	40.6	34.7	35.7	33.7	32.6	31.0	29.1	27.1
External debt service (percent of exports of goods and	17.6	14.2	11.5	11.0	9.6	10.8	10.8	10.9	10.4	10.1
Present value of PPG external debt										
Percent of GDP (risk threshold: 55%)	..	57.2	53.5	48.4	46.3	48.6	46.3	43.7	41.1	39.0
Percent of exports (risk threshold: 240%)	..	197.4	115.6	115.6	116.1	118.7	116.1	112.5	108.4	105.2
Present value of total debt										
Percent of GDP (benchmark: 70%)	..	104.3	92.6	92.6	86.8	91.4	86.8	82.9	78.2	73.8
<b>Memorandum items:</b>										
Public debt with domestically guaranteed debt to SOEs 3/	158.2	136.0	123.9	117.8	114.2	111.9	106.4	100.2	94.6	89.2
Nominal GDP (billions of Cabo Verde escudos)	191.3	235.6	258.5	282.1	297.6	303.4	325.0	348.6	373.0	399.0
Gross international reserves (€ millions, end of period)	595	626	686	736	715	759	799	839	889	942
Sources: Cabo Verdean authorities; and IMF staff estimates and projections.										
1/ The Cabo Verdean exchange rate has been pegged to the Euro since 1999, at a rate of 110.265 CVE/€.										
2/ The public debt perimeter is defined according the program covering the central government and external guarantees to SOEs										
3/ In line with the DSA perimeter covering the central government and external and domestic guarantees to SOEs										

**Table 2. Cabo Verde: Balance of Payments, 2021–30**  
(Millions of Euros; unless otherwise indicated)

	2021	2022	2023	2024	2025	SR ECF 5th review	2026	2027	2028	2029	2030
	Act.	Act.	Act.	Act.		Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Current account</b>	-210	-76	-59	94	-59	-35	-70	-97	-116	-125	-136
Trade balance	-602	-744	-824	-782	-932	-892	-985	-1071	-1156	-1246	-1332
Exports, f.o.b.	151	269	238	303	298	308	323	338	353	370	389
Imports, f.o.b.	753	1013	1062	1085	1230	1200	1308	1409	1509	1616	1721
Consumer goods	285	353	369	396	400	428	464	500	537	568	602
Intermediate goods	169	194	191	188	202	216	235	248	264	290	317
Capital goods	86	75	130	106	104	121	131	147	156	167	178
Others (including fuel)	213	391	372	395	525	435	479	514	552	591	624
Fuel	86	167	133	128	139	138	150	167	183	199	213
Services (net)	51	307	404	490	512	487	491	507	528	549	565
Receipt	245	543	661	768	809	791	823	861	901	941	983
Of which: tourism	112	363	478	569	588	598	625	658	692	728	765
Payment	194	236	257	277	296	303	332	353	373	392	418
Primary Income (net)	-24	-27	-28	-48	-62	-50	-55	-57	-51	-51	-48
<i>Of which: interest on public debt</i>	-30	-77	-15	-16	-15	-16	-16	-17	-18	-19	-20
Secondary Income (net)	364	388	389	433	423	420	479	523	563	623	678
General Government	41	28	38	53	31	35	37	37	37	37	37
Other Sectors	324	360	351	380	392	384	442	486	525	585	641
<i>Of which: remittances</i>	232	262	253	268	284	282	299	316	335	356	377
<b>Capital account</b>	23	21	17	38	36	36	37	23	23	25	26
<i>Of which: Grants</i>	7	9	9	27	27	25	26	11	12	13	15
<b>Financial account 1/</b>	169	67	91	-97	102	3	57	114	144	153	170
Foreign direct investment	78	99	139	81	93	81	82	83	84	85	86
Portfolio investment	-1	0	0	0	0	0	0	0	0	0	0
Other investment	92	-32	-49	-178	9	-79	-25	31	60	68	84
Net acquisition of financial assets	66	45	92	129	19	45	11	-17	-15	-14	-5
Net incurrence of liabilities	158	13	43	-49	27	-33	-15	14	45	54	79
Monetary authority	1	0	0	0	0	0	0	0	0	0	0
Central government	93	31	-14	-31	48	-2	-10	-3	15	18	44
Disbursements	133	69	74	71	139	100	98	110	127	132	158
Amortization	-39	-38	-88	-102	-91	-103	-108	-113	-112	-114	-114
Exceptional financing 2/	0	0	0	0	0	0	0	0	0	0	0
Commercial banks	39	20	-6	-6	-2	-2	7	3	1	0	-7
Non-bank flows	24	-38	63	-12	-19	-29	-12	14	29	35	42
<b>Errors and omissions 3/</b>	29	-2	-22	-1	0	0	0	0	0	0	0
<b>Overall balance</b>	10	9	27	33	79	4	25	40	51	53	60
<b>Memorandum items:</b>											
Use of Fund credit: ECF	0	14	19	11	11	14	6	0	0	0	0
Use of Fund credit: RSF	0	0	0	6	19	13	10	0	0	0	0
Current account (incl. official transfers, percent of GDP)	-12.1	-3.5	-2.5	3.7	-2.2	-1.3	-2.4	-3.1	-3.4	-3.5	-3.5
Current account (excl. official transfers, percent of GDP)	-14.5	-4.9	-4.1	1.6	-3.4	-2.5	-3.6	-4.3	-4.5	-4.5	-4.5
Overall balance (percent of GDP)	0.6	1.1	2.0	2.0	2.9	1.1	1.4	1.3	1.5	1.5	1.6
Gross international reserves	595	626	686	736	715	759	799	839	889	942	1002
Months of next year's imports of goods and services	5.7	5.7	6.0	5.9	5.2	5.6	5.4	5.3	5.3	5.3	5.3
Gross international reserves excl. RSF	595	626	686	730	686	739	780	819	870	922	973
Months of next year's imports of goods and services	5.7	5.7	6.0	5.8	5.0	5.4	5.3	5.2	5.2	5.2	5.2
External public debt	2172	2259	2223	2263	2256	2329	2370	2369	2364	2366	2380
External aid (grants and loans, percent of GDP)	10.4	5.0	5.1	5.9	7.3	5.8	5.5	5.0	5.2	5.1	5.5
Nominal GDP	1735	2137	2344	2558	2699	2752	2948	3161	3383	3619	3861

Sources: Bank of Cabo Verde; and IMF staff estimates and projections.

1/ Excluding international reserves and exceptional financing.

2/ Debt service suspension under the G-20 Initiative.

3/ Including banks' delays on trade credit reporting.

**Table 3a. Cabo Verde: Statement of Operations of the Central Government, 2024–30<sup>1</sup>**  
 (Millions of CVE)

	2024	2025	2026	2027	2028	2029	2030
	Act.	5th review	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Revenue</b>							
Tax	69,525	82,554	79,069	80,161	89,085	94,734	101,906
Taxes on income and profit	56,639	60,549	60,968	65,500	73,362	77,910	83,908
Taxes on goods and services	14,129	14,283	14,633	15,589	17,263	18,472	20,061
Taxes on international trade	29,294	30,292	31,685	33,897	38,953	41,881	45,103
Other taxes	11,426	13,772	13,048	13,912	14,893	15,146	16,164
Grants	1,790	2,202	1,602	2,101	2,254	2,411	2,580
Other revenue	2,926	4,917	3,917	4,161	4,462	4,775	5,108
<b>Expenditure 2/</b>	72,486	87,807	83,795	82,936	89,627	95,011	101,965
Expense	65,888	78,050	75,648	73,925	78,473	83,448	88,820
Compensation of employees	22,627	28,943	29,177	29,856	32,018	34,261	36,652
Use of goods and services	13,053	17,877	15,755	13,022	14,641	15,666	16,759
Interest	6,588	6,357	6,238	6,286	5,100	5,107	5,440
Subsidies	2,049	2,073	2,018	1,996	1,975	1,954	1,933
Current transfers	7,099	8,335	7,636	8,180	8,773	9,387	10,042
Social benefits	10,713	10,780	11,199	11,055	12,195	13,226	14,149
Other expense (incl. capital transfer)	3,759	3,686	3,625	3,530	3,771	3,847	3,845
Net acquisition of nonfinancial assets	6,598	9,757	8,147	9,011	11,155	11,563	13,144
<b>Primary balance</b>	3,626	1,104	1,512	3,511	4,557	4,830	5,381
<b>Overall balance</b>	-2,962	-5,253	-4,726	-2,775	-543	-277	-59
<b>Net other liabilities</b>	-1,267	-1,540	-1,540	-1,776	-1,600	-1,600	-1,600
Onlending to SOEs for investment purpose 3/	-13	-998	-998	-590	0	0	0
Other onlending (net)	452	227	227	215	0	0	0
Capitalization	-2,869	-2,200	-2,200	-2,400	-1,600	-1,600	-1,600
Other	1,163	1,431	1,431	1,000	0	0	0
<b>Financing needs</b>	4,229	6,794	6,267	4,551	2,143	1,877	1,659
<b>Total financing</b>	4,229	6,794	6,267	4,551	2,143	1,877	1,808
Net domestic financing	3,029	1,493	3,539	3,317	2,475	251	-375
Net external financing	1,200	5,300	2,728	1,234	-332	1,626	2,034
<b>Net errors and omissions (+ overfinancing)</b>	0	0	0	0	0	0	0
<b>Memorandum items:</b>							
Counter factual overall balance without RSF 4/	-3,092	-5,834	-5,047	-3,084	-840	-563	-334
Cumulative estimated RSF savings from substituting more expensive domestic financing 4/	130	776	451	760	1,058	1,344	1,619
Social Spending	18,882	19,963	20,311	21,758	23,334	24,968	26,711
Total Public Investment	6,736	11,226	9,616	10,073	11,155	11,563	13,144
of which: public investment done by SOEs	13	998	998	590	0	0	0

Sources: Cabo Verdean authorities; and IMF staff estimates and projections.

1/ Includes budgetary central government (BCG) and extra budgetary central government (ECG), but excludes social security funds.

2/ Higher expenditures on compensation of employees and on goods and services for 2020 partly reflect the broadening of the fiscal coverage.

3/ On lend to SOEs for public investment execution.

4/ Assuming a nominal interest rate differential of 4 percent and average term to maturity differential of 13 years between RSF and domestic financing.

**Table 3b. Cabo Verde: Statement of Operations of the Central Government, 2024–30<sup>1</sup>**  
(Percent of GDP)

	2024	2025		2026	2027	2028	2029	2030
	Act.	5th review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Revenue</b>								
Taxes	24.6	27.7	26.1	24.7	25.6	25.4	25.5	25.5
Taxes on income and profit	20.1	20.3	20.1	20.2	21.0	20.9	21.0	21.0
Taxes on goods and services	5.0	4.8	4.8	4.8	5.0	5.0	5.0	5.0
Taxes on international trade	10.4	10.2	10.4	10.4	11.2	11.2	11.3	11.3
Other taxes	4.1	4.6	4.3	4.3	4.3	4.1	4.1	4.0
Grants	0.6	0.7	0.5	0.6	0.6	0.6	0.6	0.6
Other revenue	1.0	1.7	1.3	1.3	1.3	1.3	1.3	1.3
<b>Expenditure 2/</b>	3.5	5.7	4.7	3.2	3.2	3.2	3.2	3.2
Expense	25.7	29.5	27.6	25.5	25.7	25.5	25.6	25.6
Compensation of employees	23.4	26.2	24.9	22.7	22.5	22.4	22.3	22.1
Use of goods and services	8.0	9.7	9.6	9.2	9.2	9.2	9.2	9.2
Interest	4.6	6.0	5.2	4.0	4.2	4.2	4.2	4.2
Subsidies	2.3	2.1	2.1	1.9	1.5	1.4	1.4	1.4
Current transfers	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.4
Social benefits	2.5	2.8	2.5	2.5	2.5	2.5	2.5	2.5
Other expense (incl. capital transfer)	3.8	3.6	3.7	3.4	3.5	3.5	3.5	3.5
Net acquisition of nonfinancial assets	1.3	1.2	1.2	1.1	1.1	1.0	1.0	0.8
<b>Primary balance</b>	2.3	3.3	2.7	2.8	3.2	3.1	3.3	3.5
<b>Overall balance</b>	1.3	0.4	0.5	1.1	1.3	1.3	1.3	1.3
<b>Net other liabilities</b>	-1.0	-1.8	-1.6	-0.9	-0.2	-0.1	0.0	0.0
Onlending to SOEs for investment purpose 3/	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4
Other onlending (net)	0.0	-0.3	-0.3	-0.2	0.0	0.0	0.0	0.0
Capitalization	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Other	0.4	0.5	0.5	0.3	0.0	0.0	0.0	0.0
<b>Financing Needs</b>	1.5	2.3	2.1	1.4	0.6	0.5	0.4	0.4
<b>Total financing</b>	1.5	2.3	2.1	1.4	0.6	0.5	0.4	0.4
Net domestic financing	1.1	0.5	1.2	1.0	0.7	0.1	-0.1	-0.7
Net external financing	0.4	1.8	0.9	0.4	-0.1	0.4	0.5	1.1
<b>Net errors and omissions (+ overfinancing)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>								
Counter factual overall balance without RSF 4/	-1.1	-2.0	-1.7	-0.9	-0.2	-0.2	-0.1	-0.1
Cumulative estimated RSF savings from substituting more expensive domestic financing 4/	0.0	0.3	0.1	0.2	0.3	0.4	0.4	0.4
Debt-to-GDP (6th review)	109.9	107.1	104.9	99.9	94.1	88.9	83.9	79.4
Change in debt-to-GDP	-5.8	-4.7	-5.0	-5.0	-5.8	-5.2	-5.0	-4.5
of which: contribution from primary deficit	-1.3	-0.4	-0.5	-1.1	-1.3	-1.3	-1.3	-1.3
of which: contribution from real GDP growth	-8.4	-5.4	-5.0	-4.3	-3.8	-3.6	-3.5	-3.3
of which: contribution from average real interest rate	0.1	0.7	-0.2	0.1	0.2	0.2	0.3	0.0
of which: contribution from other debt creation flows 1/	3.7	0.3	0.6	0.3	-0.8	-0.5	-0.5	0.1
Social Spending	6.7	6.7	6.7	6.7	6.7	6.7	6.7	0.0
Total Public Investment	2.4	3.8	3.2	3.1	3.2	3.1	3.3	3.5
Of which: public investment done by SOEs	0.0	0.3	0.3	0.2	0.0	0.0	0.0	0.0
GDP at current market prices (billions of CVEsc)	282.1	297.6	303.4	325.0	348.6	373.0	399.0	425.7

Sources: Cabo Verdean authorities; and IMF staff estimates and projections.

1/ Includes net other liabilities, fx depreciation, and other debt-creating flows.

2/ Higher expenditures on compensation of employees and on goods and services for 2020 partly reflect the broadening of the fiscal coverage.

3/ On lend to SOEs for public investment execution.

4/ Assuming a nominal interest rate differential of 4 percent and average term to maturity differential of 13 years between RSF and domestic financing.

**Table 4. Cabo Verde: Deposit Corporations Survey, 2022–30**  
 (Millions of CVE, unless otherwise indicated)

	2022	2023	2024	2025	SR ECF 5th review	2026	2027	2028	2029	2030
	Act.	Act.			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Central Bank</b>										
Net foreign assets	61,810	66,503	72,121	69,786	74,588	79,020	83,379	88,957	94,770	101,380
Of which: <i>Foreign assets</i>	69,036	75,592	81,209	78,875	83,677	88,109	92,468	98,046	103,858	110,469
<i>Foreign liabilities</i>	-7,227	-9,089	-9,089	-9,089	-9,089	-9,089	-9,089	-9,089	-9,089	-9,089
Net domestic assets	11,111	11,909	12,183	19,639	14,675	15,711	17,320	17,336	17,117	16,297
Net domestic credit	143	592	866	8,323	3,358	4,394	6,003	6,019	5,800	4,981
Government (net)	-9,140	-6,916	-6,916	-6,916	-6,916	-6,916	-6,916	-6,916	-6,916	-6,916
Other public non-financial corporations (net)	0	0	0	0	0	0	0	0	0	0
Other depository corporations (net)	7,635	5,730	5,995	13,442	8,478	9,505	11,105	11,112	10,883	10,055
Others	1,648	1,779	1,788	1,797	1,797	1,806	1,815	1,824	1,833	1,842
Other items (net)	10,968	11,317	11,317	11,317	11,317	11,317	11,317	11,317	11,317	11,317
Reserve money (RM, M0)	72,921	78,412	84,304	89,425	89,263	94,731	100,699	106,293	111,886	117,677
Currency in circulation	15,181	16,080	16,727	17,212	17,173	18,225	19,373	20,449	21,525	22,639
Bank reserves	57,739	62,333	67,576	72,213	72,091	76,507	81,326	85,844	90,361	95,038
<b>Other depository corporations</b>										
Net foreign assets	4,654	5,355	23,354	22,412	22,412	20,124	19,286	18,656	18,714	18,700
Reserves	56,033	61,517	67,576	72,213	72,091	76,507	81,326	85,844	90,361	95,038
Net domestic assets	205,136	213,401	221,279	237,623	237,161	255,350	273,542	290,439	306,645	323,499
Net domestic credit	239,620	251,084	262,459	282,792	282,161	304,525	327,280	349,162	370,817	393,625
Government (net)	51,413	49,003	47,776	52,866	49,743	51,603	53,059	53,411	55460.2	55937.8
Other public non-financial corporations (net)	6,857	6,933	5,834	8,397	7,139	7,870	8,642	9,369	19064.5	19719.5
Private sector (net)	134,831	134,830	143,312	158,554	157,469	173,596	190,623	206,652	420513	434959
Other items (net)	-34,483	-37,683	-41,179	-45,169	-45,000	-49,175	-53,738	-58,723	-64,172	-70,126
Deposits	209,791	223,450	244,633	260,035	259,573	275,473	292,828	309,095	325,359	342,199
<b>Deposit corporations survey</b>										
Net foreign assets	66,464	71,858	95,474	92,198	97,000	99,144	102,665	107,614	113,484	120,080
Foreign assets	106,995	113,542	134,605	131,130	135,932	138,804	142,623	147,641	153,553	159,355
Of which: gross international reserves	69,036	75,592	81,209	78,875	83,677	88,109	92,468	98,046	103,858	110,469
Foreign liabilities	-40,531	-41,684	-39,131	-38,932	-38,932	-39,660	-39,958	-40,027	-40,070	-39,274
Net domestic assets	158,826	167,559	161,931	180,845	175,549	190,100	204,801	216,933	228,140	239,225
Net domestic credit	185,609	185,629	191,816	206,516	205,433	219,985	234,686	246,817	258,024	269,110
Net claims on general government (net)	42,273	42,087	40,859	45,950	42,827	44,686	46,142	46,494	46,549	38,823
Credit to the economy	143,336	143,542	150,956	169,566	162,606	175,298	188,544	200,323	211,475	230,287
o/w Credit to Private Sector	136,470	136,601	145,115	161,162	155,460	167,421	179,894	190,947	201,380	219,397
o/w Credit to Public Non-financial Corporations	6,857	6,933	5,834	8,397	7,139	7,870	8,642	9,369	10,088	10,883
Other items (net)	-26,782	-18,070	-29,885	-25,671	-29,885	-29,885	-29,885	-29,885	-29,885	-29,885
Broad money (M2)	225,290	239,417	257,405	273,043	272,549	289,244	307,466	324,546	341,623	359,306
Narrow money (M1)	120,589	131,606	141,494	150,091	149,819	158,996	169,013	178,402	187,789	197,509
Currency outside banks	12,241	12,414	12,772	13,008	12,976	13,771	14,638	15,451	16,264	17,106
Demand deposits	108,349	119,192	128,722	137,083	136,843	145,225	154,374	162,950	171,524	180,402
Quasi-money	98,824	100,938	108,521	115,114	114,906	121,945	129,627	136,828	144,028	151,482
Foreign currency deposits	5,877	6,873	7,389	7,838	7,824	8,303	8,826	9,317	9,807	10,315
<b>Year on Year Growth</b>										
						(Percent)				
Net foreign assets	4.3	8.1	32.9	7.9	1.6	2.2	3.6	4.8	5.5	5.8
Net domestic assets	6.5	5.5	-3.4	6.5	8.4	8.3	7.7	5.9	5.2	4.9
Net domestic credit	8.6	0.0	3.3	5.7	7.1	7.1	6.7	5.2	4.5	4.3
Net claims on government	17.7	-0.4	-2.9	2.1	4.8	4.3	3.3	0.8	0.1	-16.6
Credit to the economy	6.2	0.1	5.2	6.4	7.7	7.8	7.6	6.2	5.6	8.9
o/w Credit to Private Sector	5.6	0.1	6.2	6.2	7.1	7.7	7.5	6.1	5.5	8.9
o/w Credit to Public Non-financial corporations	18.6	1.1	-15.9	9.2	22.4	10.2	9.8	8.4	7.7	7.9
Broad money (M2)	5.8	6.3	7.5	7.0	5.9	6.1	6.3	5.6	5.3	5.2
Reserve money (RM, M0)	9.0	7.5	7.5	7.0	5.9	6.1	6.3	5.6	5.3	5.2
<b>Memorandum items:</b>										
Emigrant deposits/total deposits (percent)	26.5	25.2	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Excess reserves/total deposits (percent)	17.5	18.4	17.6	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Money multiplier (M2/M0)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Money velocity (Nominal GDP/M2)	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Broad money (M2 in percent of GDP)	95.6	92.6	91.3	91.7	89.8	89.0	88.2	87.0	85.6	84.4

Sources: Bank of Cabo Verde; and IMF staff estimates and projections.

**Table 5. Cabo Verde: Financial Soundness Indicators of the Banking Sector, 2020–24Q4**  
 (End-year; percent unless otherwise indicated)

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4
<b>Capital adequacy</b>																	
Regulatory capital to risk-weighted assets	19.4	19.6	20.0	20.9	21.4	22.0	21.4	21.9	22.2	22.7	21.4	21.8	23.8	23.6	22.5	22.5	23.9
Regulatory Tier 1 capital to risk-weighted assets	19.8	20.1	20.5	20.9	21.1	21.6	21.1	21.5	22.6	23.2	22.1	22.5	24.4	24.2	23.3	23.4	24.6
<b>Asset quality 1/</b>																	
Nonperforming loans to total loans	9.5	9.5	9.1	9.0	8.1	8.2	8.8	8.9	7.8	9.1	8.7	9.2	7.3	8.3	10.5	11.0	7.9
Nonperforming loans net of provisions to capital	7.1	10.9	8.5	7.6	1.6	7.4	9.4	11.6	3.9	8.6	10.8	9.3	6.5	11.2	22.6	26.3	13.1
Provisions to nonperforming loans	86.4	80.0	83.0	84.1	95.5	81.3	77.9	73.2	88.4	77.1	73.5	75.3	81.3	71.3	55.9	51.1	63.8
<b>Earnings and profitability</b>																	
Return on assets	1.3	0.4	0.8	1.2	1.4	0.4	0.8	1.3	1.5	0.4	0.9	1.3	1.8	0.5	0.9	1.4	1.9
Return on equity	15.4	4.9	9.1	12.7	14.9	4.4	8.7	13.6	16.0	4.4	9.2	13.6	18.0	4.6	9.3	13.4	18.3
Interest margin to gross income	85.7	84.8	83.1	83.5	80.8	83.9	82.0	78.6	80.0	83.6	82.7	83.5	79.7	84.1	82.5	82.2	81.5
Noninterest expenses to gross income	48.9	45.5	45.3	45.4	46.0	46.5	45.6	44.2	46.2	45.7	45.4	46.2	44.8	44.4	44.2	44.7	44.5
<b>Liquidity 2/</b>																	
Liquid assets to total assets	25.1	23.0	21.7	22.6	24.3	24.1	22.8	23.2	24.6	24.8	25.2	25.7	25.0	25.6	24.7	25.2	25.9
Liquid assets to short-term liabilities	29.9	27.5	26.1	28.0	30.5	30.1	28.5	29.1	31.5	31.6	32.3	32.8	32.7	33.8	31.9	32.5	33.3
<b>Additional indicators</b>																	
Government deposits over total deposits	19.6	19.0	18.0	17.7	16.0	15.7	15.8	17.1	17.0	17.3	17.6	17.6	17.9	17.0	17.3	17.8	17.2
Demand deposits over total deposits	51.1	51.6	51.4	50.9	51.8	52.6	51.8	52.9	53.3	53.8	54.3	54.1	53.4	54.4	53.8	53.6	54.5
Total credit over total deposits	54.7	55.5	56.1	57.8	56.9	55.5	56.3	56.1	57.4	56.7	56.9	56.3	57.5	57.0	56.8	56.4	56.4
Personnel cost over cost of operations	58.0	60.4	59.7	58.4	58.0	57.4	56.5	55.6	58.1	57.5	56.5	55.4	58.7	57.5	57.2	56.3	

Source: Bank of Cabo Verde.

1/ Based on IAS/IFRS definition.

2/ Liquid assets include cash in vault and marketable securities. Short-term liabilities include demand deposits.

**Table 6. Cabo Verde: Proposed Quantitative Performance Criteria and Indicative Targets Under the ECF,  
December 2024-September 2026<sup>1</sup>**  
(Millions of CVE, unless otherwise indicated)

	2024			2025				2026		
	Performance Criteria (PC)	end-December		Indicative Targets (IT)	Proposed Performance Criteria (PC)	end-June Proposed Indicative Targets (IT)	end-September Proposed Performance Criteria (PC)	end-December Proposed Performance Criteria (PC)	Indicative Targets (IT)	Proposed Performance Criteria (PC)
		Actual	Status							
<b>Quantitative performance criteria</b>										
Primary balance, floor <sup>2</sup>	-3063.9	3626.1	met	7	529	998	1512	527	1229	2317
Tax revenue, floor	53973.7	56638.5	met	14808	21339	40239	60968	9825	22925	43230
Net other liabilities, floor <sup>3</sup>	-2870	-2431	met	-139	-1911	-2317	-2896	-1080	-1783	-2161
Net domestic financing, ceiling	5494	3029	met	96	2336	2831	3539	1327	2189	2653
Nonaccumulation of domestic arrears <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
Non-accumulation of external payment arrears <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
PV of new external debt, ceiling (in millions of US Dollars)	58	50	met	19	29	54	82	38	39	51
Nominal level of new nonconcessional external debt of central government, ceiling <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
0	0	met	0	0	0	0	0	0	0	0
Gross international reserves (in millions of euros), floor <sup>2</sup>	646	736	met	659	753	761	759	777	785	792
<b>Indicative Targets</b>										
Social spending, floor	18490.1	17957	[not met]	4941	6957	13119	19877	5469	7701	14521
<b>Non-quantitative continuous PCs</b>										
Non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions										
Non-introduction or modification of multiple currency practices										
Non-imposition or intensification of import restrictions for balance of payments reasons										
Non-conclusion of bilateral payments agreements that are inconsistent with Article VIII										
<b>Memorandum items:</b>										
Net onlending	194	439		82	243	459	696	45	105	199
Capitalization	2600	2869		0	770	1452	2200	360	840	1584
<b>Program assumptions</b>										
Project and budget support grants	6409.3	2926.4		1077	1371	2585	3917	624	1456	2746
External debt service	12031.9	14500.1		0	4573	8624	13066	2051	4786	9025
Sales of assets	705.0	568.9		118	255	481	729	120	281	530
Project and budget support loans	19752.2	12189.5		3840	4568	8614	13051	1958	4568	8614

Sources: Cabo Verdean authorities; and IMF staff estimates and projections.

<sup>1</sup> Foreign currency amounts will be converted at current exchange rates.

<sup>2</sup> The ceiling or floor will be adjusted as specified in the TMU.

<sup>3</sup> Until December 2023, Net other liabilities includes net onlending, capitalization, use of deposits, privatization. From June 2024 onwards, the definition was narrowed down to SOEs support focusing on net onlending to SOEs and capitalization.

<sup>4</sup> Continuous. Contracted disbursements derived from the additional loan under a contract originally signed in 2013 with the Kuwait Fund, related to ongoing healthcare sector projects to support the construction of two hospitals and the establishment of the first blood testing laboratory in Cabo Verde, are excluded from the definition of non-concessional external debt.

**Table 7a. Cabo Verde: Structural Benchmarks Under the ECF, 2022-24**

<b>Actions</b>	<b>Target date</b>	<b>Objective</b>	<b>Status</b>
<b>Fiscal reforms</b>			
1) Invoice electronically at least 50 percent of tax payers for VAT	End-December 2022	Improve revenue collection	Met
2) Submit to parliament the budget for 2023 that is in line with commitments under the program.	End December 2022	Support fiscal and debt sustainability	Met
3) Compile and publish historical series of government financial statistics for general government.	End-March 2023	Improve fiscal transparency	Met
4) Publish annual budget execution reports for the general government.	End-September 2023	Improve fiscal transparency	Met
5) Construct a Compliance Risk Management system to allow for the optimization of tax revenue collection by end-December 2023.	End-December 2023	Support fiscal and debt sustainability	Met
6) Submit to parliament the budget for 2024 that is in line with the primary balance commitment under the program.	End-December 2023	Support fiscal and debt sustainability	Met
7) Develop and publish an action plan to reduce tax expenditures by 1 percent of GDP and include published estimates of annual tax expenditures in the budget to improve transparency	End-September 2024	Support fiscal and debt sustainability	Met
8) Implement the action plan to reduce tax expenditures in the 2025 budget	End-December 2024	Support fiscal and debt sustainability	Met
9) Broadening the coverage of fiscal risk analysis and reporting to include PPPs	End-September 2024	Support fiscal and debt sustainability	Met
10) Adopt a budget for fiscal year 2025 that is in line with the program parameters	End-December 2024	Support fiscal and debt sustainability	Met
<b>SOEs reforms</b>			
11) Conduct quarterly analysis of fiscal risk assessment using the IMF SOEs health check tool.	End-September 2022	Improve fiscal reporting and reduce fiscal risks	Met
12) Introduce a quarterly monitoring report on SOEs budget execution.	End-September 2022	Improve fiscal reporting and reduce fiscal risks	Met
13) Improve the annual SOEs report to include comparison of execution to initial budget projection, evaluation of performance against medium term plan, data on government relations (transfers and liabilities).	End-July 2023	Improve fiscal reporting and reduce fiscal risks	Met
14) Based on the July 2023 structural benchmark, publish in the annual report on public companies the targets agreed between the Ministry of Finance and Business Development and the six largest public companies , on improving financial performance and reducing the need for central government support.	End-June 2024	Improve fiscal reporting and reduce fiscal risks	Met
<b>Monetary policy reforms</b>			
15) Preannounce a schedule for TIM and TRM auctions.	End-June 2022	Support the development of the money market	Met
16) Introduce composite indicators of economic activity.	End-June 2023	Support monetary policy analysis	Met
<b>Financial sector reforms</b>			
17) Submit draft amendments to the BCV Law, in line with IMF recommendations, to the Ministry of Finance with a view to (i) establishing an independent oversight process that is separate from executive management, (ii) strengthening the BCV's personal and financial autonomy, and (iii) enhancing transparency and accountability mechanisms	End-December 2022	Strengthen BCV institutional framework	Met
18) Carry out a comprehensive study of loan losses and provisions at the expiration of the credit moratorium.	End-December 2022	Strengthen financial stability	Met
19) Develop a common framework for the resolution of crisis related NPLs.	End-December 2022	Strengthen financial stability	Met
20) Increase the frequency of stress testing to twice per year (June 2023 and December 2023) to ensure the effectiveness of the supervisory process and revamp the stress testing methodology to include detailed banking data and cyber security risk assessment.	End-December 2023	Strengthen financial stability	Met
21) Submit the draft amendments to the BCV Law, in line with IMF recommendations, to parliament with a view to (i) establish an independent oversight process that is separate from executive management, (ii) strengthen the BCV's personal and financial autonomy, and (iii) enhance transparency and accountability mechanisms	End-July 2024	Strengthen BCV institutional framework	Not Met; implemented with a delay in September

**Table 7b. Cabo Verde: Proposed Structural Benchmarks Under the ECF, 2025-26**

<b>Actions</b>	<b>Target date</b>	<b>Objective</b>
<b>Fiscal reforms</b>		
1) Submit to parliament the budget for 2026 that is in line with commitments under the program.	End December 2025	Support fiscal and debt sustainability
2) Manual Data Exchange between DNRE and RNI: Implement a manual exchange of databases agreed in all phases of the MoU – civil identification of citizens and companies, real properties and vehicles.	End December 2025	Enhance tax compliance and collection
3) Manual Data Exchange between DNRE and INPS: Implement a manual exchange of taxpayer databases and periodic filing of returns containing information on salaries and taxes paid to DNRE and INPS.	End December 2025	Enhance tax compliance and collection
4) Submit to parliament a revised Public Procurement Code with the aim of minimizing the share of direct awards (Ministry of Finance).	End-December 2025	Improve fiscal transparency
5) Implement the electronic public procurement system (e-GP) to cover the entire life cycle of public procurement, integrating data on sanctions, awards and execution (Ministry of Finance and ARAP).	End-December 2025	Improve fiscal transparency
6) Automated Data Exchange between DNRE and INPS: Transition to an automated exchange of taxpayer databases and periodic filing of returns containing information on salaries and taxes paid to DNRE and INPS.	End September 2026	Enhance tax compliance and collection
<b>SOEs reforms</b>		
7) Publish the annual report and audited financial statements of all State-Owned Enterprises (SOEs) up to and including calendar year 2023 through the SOE Manager portal of the SOE Sector Monitoring Unit (UASE) of the Ministry of Finance	End-December 2025	Improve fiscal reporting and reduce fiscal risks
8) Publish the annual report and audited financial statements of all State-Owned Enterprises (SOEs) up to and including calendar year 2025 through the SOE Manager portal of the SOE Sector Monitoring Unit (UASE) of the Ministry of Finance.	End June 2026	Improve fiscal reporting and reduce fiscal risks
<b>Monetary policy and financial sector reforms</b>		
9) Improve the methodology for compiling monetary statistics through the development of a new series of working files (DEE)	End-December 2025	Support monetary policy analysis and quality of monetary statistics
10) Effective activation of the new platform of the Credit Registry Center (CRC)-DEE.	End-March 2026	Support monetary policy analysis and quality of monetary statistics
11) Reconciliation between the monetary statistics published by the Bank of Cabo Verde (BCV) and the International Monetary Fund (IMF) (DEE).	End-June 2026	Support monetary policy analysis and quality of monetary statistics
12) Publish the monetary statistics based on 11) above on the BCV website (DEE).	End-September 2026	Support monetary policy analysis and quality of monetary statistics
13) Ongoing development of the integrated database of the Department of Economic Statistics (DEE).	End-October 2026	Support monetary policy analysis and quality of monetary statistics
14) Develop and publish a macroprudential policy framework, comprising at least two additional macroprudential instruments along with their respective methodologies for systemic risk assessment. The development of this framework is contingent on the operationalization and the timely provision of data from the CRC, a critical source of granular and reliable data to support robust systemic risk assessment methodologies (MacroPrudential Unit).	End-September 2026	Support monetary policy analysis and macroprudential framework

**Table 8. Cabo Verde: Indicators of Capacity to Repay the Fund, 2025-44**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
<b>Fund obligations based on existing credit (millions of SDRs)</b>																				
Principal	2.4	4.7	5.9	8.6	11.0	10.0	8.1	7.0	4.3	2.1	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.5	
Charges and interest	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	
Total	3.4	5.9	7.0	9.7	12.2	11.2	9.2	8.1	5.4	3.2	2.2	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.5	
<b>Fund obligations based on existing and prospective credit (millions of SDRs)</b>																				
Principal	2.4	4.7	5.9	8.6	11.0	10.0	9.7	9.3	6.6	4.4	3.4	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.1	
o/w PRGT	2.4	4.7	5.9	8.6	11.0	10.0	9.7	9.3	6.6	4.1	2.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
o/w RST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.7	1.8	2.4	2.4	2.4	2.4	2.4	2.4	2.1	
Charges and interest	1.1	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.3	1.3	1.2	1.1	1.1	1.0	
o/w PRGT	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
o/w RST	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	
Total	3.5	6.1	7.3	10.1	12.5	11.5	11.2	10.8	8.1	5.9	4.9	4.0	3.8	3.7	3.7	3.6	3.6	3.5	3.1	
<b>Total obligations based on existing and prospective credit</b>																				
Millions of SDRs	3.5	6.1	7.3	10.1	12.5	11.5	11.2	10.8	8.1	5.9	4.9	4.0	3.8	3.7	3.7	3.6	3.6	3.5	3.1	
o/w PRGT	3.4	5.7	6.8	9.5	12.0	11.0	10.7	10.3	7.5	5.1	3.7	1.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
o/w RST	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.8	1.2	2.3	2.8	2.7	2.7	2.6	2.6	2.5	2.2	
Millions of U.S. dollars	4.6	8.2	9.8	13.5	16.8	15.5	15.1	14.5	10.9	7.9	6.6	5.4	5.1	5.0	4.9	4.9	4.8	4.7	4.6	
o/w PRGT	4.5	7.6	9.1	12.8	16.1	14.7	14.3	13.8	10.1	6.8	5.0	2.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	
o/w RST	0.2	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.1	1.6	3.1	3.8	3.7	3.6	3.5	3.4	3.4	2.9	
Percent of exports of goods and services	0.4	0.7	0.8	1.0	1.2	1.0	1.0	0.9	0.6	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	
Percent of debt service	2.7	4.6	5.7	7.9	9.5	8.6	8.0	7.4	5.9	4.1	3.2	2.6	2.4	2.3	2.2	2.0	2.0	1.9	1.7	
Percent of quota	14.7	25.8	31.0	42.4	52.8	48.5	47.2	45.5	34.1	24.8	20.7	16.9	15.9	15.7	15.5	15.2	15.0	14.8	14.6	
Percent of gross international reserves	0.6	1.0	1.2	1.5	1.8	1.5	1.4	1.3	1.0	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.1	
Percent of GDP	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
<b>Outstanding Fund credit</b>																				
Millions of SDRs	84.5	92.4	86.6	78.0	67.0	56.9	47.2	37.9	31.3	26.9	23.5	20.9	18.6	16.2	13.8	11.5	9.1	6.7	4.3	
o/w PRGT	68.7	68.7	62.9	54.3	43.3	33.2	23.5	14.2	7.6	3.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
o/w RST	15.8	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.4	22.8	20.9	18.6	16.2	13.8	11.5	9.1	6.7	4.3	
Millions of U.S. dollars	112.2	123.5	115.9	104.7	90.0	76.5	63.5	51.0	42.1	36.2	31.6	28.1	25.0	21.8	18.6	15.4	12.2	9.0	5.8	
o/w PRGT	91.3	91.8	84.2	72.9	58.1	44.7	31.6	19.1	10.2	4.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
o/w RST	21.0	31.7	31.7	31.8	31.9	31.9	31.9	31.9	31.9	31.5	30.6	28.1	25.0	21.8	18.6	15.4	12.2	9.0	5.8	
Percent of exports of goods and services	9.5	10.0	8.9	7.7	6.3	5.2	4.1	3.1	2.5	2.0	1.7	1.4	1.2	1.0	0.8	0.7	0.5	0.4	0.2	
Percent of debt service	65.4	69.3	67.2	61.2	51.0	42.6	33.8	25.9	22.9	18.6	15.5	13.6	11.8	9.9	8.2	6.4	5.1	3.8	2.4	
Percent of quota	356.6	390.0	365.2	329.1	282.5	240.2	199.2	160.0	132.1	113.6	99.1	88.3	78.3	68.3	58.3	48.3	38.3	28.3	18.3	
Percent of gross international reserves	14.8	15.5	13.8	11.8	9.6	7.6	6.1	4.7	3.7	3.1	2.6	2.2	1.9	1.6	1.3	1.0	0.8	0.5	0.3	
Percent of GDP	3.8	3.9	3.4	2.9	2.3	1.8	1.4	1.1	0.8	0.7	0.5	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.0	
<b>Net Use of Fund Credit (millions of SDRs)</b>																				
Disbursements	19.5	0.0	-5.9	-8.6	-11.0	-10.0	-9.7	-9.3	-6.6	-4.4	-3.4	-2.6	-2.4	-2.4	-2.4	2.4	-2.4	-2.4	-2.1	
Repayments	21.9	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Memorandum items:</b>																				
Exports of goods and services (millions of U.S. dollars)	1182.9	1240.5	1296.4	1355.4	1417.5	1482.7	1551.1	1623.0	1698.4	1777.5	1860.9	1948.6	2040.6	2137.1	2238.7	2345.5	2457.5	2575.2	2699.3	
Debt service (millions of U.S. dollars)	171.5	178.3	172.4	170.9	176.5	179.7	187.6	196.8	184.0	194.3	203.4	207.2	212.4	220.3	227.4	239.1	240.5	235.1	242.2	
Quota (millions of SDRs)	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	
Gross international reserves	758.9	799.1	838.6	889.2	941.9	1001.8	1041.8	1093.2	1137.6	1166.3	1217.6	1259.8	1284.8	1362.0	1442.4	1534.8	1597.3	1675.3	1681.2	
GDP (millions of U.S. dollars)	2963.4	3191.9	3419.5	3656.8	3911.4	4173.1	4453.7	4752.2	5070.8	5410.1	5770.4	6155.2	6569.1	7010.8	7480.7	7984.6	8521.0	9093.3	9709.3	
Sources: IMF Staff estimates and projections.																				

**Table 9a. Cabo Verde: Schedule of Reviews Under the ECF, 2022-25**

Date Available	Amount (SDR millions)	% of Quota	Conditions Necessary for Disbursement
15-Jun-22	11.26	47.5	Executive Board approval of ECF
15-Oct-22	11.26	47.5	Observance of end-June 2022 performance criteria and completion of the first review under the arrangement
15-Mar-23	4.50	19.0	Observance of end-Dec 2022 performance criteria and completion of the second review under the arrangement
15-Oct-23	4.50	19.0	Observance of end-June 2023 performance criteria and completion of the third review under the arrangement
15-Mar-24	4.50	19.0	Observance of end-December 2023 performance criteria and completion of the fourth review under the arrangement
15-Oct-24	4.50	19.0	Observance of end-June 2024 performance criteria and completion of the fifth review under the arrangement
15-Mar-25	4.51	19.0	Observance of end-December 2024 performance criteria and completion of the sixth review under the arrangement
Total	45.03	190.0	

Source: IMF staff estimates.  
Note: Quota is SDR 23.70 million.

**Table 9b. Cabo Verde: Schedule and Proposal of Reviews Under the ECF, 2022-26**

Date Available	Amount (SDR millions)	% of Quota	Conditions Necessary for Disbursement
15-Jun-22	11.26	47.5	Executive Board approval of ECF
15-Oct-22	11.26	47.5	Observance of end-June 2022 performance criteria and completion of the first review under the arrangement
15-Mar-23	4.50	19.0	Observance of end-Dec 2022 performance criteria and completion of the second review under the arrangement
15-Oct-23	4.50	19.0	Observance of end-June 2023 performance criteria and completion of the third review under the arrangement
15-Mar-24	4.50	19.0	Observance of end-December 2023 performance criteria and completion of the fourth review under the arrangement
15-Oct-24	4.50	19.0	Observance of end-June 2024 performance criteria and completion of the fifth review under the arrangement
15-Mar-25	4.51	19.0	Observance of end-December 2024 performance criteria and completion of the sixth review under the arrangement
15-Oct-25	2.37	10.0	Observance of end-June 2025 performance criteria and completion of the seventh review under the arrangement
15-Mar-26	2.37	10.0	Observance of end-December 2025 performance criteria and completion of the eighth review under the arrangement
15-Oct-26	2.37	10.0	Observance of end-June 2026 performance criteria and completion of the nineth review under the arrangement
Total	52.14	220.0	

Source: IMF staff estimates.

Note: Quota is SDR 23.70 million.

**Table 10a. Cabo Verde: Access and Phasing Under the RSF Arrangement, 2024-25**

<b>Available date</b>	<b>SDR million</b>	<b>Percent of Quota</b>	<b>Total Disbursements</b>	<b>Conditions for disbursement</b>
15-Mar-24	2.632	11.11	5.264	Reform measure 1 implementation review
15-Mar-24	2.632	11.11		Reform measure 3 implementation review
2-Dec-24	2.632	11.11	10.528	Reform measure 2 implementation review
2-Dec-24	2.632	11.11		Reform measure 7 implementation review
2-Dec-24	2.632	11.11		Reform measure 8 implementation review
2-Dec-24	2.632	11.11		Reform measure 9 implementation review
15-May-25	2.632	11.11	7.908	Reform measure 4 implementation review
15-May-25	2.632	11.11		Reform measure 5 implementation review
15-May-25	2.644	11.16		Reform measure 6 implementation review
<b>Total access</b>	<b>23.7</b>	<b>100.0</b>		

Source: IMF staff estimates.

Note: Quota is SDR 23.7 million.

**Table 10b. Cabo Verde: Proposed Access and Phasing Under the RSF Arrangement, 2024-26**

<b>Available date</b>	<b>SDR million</b>	<b>Percent of Quota</b>	<b>Total Disbursements</b>	<b>Conditions for disbursement</b>
15-Mar-24	2.632	11.11	5.264	Reform measure 1 implementation review Reform measure 3 implementation review
15-Mar-24	2.632	11.11		
2-Dec-24	2.632	11.11	2.632	Reform measure 2 implementation review
15-Oct-25	2.632	11.11		Reform measure 7 implementation review
15-Oct-25	2.632	11.11	7.896	Reform measure 8 implementation review
15-Oct-25	2.632	11.11		Reform measure 4 implementation review
15-Mar-26	2.632	11.11	5.276	Reform measure 5 implementation review
15-Mar-26	2.644	11.16		Reform measure 6 implementation review
15-Oct-26	2.632	11.11	2.632	Reform measure 9 implementation review
<b>Total access</b>	<b>23.7</b>	<b>100.0</b>		

Source: IMF staff estimates.

Note: Quota is SDR 23.7 million.

**Table 11. Cabo Verde: RSF Reform Measures Matrix**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>National coordination and management of climate change is under the MAE that is not able to ensure cross sector coordination</b>	<ul style="list-style-type: none"> <li>▪ <b>RM1.</b> Government will establish a council/body for coordinating climate change policy planning and strategy, and DRM under the Heads of Government, with a clear tasks, responsibilities and procedures, including mechanisms for (i) holding entities accountable for consistency across sectoral plans in line with the national development strategy (PEDS II) and international commitments (NDC), and (ii) providing strategic oversight of DRM defined in the TORs, with implementation reflected in the protocols of regular meetings. The MAE serves as secretariate.</li> </ul>	Climate Policy Diagnostic (CPD)	None needed	<p>Completed. The Cabinet approved on May 7 the Resolution n° 38/2024, which was published in the Official Gazette on May 10, 2024, I Série N° 42-1106I</p> <p>(<a href="https://kiosk.incv.cv/1_142.5747/">https://kiosk.incv.cv/1_142.5747/</a>)</p>	LuxDev provided TA on the climate governance function and associated legal amendments	End-April 2024; 4 <sup>th</sup> ECF Review	<i>Fiscal and external sustainability</i> <ul style="list-style-type: none"> <li>- Better informed and coordinated policy decisions will improve budget management, reduce costs, improve impact, and maximize multi-pronged BOP risk reduction through the implementation of other RMs.</li> <li>- By embedding resilience in planning/ budgeting, thereby reducing post-disaster costs.</li> </ul>

**Table 11. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Natural disaster and climate related risk not adequately featured in fiscal planning</b>	▪ <b>RM2.</b> To improve fiscal risk management, the Ministry of Finance will conduct and publish in the annual Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.	C-PIMA; CPD	IMF CD from FAD was delivered in July 2024 to support changes.	Completed. The <a href="#">Fiscal Risk Statement</a> was published alongside the draft 2025 budget sent to parliament.	World Bank has prior actions and triggers in the latest DPF supporting a stronger PIM framework and aligned with the C-PIMA recommendations	End-Sept. 2024; 5 <sup>th</sup> ECF Review	<p><i>Improved fiscal and external sustainability.</i></p> <ul style="list-style-type: none"> <li>- Improves fiscal risk management.</li> <li>- Enables better informed policies that reduce fiscal and financial-sector costs when climate risks materialize and lower external financing needs while supporting investor confidence.</li> <li>- Reduces import demand for reconstruction and facilitates a quick recovery of growth and net exports.</li> </ul>

**Table 11. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Investments do not reflect needed physical resilience to Climate Change</b>	▪ <b>RM3.</b> The Ministry of Finance will enact amendments to the PPP legal framework to ensure climate requirements are reflected in PPP agreements and the Ministry of Finance will publish a manual integrating these requirements throughout the PPP capital project lifecycle, from project identification to contract management stages.	C-PIMA	FAD/LEG CD in March to support the authorities on the amendments of the PPP legislation and the Manual.	Completed. Changes were approved by Cabinet in April and published in the Official Gazette on May 8, 2024 (Decreto-lei 21/2024, I Série n° 40-1012 <a href="https://kiosk.incv.cv/1_140.5737">https://kiosk.incv.cv/1_140.5737</a> )		End-April 2024; 4 <sup>th</sup> ECF Review	<i>Improves fiscal and external resilience.</i> - Reduces government contingent liabilities and the subsequent need for external financing. - Improves investor confidence reduces uncertainty, contributing to attracting external capital inflows and official financing. - Reduces reconstruction needs and associated import demand after shocks.
	▪ <b>RM4.</b> To scale up and systematize climate finance the Ministry of Finance will (i) adopt a national climate finance mobilization strategy that comprehensively identifies the financing instruments to unlock climate finance sources; and (ii) develop and publish a pipeline of appraised public capital projects, including climate-related projects, as part of the budget process.	C-PIMA	Luxembourg and follow up support from FADM2 in 2025	On track. The climate finance strategy is largely complete and was presented at COP29.  Work on the pipeline of projects is ongoing work and expected to be completed up to June 2025.	LuxDev is providing TA to formulate a climate finance strategy	End-October 2025; 7 <sup>th</sup> ECF Review	- Helps improve public investment efficiency and alignment with government objectives.

<b>Table 11. Cabo Verde: RSF Reform Measures Matrix (continued)</b>							
<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
	<ul style="list-style-type: none"> <li>▪ <b>RM9.</b> The BCV will develop a climate information architecture for banks, consisting of 1) the adoption of a climate change adaptation and mitigation taxonomy, and 2) the publication of climate risk and opportunities and disclosure guidelines, so that banks are expected to submit their internal roadmaps within six months from the effective date of application of the guideline, followed by progress reports every six months.</li> </ul>		MCM has delivered an online presentation to the BCV to help set the ground for future work	In progress. BCV engaged an external consultancy. In addition, MCM will support in two distinct ways: i) by reviewing the consultant's deliverables and ii) by providing bilateral CD to BCV, as needed, either remotely or in person	TBC	End-April 2026; 9 <sup>th</sup> ECF Review	<i>Financial sector resilience</i> <ul style="list-style-type: none"> <li>- Reduces financial sector losses when climate risks materialize, thereby lowering potential bank recapitalization needs.</li> </ul>

**Table 11. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Inefficiency and financial vulnerability of electricity company pose fiscal risks and hinder the transition to a more resilient and reliable electricity supply</b>	<ul style="list-style-type: none"> <li>▪ <b>RM5.</b> To support energy transition plans, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of electricity (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting electricity tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments. (Ministry of Industry, Trade and Energy and MoF)</li> </ul>	CPD`	FADEP supported on the analytical study of tariffs and distributional impact in December 2024.	<p>On track. Cooperation with international partners on tariffs is advanced (e.g., calculating cost recover rates). Ongoing work by LuxDev will be incorporated in FAD TA.</p> <p>Authorities are preparing the business plans for each of the new business units (EPEC and EDEC). It will be important for these to include the information needed for assessing cost recovery tariffs.</p>	WB energy projects are providing support on unbundling the energy SOE. LuxDev is also supporting work on tariff reforms.	End-December 2025; 8 <sup>th</sup> ECF Review	<p><i>BOP resilience to shocks.</i></p> <p>- Reduces LT reliance on fossil fuel imports whose prices are volatile.</p> <p><i>Increased productivity, growth, investment, net exports owing to increased and reliable access to electricity.</i></p> <p><i>Fiscal and external sustainability</i></p> <p>- Market pricing of electricity reduces fiscal pressures and the need for external financing.</p>

**Table 11. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Access to water resources and fiscal sustainability are vulnerable to long-run climate impacts due to lack of investment</b>	<ul style="list-style-type: none"> <li>▪ <b>RM6.</b> To support reform initiatives, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of water (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting water tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments, and/or by financing infrastructure investment transparently from the budget, with a view to ensure sustainability of the water sector in the Santiago Island. (National Water and sanitation Agency (ANAS) and MoF)</li> </ul>	CPD	FAD support for tariff review and the distributional impact in March 2025.	<p>Authorities are setting out the investment plans needed for the water sector.</p> <p>Cooperation with international partners on tariffs is advanced (e.g., calculating cost recover rates).</p> <p>The scope of what is possible by the test date is narrowed to Santiago Island (which is where most of the losses are accrued) due to the diversity of water business and management models across islands.</p>	LuxDev is supporting work on tariff reforms.	End-December 2025; 8 <sup>th</sup> ECF Review	<i>Fiscal and external sustainability and resilience</i> <ul style="list-style-type: none"> <li>- Reduces fiscal costs from covering water sector losses and promotes debt sustainability.</li> </ul>

**Table 11. Cabo Verde: RSF Reform Measures Matrix (concluded)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Social safety nets do not properly account for climate related economic vulnerabilities</b>	▪ <b>RM7.</b> The Unique Social Registry (USR) will be expanded to provide the basis for a social support system that can efficiently mitigate the implications of climate transition and climate hazard events. To this end, the Ministry of Family and Social Inclusion and the MoF will expand coverage of the USR to 100 percent of poor and vulnerable households (including from rural areas) as identified based on the latest household budget survey, and offer inclusion in the USR to 100 percent of the households in climate vulnerable areas.	CPD		Near completion. The USR has been expanded and covers 100 percent of poor and vulnerable households.  Work on offering inclusion to households in climate vulnerable areas is dependent on RM8.  URS web page: <a href="http://www.csu.cv">www.csu.cv</a>	WB	End-October 2025; 7 <sup>th</sup> ECF Review	<i>Improves households' economic resilience.</i> - Improves the economy's resilience to weather-related shocks. - Improves food security. - Reduces economic uncertainty in vulnerable areas.
<b>Economic activity overly vulnerable to climate and weather related shocks amid inadequate resilience and disaster risk management policy frameworks</b>	▪ <b>RM8.</b> INGT or new unit/council for CC management and DRM will develop and disseminate natural disaster risk and vulnerability maps, including information on how and where climate hazards might affect the areas and regions, to assess risks and vulnerabilities of the population, infrastructure assets, sectors, and the economy/businesses. The land use planning regulation and construction code requirements will be amended to consider disaster risks and vulnerabilities for urban and rural development planning and for designing and constructing infrastructure and buildings.			Near completion. The authorities started working on this RM and using own resources to finance the activities. INGC is working on defining the natural disaster and vulnerability maps, which also supports RM7.		End-October 2025; 7 <sup>th</sup> ECF Review	<i>BOP and fiscal resilience to shocks and increased economic growth.</i> - Reduces the need for frequent reconstruction and associated imports, fiscal costs, and external loans/debt service. - Supports food security and improves the economy's resilience to weather-related shocks.

**Table 12. Cabo Verde: RSF Reform Areas/Priorities and Reform Measures, 2023-2026**

<b>3<sup>rd</sup> Review ECF</b>	<b>4<sup>th</sup> Review ECF</b>	<b>5<sup>th</sup> Review ECF</b>	<b>6<sup>th</sup> Review ECF</b>	<b>7<sup>th</sup> Review ECF</b>	<b>8<sup>th</sup> Review ECF</b>	<b>9<sup>th</sup> Review ECF</b>
<b>Dec-23</b>	<b>Jun-24</b>	<b>Dec-24</b>	<b>Jul-25</b>	<b>Dec-25</b>	<b>Jun-26</b>	<b>Dec-26</b>
<b>RSF Approval</b>	<b>1<sup>st</sup> RSF Review</b>	<b>2<sup>nd</sup> RSF Review</b>	<b>3<sup>rd</sup> RSF Review</b>	<b>4<sup>th</sup> RSF Review</b>	<b>5<sup>th</sup> RSF Review</b>	<b>6<sup>th</sup> RSF Review</b>
<b>Reform Area 1:</b> Strengthen governance of climate change policy	<b>RM1.</b> Government will establish a council/body for coordinating climate change policy planning and strategy, and DRM under the Heads of Government, with a clear tasks, responsibilities and procedures, including mechanisms for (i) holding entities accountable for consistency across sectoral plans in line with the national development strategy (PEDS II) and international commitments (NDC), and (ii) providing strategic oversight of DRM defined in the TORs, with implementation reflected in the protocols of regular meetings. The MAE serves as secretariate.					
<b>Reform Area 2:</b> Improve Fiscal and Physical Resilience to Climate Change	<b>RM3.</b> The Ministry of Finance will enact amendments to the PPP legal framework to ensure climate requirements are reflected in PPP agreements and the Ministry of Finance will publish a manual integrating these requirements throughout the PPP capital project lifecycle, from project identification to contract management stages.	<b>RM2.</b> To improve fiscal risk management, the Ministry of Finance will conduct and publish in the annual Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.		<b>RM4.</b> To scale up and systematize climate finance the Ministry of Finance will (i) adopt a national climate finance mobilization strategy that comprehensively identifies the financing instruments to unlock climate finance sources; and (ii) develop and publish, a pipeline of appraised public capital projects, including climate-related projects, as part of the budget process.		

**Table 12. RSF Reform Areas/Priorities and Reform Measures, 2023-2026 (continued)**

<b>3<sup>rd</sup> Review ECF</b>	<b>4<sup>th</sup> Review ECF</b>	<b>5<sup>th</sup> Review ECF</b>	<b>6<sup>th</sup> Review ECF</b>	<b>7<sup>th</sup> Review ECF</b>	<b>8<sup>th</sup> Review ECF</b>	<b>9<sup>th</sup> Review ECF</b>
<b>Dec-23</b>	<b>Jun-24</b>	<b>Dec-24</b>	<b>Jul-25</b>	<b>Dec-25</b>	<b>Jun-26</b>	<b>Dec-26</b>
<b>RSF Approval</b>	<b>1<sup>st</sup> RSF Review</b>	<b>2<sup>nd</sup> RSF Review</b>	<b>3<sup>rd</sup> RSF Review</b>	<b>4<sup>th</sup> RSF Review</b>	<b>5<sup>th</sup> RSF Review</b>	<b>6<sup>th</sup> RSF Review</b>
<b>Reform Area 3:</b> Strengthening mitigation and resilience through energy efficiency and transition					<b>RM5.</b> To support energy transition plans, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of electricity (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting electricity tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments. (Ministry of Industry, Trade and Energy and MoF)	

**Table 12. RSF Reform Areas/Priorities and Reform Measures, 2023-2026 (continued)**

<b>3<sup>rd</sup> Review ECF</b>	<b>4<sup>th</sup> Review ECF</b>	<b>5<sup>th</sup>Review ECF</b>	<b>6<sup>th</sup> Review ECF</b>	<b>7<sup>th</sup> Review ECF</b>	<b>8<sup>th</sup> Review ECF</b>	<b>9<sup>th</sup> Review ECF</b>
<b>Dec-23</b>	<b>Jun-24</b>	<b>Dec-24</b>	<b>Jul-25</b>	<b>Dec-25</b>	<b>Jun-26</b>	<b>Dec-26</b>
<b>RSF Approval</b>	<b>1<sup>st</sup> RSF Review</b>	<b>2<sup>nd</sup> RSF Review</b>	<b>3<sup>rd</sup> RSF Review</b>	<b>4<sup>th</sup> RSF Review</b>	<b>5<sup>th</sup> RSF Review</b>	<b>6<sup>th</sup> RSF Review</b>
<b>Reform Area 4:</b> Promoting adaptation by ensuring ecological and economic sustainability of water resources and planning for long-run climate impacts			.	RM8 INGT or new unit/council for CC management and DRM will develop and disseminate natural disaster risk and vulnerability maps, including information on how and where climate hazards might affect the areas and regions, to assess risks and vulnerabilities of the population, infrastructure assets, sectors, and the economy/businesses. The land use planning regulation and construction code requirements will be amended to consider disaster risks and vulnerabilities for urban and rural development planning and for designing and constructing infrastructure and buildings	RM6 To support reform initiatives, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of water (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting water tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments, and/or by financing infrastructure investment transparently from the budget, with a view to ensure sustainability of the water sector in Santiago Island. (National Water and sanitation Agency (ANAS) and MoF)	
			.	RM7. The Unique Social Registry (USR) will be expanded to provide the basis for a social support system that can efficiently mitigate the implications of climate transition and climate hazard events. To this end, the Ministry of Family and Social Inclusion and the MoF will expand coverage of the USR to 100 percent of poor and vulnerable households (including from rural areas) as identified based on the latest household budget survey, and offer inclusion in the USR to 100 percent of the households in climate vulnerable areas		

**Table 12. RSF Reform Areas/Priorities and Reform Measures, 2023-2026 (concluded)**

<b>3<sup>rd</sup> Review ECF</b>	<b>4<sup>th</sup> Review ECF</b>	<b>5<sup>th</sup> Review ECF</b>	<b>6<sup>th</sup> Review ECF</b>	<b>7<sup>th</sup> Review ECF</b>	<b>8<sup>th</sup> Review ECF</b>	<b>9<sup>th</sup> Review ECF</b>
<b>Dec-23</b>	<b>Jun-24</b>	<b>Dec-24</b>	<b>Jul-25</b>	<b>Dec-25</b>	<b>Jun-26</b>	<b>Dec-26</b>
<b>RSF Approval</b>	<b>1<sup>st</sup> RSF Review</b>	<b>2<sup>nd</sup> RSF Review</b>	<b>3<sup>rd</sup> RSF Review</b>	<b>4<sup>th</sup> RSF Review</b>	<b>5<sup>th</sup> RSF Review</b>	<b>6<sup>th</sup> RSF Review</b>
<b>Reform Area 5:</b> Financial sector resilience to climate change						RM9. The BCV will develop a climate information architecture for banks, consisting of 1) the adoption of a climate change adaptation and mitigation taxonomy, and 2) the publication of climate risk and opportunities and disclosure guidelines, so that banks are expected to submit their internal roadmaps within six months from the effective date of application of the guideline, followed by progress reports every six months.

## Annex I. Risk Assessment Matrix<sup>1</sup>

(Scale—high, medium, or low)

Source of Risks	Relative Likelihood	Impact if Realized	Policy Response
<b>Conjunctural risks</b>			
<b>Regional conflicts</b>	<b>Medium</b> Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	<b>High</b> The economy would be hit by disruptions in the supply chain; terms of trade and the tourism sector deteriorate resulting in BoP problems and lower FDI; increased inflation leading to food insecurity and poverty.	<ul style="list-style-type: none"> <li>Slow down planned unwinding of policy support while ensuring that recovery is well entrenched.</li> <li>Create fiscal space through spending review and domestic tax mobilization for new policies to mitigate supply shocks in the economy.</li> <li>A shift in tourism to Cabo Verde could also mitigate the impact.</li> </ul>
<b>Sovereign debt distress</b>	<b>High</b> Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	<b>High</b> Economic slowdown and reduced growth due to reduced spending on infrastructure and social services.  Rising core yields and risk premia will increase the cost of new debt and add pressure to foreign reserves and financial account due to a “Fly-to-quality” effect. Rising yields could also reduce the flow of migrant deposits.  Austerity measures, such as cuts to public services, subsidies, or social programs, can lead to public discontent, protests, and political instability, potentially undermining governance.	<ul style="list-style-type: none"> <li>Maintain adequate reserves and fiscal consolidation and reliance on concessional financing from bilateral and/or multilateral creditors.</li> <li>Boost economic growth and diversification.</li> <li>Stand ready to tighten monetary policy.</li> <li>Improve social safety nets</li> <li>Proactively engage with the public on needed policy measures.</li> </ul>

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Impact if Realized	Policy Response
<b>Commodity price volatility</b>	<b>Medium</b> Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	<b>High</b> Worsening of the current account, generating balance of payments problems. Commodity prices increase, especially in oil and food, joint with supply disruptions, leads to a higher inflation, and impacts vulnerable consumers.	<ul style="list-style-type: none"> <li>Build external buffers and resilience to shocks.</li> <li>Diversification of energy usage (renewable energies transition), to mitigate oil price shocks.</li> <li>Increase government's targeted supports to vulnerable groups.</li> </ul>
<b>Structural Risks</b>			
<b>Deepening geoeconomic fragmentation</b>	<b>High</b> Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	<b>High</b> Cabo Verde is an open economy, highly dependent on imports (food, intermediates, and fuel), remittances and tourism. Hence any disruption on each of these areas is likely to deeply affect economic activity.	<ul style="list-style-type: none"> <li>The limited fiscal resources should be prioritized and allocated to investments that increase diversification across tourism source markets.</li> <li>Contingency planning should be undertaken in anticipation of operational or financial disruptions.</li> <li>Accelerate the implementation of structural reforms to support international competitiveness and productivity.</li> <li>Stay the course on fiscal consolidation and strengthening the monetary policy framework.</li> </ul>
<b>Climate change</b>	<b>Medium</b> Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	<b>Medium/High</b> Prolonged drought or other climate-related shocks would undermine agricultural production with negative impact on GDP growth and inflation.	<ul style="list-style-type: none"> <li>Build resilience to weather-related shocks and accelerate growth-enhancing reforms.</li> <li>Prioritize public investments projects resilient to climate change, improve risk management and building codes.</li> </ul>

Source of Risks	Relative Likelihood	Impact if Realized	Policy Response
Domestic			
<b>Faltering fiscal consolidation efforts</b>	<b>Medium/High</b> Less ambitious and slower fiscal consolidation efforts and delayed SOEs reforms as the economy returns to normal.	<b>High</b> Delayed fiscal consolidation efforts and SOEs reforms would undermine macroeconomic stability and hinder the medium-term fiscal and debt sustainability trajectory.	Unwind temporary measures, advance revenue-enhancing reforms, improve capital expenditure management, reduce fiscal risks, notably linked to SOEs, and contain non-priority spending.
<b>Delays in implementing measures to increase productivity and restructure SOEs</b>	<b>Medium</b> Delays in structural reforms implementation, particularly in the public enterprises sector.	<b>Medium</b> Delays in advancing the structural reform agenda would hinder competitiveness, potential GDP growth and employment.	Follow through with SOEs reform plans and accelerate other structural reforms as soon as possible, to improve the business environment, reduce the State's role in productive activities and enhance growth potential. Improve authorities' communication strategy and engagement with different stakeholders.

## Annex II. Debt Decomposition and Capacity to Repay

**Table 1. Cabo Verde: Decomposition of Public Debt and Debt Service by Creditor, 2023-25<sup>1</sup>**

	Debt Stock (end of period)				Debt Service						
	2023		#	2023	2024		2025	#	2023	2024	2025
	(In US\$)	(Percent total debt)	(Percent GDP)	(In US\$)		(In US\$)	(Percent GDP)		(Percent GDP)		
<b>Total</b>	2969.7	100.0	115.2	284.1	266.2	267.9	11.0	10.3	10.4		
<b>External</b>	2045.7	68.9	79.4	131.5	115.5	119.3	5.1	4.5	4.6		
Multilateral creditors <sup>2</sup>	1194.2	40.2	46.3	37.6	53.2	35.8	1.5	2.1	1.4		
IMF	100.6	3.4	3.9	0.0	0.0	3.2	0.0	0.0	0.1		
World Bank	599.9	20.2	23.3	14.7	15.4	15.8	0.6	0.6	0.6		
African Development Bank Fund	266.8	9.0	10.4	7.2	22.0	2.0	0.3	0.9	0.1		
European Investment Bank( incl.EEC)	46.8	1.6	1.8	3.9	3.8	3.8	0.2	0.1	0.1		
Other Multilaterals	180.2	6.1	7.0	11.4	11.5	10.5	0.4	0.4	0.4		
BADEA	37.7	1.3	1.5	0.6	0.6	0.0	0.0	0.0	0.0		
CEDEAO	13.0	0.4	0.5	1.4	1.4	1.4	0.1	0.1	0.1		
FAD	97.9	3.3	3.8	5.2	5.2	5.2	0.2	0.2	0.2		
Bilateral Creditors	374.3	12.6	14.5	28.1	28.6	28.3	1.1	1.1	1.1		
Paris Club	188.0	6.3	7.3	16.9	15.1	15.0	0.7	0.6	0.6		
France	46.0	1.5	1.8	6.6	4.9	4.8	0.3	0.2	0.2		
Japan	72.0	2.4	2.8	3.4	3.2	3.2	0.1	0.1	0.1		
Other (Spa, Belg, Aus, Swed )	70.0	2.4	2.7	7.0	7.0	7.0	0.3	0.3	0.3		
Non-Paris Club	186.2	6.3	7.2	11.2	13.4	13.3	0.4	0.5	0.5		
Portugal	150.1	5.1	5.8	6.4	8.6	8.5	0.2	0.3	0.3		
China	24.2	0.8	0.9	3.4	3.8	3.7	0.1	0.1	0.1		
Kuwait	11.9	0.4	0.5	1.4	1.1	1.1	0.1	0.0	0.0		
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Commercial creditors	458.3	15.4	17.8	67.6	43.1	61.5	2.6	1.7	2.4		
BPI	76.8	2.6	3.0	10.7	10.6	10.5	0.4	0.4	0.4		
Caixa Geral Déposito (CGD)	379.5	12.8	14.7	56.9	32.5	50.9	2.2	1.3	2.0		
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Domestic</b>	870.7	29.3	33.8	153.1	151.2	149.0	5.9	5.9	5.8		
T-Bills	26.2	0.9	1.0	0.0	0.0	0.0	0.0	0.0	0.0		
Bonds	838.0	28.2	32.5	0.0	0.0	0.0	0.0	0.0	0.0		
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Memo items:</b>	202.0	7.1	7.8								
Collateralized debt <sup>3</sup>	0.0	0.0	0.0								
Contingent liabilities <sup>4</sup>	202.0	7.1	7.8								
o/w: Public guarantees	202.0	7.1	7.8								

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Multilateral creditors<sup>2</sup> are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g., Lending Into Arrears)

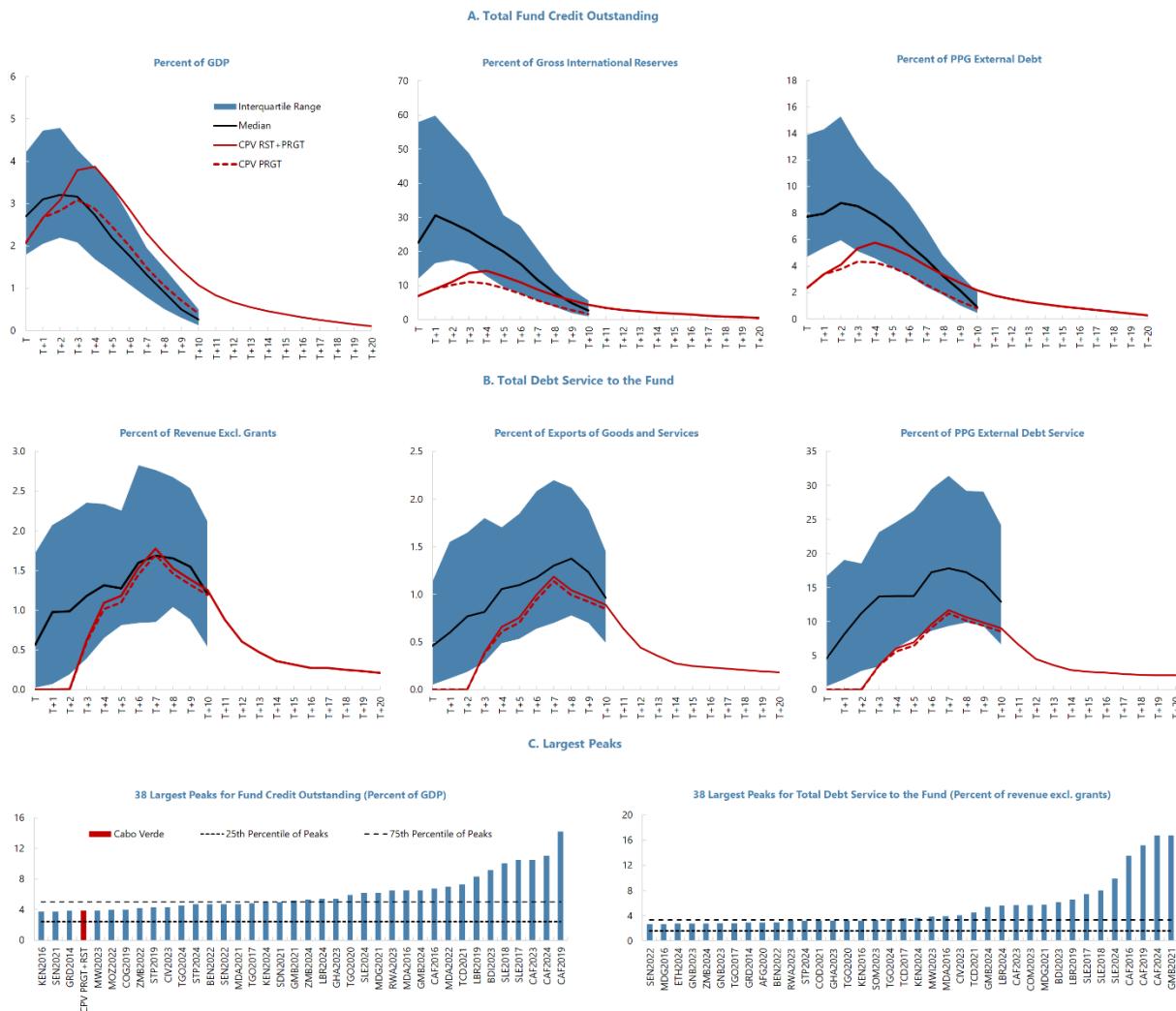
3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts.

See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified

(e.g., potential legal claims, payments resulting from PPP arrangements).

**Figure 1. Cabo Verde: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries**  
 (Percent of the Indicated Variable)

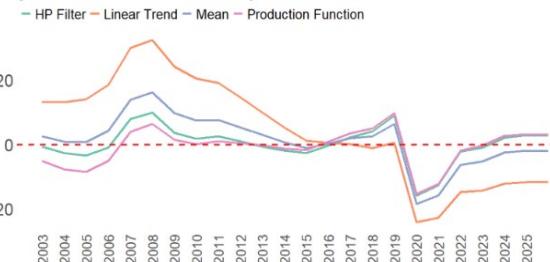


Source: IMF staff calculations and estimates.

## Annex III. Trend Growth Resilience and the Output Gap

**1. The 2024 output gap is estimated to be negative but small.** Consistent with the approach of the fourth ECF review (SR 24/257), the potential output gap is estimated by averaging three methodologies: the linear trend, the Hodrick-Prescott (HP) filter, and the production function approach. While both the HP filter and production function suggest a moderate positive gap, Cabo Verde's historical trend growth stability (see below) underscores the importance of also considering the linear trend, which indicates a larger negative gap. For 2025, the HP filter and production function approaches project a growth rate of 4.9 percent, whereas the linear trend points to a slightly higher growth rate of 5 percent. On average, the output gap would remain (slightly) negative.

**Text Figure 1. Cabo Verde: Output Gap (Percent of Potential GDP)**



Source: Cabo Verdean authorities and IMF staff estimates.

**2. Trend growth in tourism-dependent Small Developing States (SDS) tends to be relatively stable.** Tourism-dependent SDS such as Cabo Verde—defined as non-high-income countries with a population below 1.5 million where tourism plays a central role in the economy—experience lower volatility in their long-term growth trends and less persistence in short-term fluctuations compared to other Emerging Markets (EMs) (Table 1), while in turn, EMs economies show higher volatility and more persistent growth shock patterns compared to Advanced Economies (AEs) (Aguiar and Gopinath, 2007). One possible explanation for this inverse U-shaped pattern may be related to the unique nature of tourism-dependent SDS, where economic growth has close ties to the relatively more stable growth of AEs.<sup>1</sup>

**Text Table 1. Cabo Verde: Comparison with Peers Economic Group Statistics**  
(Averages 1980–2023)

Metric	AEs	EMs	LICs	Non-Tourism SDS	Tourism SDS	Cabo Verde
$\delta$ (GDP Growth)	3.68	5.31	5.47	5.53	5.13	5.49
$\delta$ (Cyclical GDP Growth)	3.18	4.39	4.46	4.4	4.75	5.02
$\delta$ (Trend GDP Growth)	1.41	2.18	2.42	2.52	1.42	1.85
$\rho$ (GDP Growth)	0.36	0.31	0.32	0.4	0.02	0.06
$\rho$ (Cyclical GDP Growth)	0.00	-0.06	-0.05	-0.12	-0.16	-0.1
$\rho$ (Trend GDP Growth)	0.96	0.93	0.95	0.93	0.96	0.98

Note: Table lists average values of the moments for the five economic groups: Advanced Economies (42 countries), Emerging Markets (67 countries), Low-Income Developing Countries (55 countries), Non-Tourism SDS (13 countries), and Tourism SDS (15 countries). The values are calculated for each group separately, with GDP growth decomposed into cyclical and trend components using the Hodrick-Prescott (HP) filter with a smoothing parameter of 100. The standard deviations are in percentage terms, and AR(1) coefficients ( ) are calculated for actual GDP growth, cyclical GDP growth and trend GDP growth.

Source: IMF staff calculations.

<sup>1</sup> For further details, see Cunha, García-Verdu, and Maciel (2025).

## Annex IV. Is the Current Monetary Policy Tightening Cycle Different?

**1. Banco de Cabo Verde (BCV) has been on a tightening monetary policy cycle since May 2023**, after having continuously loosened monetary policy by a cumulative 550 basis points over 110 months (March 2014-April 2023). The current monetary policy tightening cycle is the steepest since 2001 (Text Table 1), including the May 2007-December 2009 cycle.

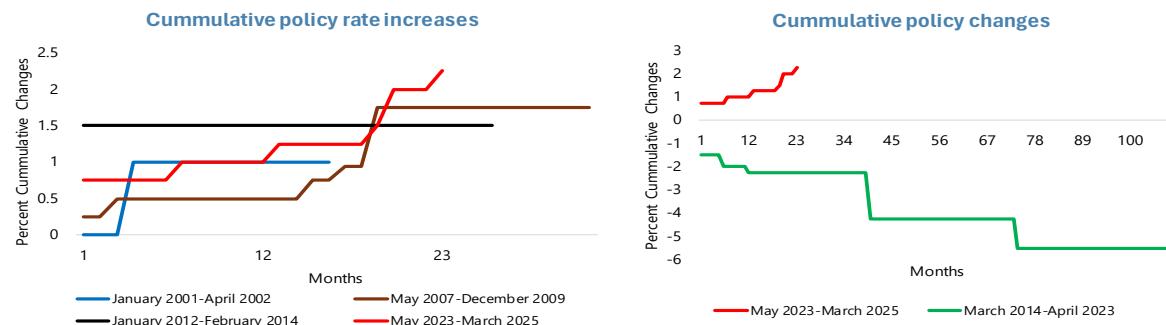
**Text Table 1. Cabo Verde: Comparison of Tightening Cycles**  
(Average inflation)

	Duration (months)	Total increase	Number of hikes	Peak inflation
Jan 2001 – Apr 2002	15	100bps	1	4.69
May 2007 – Dec 2009	32	175bps	5	7.14
Feb 2012 – Feb 2014	26	150bps	1	2.88
May 2023 – Mar 2025	23	225bps	6	7.24

Source: Cabo Verde authorities and IMF staff estimates.

**2. It has, however, not completely unwound the prior 550 basis point loosening (Text Figure 1)**; the tightening also was not commensurate with the unprecedented size of the inflation shock (Text Figure 2). Despite the relatively large cumulative tightening, ex-post real policy rates have been lower than in previous cycles. In fact, because of the magnitude of the inflation shock and the late response by the BCV, ex-post real policy rates were negative for the first 13 months of the current tightening cycle. The prolonged preceding loosening phase (March 2014-April 2023) resulted in negative real policy rates that peaked at -7.75 percent in February 2023.

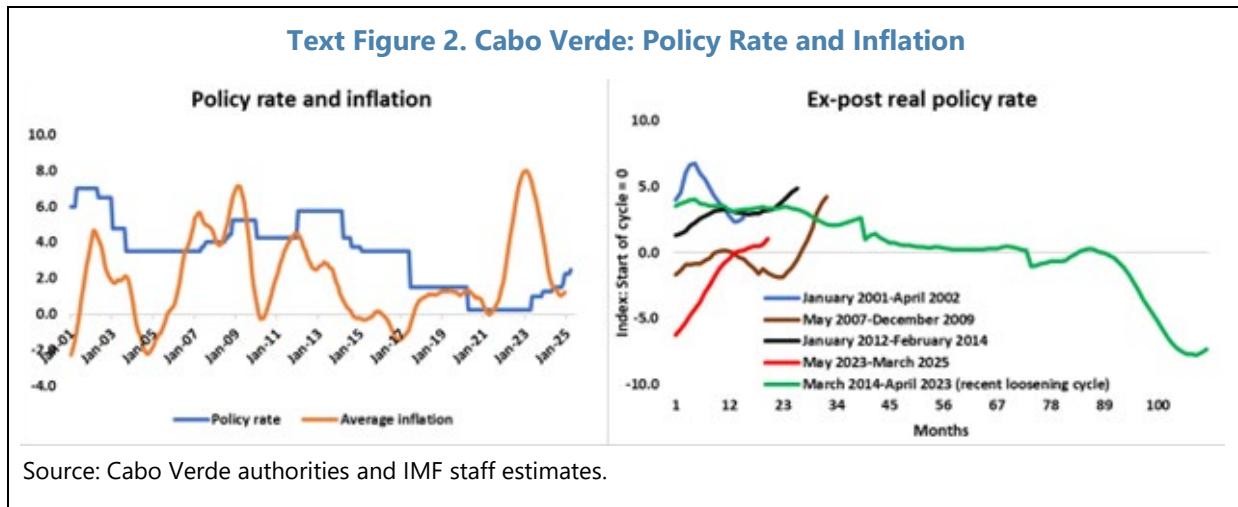
**Text Figure 1. Cabo Verde: Cumulative Policy Rate Changes across Monetary Policy Cycles**



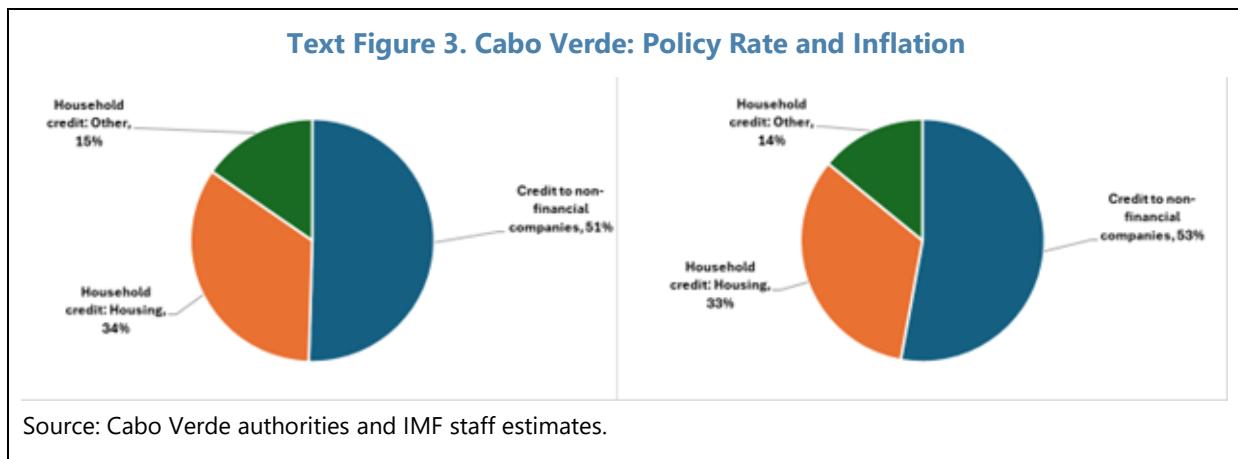
Source: Cabo Verde authorities and IMF staff estimates.

**3. In nominal terms, the current policy rate tightening is the most aggressive since 2001 over a relatively short period compared to the May 2007-December 2009 cycle.** Nonetheless, the tightening was not commensurate with the unprecedented size of the inflation shock (Text Figure 2) and the BCV was well behind the curve to curb inflationary pressures.

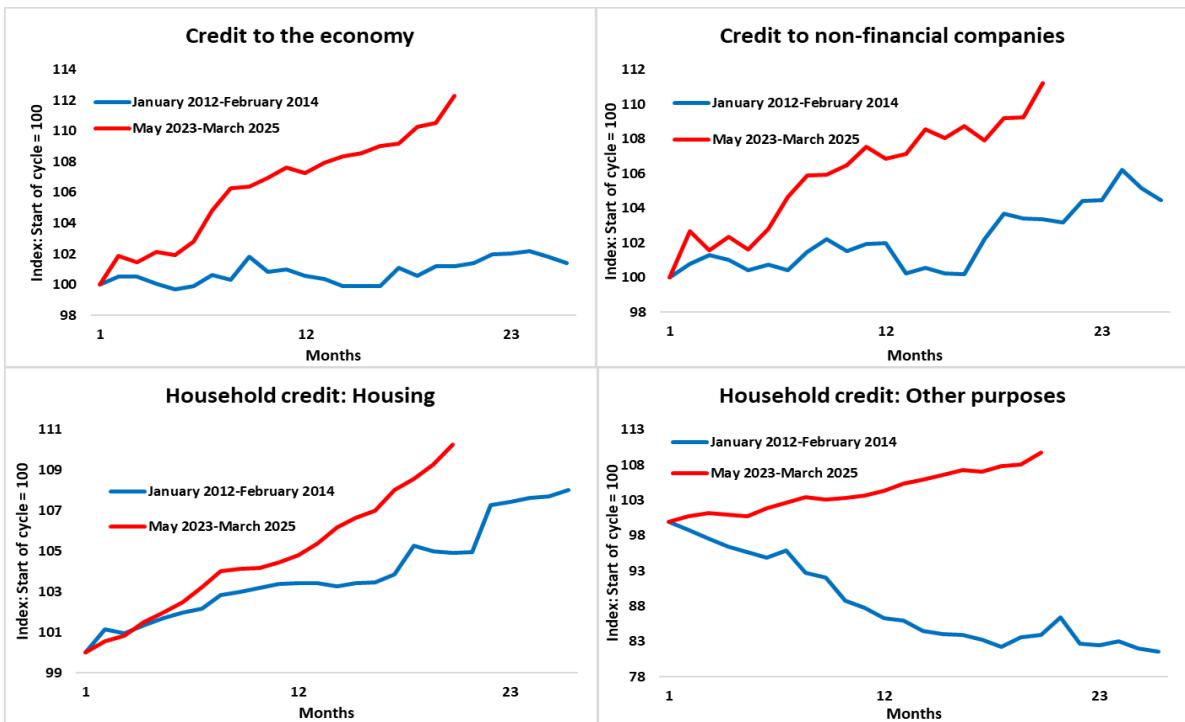
**4. Despite the relatively large cumulative tightening, ex-post real policy rates (Figure 2) are not as restrictive as previous cycles.** In fact, because of the magnitude of the inflation shock and the late response by the BCV, the real policy rates were negative for the first 13 months of the current tightening cycle (Text Figure 2). The prolonged preceding loosening phase (March 2014-April 2023) resulted in negative real policy rates that peaked at -7.75 percent in February 2023 (Text Figure 2).



**5. The sector breakdown of credit indicates that there has been a slight shift to more credit to non-financial companies (Text Figure 3) post-Covid.** Pre-Covid, there was a more or less equal split between credit to the non-financial and the household sector.



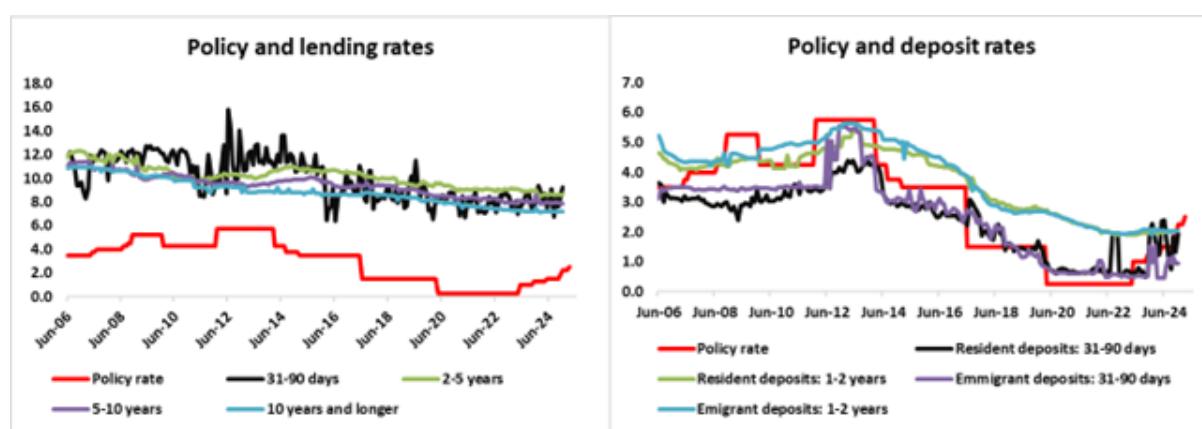
**6. Credit market dynamics in the current monetary tightening cycle are somewhat different to those in the past cycle, especially for household housing credit (Text Figure 4).** Credit to the economy and the private sector have been stronger relative to the previous tightening cycle. The resilience in credit is consistent with strong growth momentum post-COVID, underpinned by a resilient tourism sector, steady private consumption, and robust export activity.

**Text Figure 4. Cabo Verde: Credit to the Economy**

Source: Cabo Verde authorities and IMF staff estimates.

## 7. Lending rates have not responded much to the BCV policy rate changes

(Text Figure 5) which may in part explain the credit dynamics in this tightening cycle. The credit market adjustments to the policy rate tightening may show up with a lag in the coming months, as the BCV moves to a positive interest rate differential with the ECB.

**Text Figure 5. Cabo Verde: Policy, Lending and Deposit Rates**

Source: Cabo Verde authorities and IMF staff estimates.

**8. Growth in credit to the economy has been stronger than during the previous monetary tightening cycle.** The resilience in credit is consistent with strong growth momentum post-COVID, underpinned by a resilient tourism sector, steady private consumption, and robust export activity. A sectoral breakdown of credit indicates that there has been a slight shift to more credit to non-financial companies post-COVID, compared to a broadly even split between credit to the non-financial and the household sector pre-COVID

**9. Also, lending rates have not responded much to the BCV policy rate changes,** which may in part explain the more robust credit dynamics in this tightening cycle. That said, credit market adjustments to higher policy rates may materialize with a lag in the coming months, especially as the BCV moves to a positive interest rate differential with the ECB.

## Annex V. Drivers of the Overall, Cyclically-Adjusted, and Structural Primary Balance (PB)

**1. Tax policy and administration measures enhanced tax collection.** From 2021 to 2024 the tax revenue-to-GDP ratio has increased by 2.6 percent of GDP (Table 1), mainly due the enhancement of voluntary compliance system. The primary factor driving voluntary compliance is the implementation of legally binding electronic notifications. These notifications, which are signed electronically and sent to electronic mailboxes, enabled enhancing monitoring and DNRE's response capabilities. Additionally, a range of modernization procedures has been introduced, including the transition from paper-based processes to automated systems, as well as an automated VAT audit system. From 2024 to 2026, tax collection is projected to grow mainly due to reductions in tax expenditures and the implementation of the ECOWAS tariffs.

**2. Downsizing current primary expenditure relative to GDP has been the key driver of expenditure side consolidation.** From 2021 to 2024, primary expenditures contracted by a cumulative 5.1 percent of GDP on account of an equivalent drop in current expenditures, chiefly driven by the five-year nominal freeze of public sector wage compensation. From 2024 to 2026, primary expenditures are projected to increase by 0.6 percent of GDP mainly due to the expansion of public investments.

**3. The cyclically-adjusted PB is higher, reflecting a negative, though declining output gap during 2022-2026.** From 2022 to 2024, cyclical factors pushed the PB downwards by 3.5 percent of GDP. For 2025 and 2026, the cumulative impact of cyclical factors is close to 1.2 percentage point due to the closing of the output gap.

**4. The total fiscal impulse from 2022 to 2026 is estimated to be around -2.2 percent of GDP.** From 2022 to 2026, one-off factors increased the PB by 3.3 percent of GDP mainly driven by the first (2023) and second (2025) installments of the one-off airport concession fee.<sup>1</sup>

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<sup>1</sup> Since 2023, recurrent airport concession receipts have been near zero due to the new design of the concession framework.

**Table1. Cabo Verde: Contribution to Primary Balance, Cyclically Adjusted Primary Balance, And Structural Primary Balance**  
(Percent of GDP)

	t=2022	t=2023	t=2024	t=2025	t=2026	Cumulative (2022-2026)
Primary balance in $t_{-1}$	-5.3	-2.0	2.0	1.3	0.5	
Change in tax revenues	<b>1.2</b>	<b>0.5</b>	<b>0.9</b>	<b>0.0</b>	<b>0.1</b>	<b>2.8</b>
New tax policy identified measures	0.4	0.3	0.6	0.6	0.6	2.5
Tax administration identified measures	0.3	-0.3	0.5	0.0	0.0	0.5
Change in nominal GDP	0.5	0.5	-0.2	-0.5	-0.5	-0.2
Change in other revenues	<b>-1.0</b>	<b>1.8</b>	<b>-1.0</b>	<b>1.1</b>	<b>-1.4</b>	<b>-0.4</b>
Concession for airport management	-0.5	1.5	-1.5	1.6	-1.6	-0.5
Change in grants	<b>-1.2</b>	<b>0.4</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.8</b>
Change in primary expenditures	<b>-4.2</b>	<b>-1.2</b>	<b>0.3</b>	<b>2.2</b>	<b>-2.0</b>	<b>-5.0</b>
Current	-3.9	-1.0	-0.3	1.9	-2.1	-5.5
Net acquisition of non-financial assets	-0.4	-0.2	0.6	0.3	0.1	0.5
<b>Primary balance in <math>t</math></b>	<b>-2.0</b>	<b>2.0</b>	<b>1.3</b>	<b>0.5</b>	<b>1.1</b>	<b>6.6</b>
Cyclical drivers	<b>1.4</b>	<b>1.4</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>4.2</b>
Cyclical revenues	1.6	1.5	0.8	0.7	0.7	5.3
Cyclical expenditures	-0.2	-0.1	-0.1	-0.1	-0.1	-0.5
<b>Cyclically Adjusted Primary Balance in <math>t</math></b>	<b>-0.5</b>	<b>3.4</b>	<b>2.0</b>	<b>1.1</b>	<b>1.7</b>	<b>7.7</b>
One-off factors	<b>0.0</b>	<b>-1.2</b>	<b>-0.5</b>	<b>-1.6</b>	<b>0.0</b>	<b>-3.3</b>
One-off arrears collection	0.0	0.3	-0.5	0.0	0.0	-0.2
One-off revenues related to the airport concession	0.0	-1.5	0.0	-1.6	0.0	-3.1
<b>Structural Primary Balance in <math>t</math></b>	<b>-0.5</b>	<b>2.2</b>	<b>1.5</b>	<b>-0.5</b>	<b>1.7</b>	<b>4.4</b>
<b>Fiscal Stance in <math>t</math></b>	<b>0.5</b>	<b>-2.2</b>	<b>-1.5</b>	<b>0.5</b>	<b>-1.7</b>	<b>-4.4</b>
<b>Fiscal Impulse in <math>t</math></b>		<b>-2.8</b>	<b>0.7</b>	<b>2.0</b>	<b>-2.2</b>	<b>-2.2</b>
<b>Memorandum item:</b>						
Output gap (Percent of Potential GDP)	-6.2	-5.2	-2.8	-2.4	-2.4	

Sources: Cabo Verdean authorities and IMF staff estimates.

## Appendix I. Letter of Intent

Praia  
June 24, 2025

Madame Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, D.C., 20431  
U.S.A.

Madame Managing Director:

**1. The IMF's support through the Extended Credit Facility (ECF) and Resilience and Sustainability (RSF) arrangements** has been crucial in managing the Balance of Payments (BoP), fiscal consolidation, maintaining reserves, and fostering resilient growth amid global challenges. With the IMF's support, Cabo Verde is progressing in pursuing its economic program, in line with the Sustainable Development Strategy 2022–2026 (PEDS II), emphasizing recovery, the strengthening of buffers and resilience, and addressing climate challenges.

**2. Our program performance under the three-year ECF arrangement has been strong.** All quantitative performance criteria (QPCs) for end-December 2024 were met, as well as all continuous PCs were met. The Indicative Target (IT) for social spending at end-December 2024 was not met by a small margin, due to delays in the implementation of an external project financed by the World Bank. All Structural Benchmarks (SB) due end-December 2024 were met. With ongoing IMF CD support, the implementation of reform measures (RMs) under the RSF has been progressing, but more slowly than expected, despite strong efforts. None of the six RMs have been completed under this review. Bearing in mind the achievements to date, we are requesting a disbursement equivalent to SDR 4.5 million under the ECF (or 19 percent of quota).

**3. We request a 15-month extension of the ECF arrangement and an augmentation and rephasing of 30 percent of quota (SDR 7.11 million).** The extension until December 21, 2026, is warranted to ensure the continued success of the authorities' economic policy and structural reform agenda under the program. The augmentation will also support the country's increased BoP needs amid global uncertainty, substantial investment-driven import demand in the near and medium term, and heightened financing risks, including uncertainty over the Millennium Challenge Corporation (MCC)'s third compact which was announced in December 2023 but recently put on hold. The augmentation of access will bring the total ECF arrangement to SDR 52.14 million. We also request an extension of the RSF arrangement for the same period. While the ECF extension would support broader economic policies,

extending the RSF would complement these efforts by providing more time to complete delayed RMs. It could also allow for broadening the climate reform agenda at a later stage.

**4. Climate change poses a risk to our country's growth, with more frequent droughts and floods affecting rainfed agriculture and tourism, leading to economic instability and reduced growth opportunities.** The government is focused on addressing these challenges and reducing vulnerabilities. However, external financial support, including under the RSF arrangement, is crucial for carrying out the necessary reforms and investments.

**5. The government is committed to strengthening climate resilience.** To this end, we propose realistic timelines on the implementation of the remaining RMs. We face delays in implementing RM4, RM5, RM6, RM7, RM8 and RM9, given the specific challenges linked with them. We request the modification of the RM6, as a result of the FAD TA recommendation to narrow the scope to the Santiago Island, which is where most of the losses are accrued. The RSF resources will help support the government's ongoing efforts to respond to the pressing challenges of climate change and strengthen the resilience of the economy and populations. In particular, it will support the implementation of new reforms aimed at equipping the government with modern tools for coordination, monitoring, assessing, and managing climate risks.

**6. The attached MEFP, supplementing the December 18, 2024, memorandum, outlines recent developments, policies for 2025–26, and criteria, targets, and benchmarks for the arrangement.** Disbursements depend on meeting these benchmarks (Tables 1 and 2). The policies aim to strengthen the macroeconomic framework, attract development partner financing, enhance governance, and protect vulnerable populations amid food and energy crises. We also request the rephasing of the availability dates under the RSF.

**7. We will maintain close dialogue with the IMF** and will consult with IMF staff on any revisions to MEFP commitments and providing updates on our progress.

**8. The government commits to providing the IMF with information on implementation of the agreed measures and execution of the program,** as defined in the attached TMU. In addition, the government authorizes the IMF to publish this letter and its attachments, as well as the staff report, once the review has been approved by the IMF Executive Board. We will also post these documents, including their Portuguese versions, on the Government's official webpage.

Sincerely,

/s/ \_\_\_\_\_  
Olavo Correia  
Vice-Prime-Minister and Minister of Finance

/s/ \_\_\_\_\_  
Óscar Santos  
Governor of the Banco de Cabo Verde

**Attachments:**

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

## Attachment I. Memorandum of Economic and Financial Policies for 2025–26

*This memorandum outlines recent economic trends, the medium-term outlook, and program goals. Key objectives include: (i) improving public finances to boost investment, lower debt, and enhance social inclusion; (ii) mitigating fiscal risks from public enterprises; (iii) modernizing monetary policy and strengthening the financial system; and (iv) fostering growth and resilience to climate shocks.*

### BACKGROUND, RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

- 1. Cabo Verde's economy demonstrated strong growth momentum in 2024.** Growth in 2024 is estimated at 7.3 percent, supported by strong tourism, private consumption, and exports. However, investment is lagging. Real growth is projected at 5.2 percent in 2025, converging toward potential over the medium term. Inflation eased in 2024 and is expected to remain around 2 percent in 2025. Reserves reached €736 million (5.9 months of imports) by end-2024, exceeding targets. Banks increased external asset holdings, taking advantage of favorable interest rate spreads. The current account posted a 3.7 percent surplus—its first since the pandemic—driven by strong exports, remittances, and low imports. However, it is expected to shift back to a deficit as temporary factors fade and investment-related imports rise.
- 2. The 2024 fiscal balance exceeded program targets, driven by lower primary expenditures and strong tax revenue growth.** Economic activity and policy measures linked to enhancing electronic invoicing and modernizing tax arrears collection boosted the tax-to-GDP ratio to 20.1 percent, a 0.9 percentage point increase over 2023. While tax collection increased by 14 percent y-o-y, overall revenues expanded by only 7 percent reflecting a mild nominal contraction in grants, tied to the under-execution of capital spending, and in other revenues, reflecting the base effect of the 2023 one-off first installment of the airport concession fee. Primary expenditure remained stable at 23.4 percent of GDP. Current primary spending fell short of program projections by 1.3 percent of GDP due to the wage bill nominal freeze and slower-than-projected growth in the acquisition of goods and services. The 2024 primary balance thus registered a surplus of 1.3 percent of GDP (versus a projected deficit of 0.1 percent at the fifth review).
- 3. The public debt-to-GDP ratio has continued to decline.** Debt-to-GDP decreased from 116.6 percent of GDP in 2023 to 109.9 percent at the end of 2024, mainly reflecting the strong growth and fiscal performance in 2024. Despite increased capital and current expenditures in 2025, the ratio is expected to decline to 104.9 percent by end-2025, below pre-pandemic levels. The latest joint Bank/Fund Debt Sustainability Analysis (DSA) indicates a moderate risk of external debt distress but a high overall debt distress risk. The analysis confirms that (total) debt

remains sustainable due to manageable debt service, supported by a favorable debt composition. We are aiming for a debt level below 70 percent of GDP by 2034, a suitable fiscal policy target over the medium to long term.

**4. Monetary policy has continued to protect reserves.** We have continued to adjust monetary policy, further aligning the BCV's policy rates with those of the ECB. In our latest May 2025 MPC meeting, we increased the deposit rate by 30 bps to 2.25 per cent to fully close the negative gap with the ECB. The policy rate stood at 2.5 percent, representing a positive differential of 10 bps relative to the ECB policy rate, an important adjustment from the negative 215 bps in September 2024. Although banks have reduced net external assets to €222 million at end-December 2024, they increased again in 2025Q1 to €261 million, remaining considerably above end-2023 levels (€84 million). As of March 2025, M2 grew 8.2 percent y-o-y, total deposits 7.6 percent, and credit to the private sector 5.0 percent. We will continue to monitor developments and adjust policy decisions accordingly.

**5. The 2022-2026 Sustainable Development Strategy (PEDS II) promotes growth through reforms** in inclusive tourism, air transport, public administration, digital innovation, and a blue economy. It supports wave energy, desalination, diaspora investment, and includes tax reforms and compliance measures in the 2025 budget.

**6. Risks remain tilted to the downside, with Cabo Verde exposed to external shocks in energy, food, tourism, and global trade.** Climate change poses long-term threats to infrastructure and stability. Delays in SOE reforms and rising public debt could undermine fiscal sustainability. While direct impacts from new US tariffs are limited, indirect effects through a global slowdown may weigh on exports and tourism. ODA cuts are not a major concern for now. Contingency planning focuses on economic diversification, renewables, food and fuel security, stronger fiscal and climate resilience, and expanded social protection. Continued tourism growth offers some upside potential.

## REFORMS UNDER THE ECF-SUPPORTED PROGRAM AND THE RSF

### A. Strengthening Public Finances to Preserve Public Debt Sustainability

**7. Fiscal policy remains anchored by a primary balance path consistent with reducing the public debt-to-GDP ratio.** Key reforms include strengthening the fiscal framework and the SOE sector. The primary fiscal balance will continue to improve to a surplus of 1.1 percent of GDP by 2026. The overall deficit will shrink from 1 in 2024 to 0.8 percent of GDP by program end and a zero balance by 2028. Public debt is projected to drop from 115.7 percent of GDP in 2023 to 89 percent by 2028.

**8. Fiscal performance in 2025 has remained robust.** The primary balance in 2025 is projected at 0.5 percent of GDP, an improvement relative to the fifth review (0.4 percent of GDP). Primary spending in 2025 is projected to be 1.3 percent of GDP below the fifth review projections, reflecting higher nominal GDP growth and lower nominal expenditures. Capital expenditures are projected to rise in 2025, as are current expenditures reflecting the legislated wage increase for public servants (following a 5-year nominal freeze) and higher spending on goods and services tied to public investment background studies.

**9. Financing needs are projected to increase in 2025,** with a shift towards external financing. Net external financing is projected at 1.3 percent of GDP, exceeding 2024 mainly due to increased project and on-lending loans linked to higher capital expenditures. Net domestic financing is projected at 0.8 percent of GDP, significantly below 2024 (1.1 percent of GDP), but in line with fifth review projections.

**10. The 2026 budget to be submitted to parliament in October will be in line with the ECF-supported program (SB for end-December 2025).** The Tax revenue in the budget is aligned with program estimates, reflecting tax policy measures to reduce tax expenditures, including related to VAT code reform. The phasing out of the 2025 second tranche of the one-off airport concession fee will require structural expenditure consolidation. We are committed to restrict goods and services expenditures in order to meet the program primary balance of 1.1 percent of GDP and smooth the current expenditure path between 2025 and 2026. Accordingly, we are targeting a primary balance of CVE 3,511 million for 2026.

**11. We are implementing measures to boost domestic revenue, supported by IMF TA.** Higher 2024 tax revenue as a share of GDP relative to the fifth review reflects stronger tax arrears collection, tax compliance measures, and digital reform implemented by DNRE. The 2025 tax collection is supported by the reduction of tax expenditures (SB for end-December 2024) from cutting customs exemptions related to the ECOWAS implementation (WTO-compliant) and harmonization of tobacco, alcohol, and fuel taxes. We are committed to submit to parliament a reform of the VAT code by end-June 2025. A reduced CIT exemption on large investment imports and the VAT 2025 reform are expected to further expand the tax base in 2026.

**12. Achieving the medium-term fiscal goals hinges on sustained progress in revenue mobilization and expenditure reforms.** We project a 1.7 percent of GDP decline in current primary expenditures in 2026 from 2025 to offset the phasing out of the 2025 airport concession fee. Over the medium term, additional steps to tackle international tax avoidance, support green initiatives, and further reduce VAT, PIT, and customs tariff exemptions and other preferential tax treatment would enhance revenue. The creation of a tax policy unit would further accelerate the implementation of tax measures. The 2026 wage bill is projected to grow by less than nominal GDP, assuming stable employment and modest pay increases from career progression. Prioritizing goods and services and efficiency gains from reduced direct procurement are

expected to lower current primary spending relative to GDP. On expenditure, medium-term primary spending would stabilize at around 25 percent of GDP, with the wage bill at about 9 percent, consistent with SDS peers. The medium-term structural primary balance would stabilize near 1.3 percent of GDP, broadly in line with the fifth review.

**13. The Government is committed to enhancing public investment efficiency to support growth.** Following IMF TA recommendations, improvements will include: (i) redefining thresholds to focus on key projects, (ii) implementing a pre-screening system for all project ideas, (iii) using multi-criteria analysis for prioritization, and (iv) adopting a pre-implementation checklist.

**14. We are taking steps to ease Cabo Verde's debt burden, including a memorandum with Portugal on debt-for-climate swaps.** Updated debt legislation aligns with the 2018 review, supported by internal debt sustainability analysis (DSA). Additionally, a revised guarantees law establishes a fund, financed by beneficiaries, to mitigate noncompliance risks.

## B. Reduce Fiscal Risks from SOEs and Improve Their Financial Management

**15. SOEs remain a major fiscal risk.** While transparency has improved, helping decision-making, further efforts are needed. The unbundling of Electra, backed by the World Bank, is a step forward in the government's energy sector reform and supports RSF goals. However, losses from SOEs—especially in transport—continue to burden public finances. To further enhance transparency and mitigate losses, we will enforce the timely publication of audited financial statements of key SOEs.

**16. Efforts to restructure or divest SOEs will continue.** We are taking valuable steps, including privatization initiatives in airport logistics, the energy sector, and pharmaceutical SOEs, and advancing work on ports concessions. These actions are part of a broader strategy, particularly for inter-island air transport, which will require a clear and comprehensive approach to address the loss-making TACV airline.

## C. Modernize the Monetary Policy Framework and Improve Resilience of the Financial System

**17. The monetary policy framework remains focused on safeguarding the peg, backed by strong external buffers.** The BCV has tightened policy and regularly shares data with IMF staff on reserves and banks' net FX positions. The financial sector is stable, but we are monitoring high levels of NPLs, particularly in transport and construction. The interest rate gap with the euro area has become slightly positive. Gradually returning to a positive interest rate differential more consistent with pre-pandemic norms may be considered to reverse banks' financial outflows and further protect the exchange rate peg.

**18. High exposure to sovereign debt and portfolio concentration requires close monitoring**, as stress tests show resilience to simple shocks but highlight vulnerabilities. Rising credit-at-risk levels call for stronger supervision. The BCV will continue working on supervisory tools and macroprudential measures to address NPLs, updating prudential provisioning guidelines to align with regional standards and IMF recommendations.

**19. Cabo Verde's banking system faces substantial excess liquidity, driven in part by limited domestic lending opportunities, reduced reserve requirements, and pandemic-related long-term liquidity injections.** To address this, gradually restoring reserve requirements to pre-pandemic levels could enhance financial stability, increase international reserves, and improve the effectiveness of monetary policy. Additionally, increasing the share of INPS assets invested abroad—gradually and in coordination with the BCV—would help absorb excess liquidity, yield higher returns, and diversify portfolio risk. The BCV is also strengthening open market operations and sterilization efforts to manage liquidity more effectively.

**20. Strengthening the monetary policy transmission and economic monitoring remains a priority.** In response to excess liquidity, we are enhancing our analysis of the impact of monetary policy on liquidity management and in that context have introduced new economic indicators and improved our short-term forecasts. The BCV and the Ministry of Finance, together with the World Bank, are also working on a national fintech strategy to foster innovation, competition, and reduce transaction costs.

**21. We are committed to modernizing the financial system to promote inclusive growth and ensure financial stability.** Key priorities include reviewing core financial legislation, monitoring emerging technologies and cyber risks, and training BCV staff on IFRS 17 to enhance oversight of the insurance sector. We have increased the frequency of stress testing, upgraded risk assessment tools, and plan to incorporate climate-related risks in 2026. Additionally, efforts are underway to strengthen the bank resolution framework.

**22. The BCV is implementing the recommendations of the 2022 safeguards assessment.** Amendments to the BCV Organic Law await final parliamentary approval, following its approval in generality in May 2025. The competent authorities remain strongly committed to the proposed new law and to bringing it to a final vote in the National Assembly as soon as possible. The proposal is consistent with IMF recommendations and aims to: (i) establish an independent oversight process that is separate from executive management; (ii) strengthen the personal autonomy of BCV's key officials and the financial autonomy of the BCV; and (iii) enhance transparency and accountability mechanisms. The BCV remains committed and will take action to implement outstanding safeguards recommendations.

**23. The current AML/CFT framework is being strengthened.** Cabo Verde has made progress in strengthening its AML/CFT/CPF framework, in line with the National Strategy (ENCAVE). Key developments include the general approval by the National Assembly, in February of 2025, of the draft amendment to the law establishing preventive and punitive measures to combat money laundering, financing of terrorism, and the financing of weapons of mass destruction proliferation; the preparation by the Interministerial Commission of a draft legal framework on Ultimate Beneficial Ownership (UBO); and the establishment, in April 2025, of a dedicated unit within the Bank of Cabo Verde to oversee AML/CFT/CPF supervision independently from prudential supervision. The new legal framework reinforces the authority and obligations of regulatory and supervisory bodies, particularly in relation to the oversight of Designated Non-Financial Businesses and Professions (DNFBPs). With the approval of the new law, the competent authorities must now focus on finalizing its regulation and ensuring its practical implementation, which is essential to enhancing the effectiveness of the AML/CFT/CPF system.

**24. We are improving the accuracy of monetary and financial sector statistics.** Starting in 2024, we have been working towards the alignment of BCV's published data with IMF standards, using the 2016 IMF Monetary and Financial Statistics Manual. In this context, improving methodologies and working files as well as moving towards an integrated database system are key activities within BCV in the near future, reflected in new Structural Benchmarks (SBs) under the program. Ongoing improvements will include better credit data by economic activity, using INE's classification, another SB.

## D. Broad Structural Reforms: Supporting Private Sector-Led Growth and Resilience to Shocks

**25. Structural reforms are essential to strengthening resilience, especially to climate shocks.** Improving tax compliance and reducing exemptions can broaden the revenue base. Keeping wage growth below nominal GDP and limiting direct procurement will help control costs. The PEDS II strategy emphasizes better access to finance, a stronger business environment, and private-sector-led diversification. Priorities include SME-friendly reforms and lowering the costs of finance, electricity, water, and transport. Key areas for diversification include integrated tourism, and the blue and digital economies. RSF-supported reforms also aim to boost private climate finance in line with PEDS II.

**26. Legal procedures for businesses will be streamlined by reducing waiting times and improving connections with judicial processes.** Focus will be on land titling, as unclear ownership delays investment. We will digitalize information for easier access, helping resolve disputes more quickly.

**27. Strengthening support to vulnerable households continues to be a government priority.** Cash transfers to the poorest have increased, funded by the Social Protection Fund.

The Ministry of Family and Social Inclusion has expanded the Unique Social Registry to cover all poor and vulnerable households, aiding the design and delivery of measures to mitigate climate-related policy impacts.

## E. Policies and Measures to Address Climate Change Challenges

**28. Sustainable development requires addressing climate change, resource scarcity, and energy dependence, which challenge growth and emissions reduction.** Through partnerships and our Nationally Determined Contribution (NDC), we aim to cut greenhouse gas emissions by 18 percent by 2030 and reach net zero by 2050 while advancing renewable energy production, service access, and climate-resilient investment. The RSF supports these goals and our PEDS II strategy by promoting climate governance, resilience, energy efficiency, water sustainability, and financial sector adaptation (Table 3).

**29. We have implemented none of the six RMs due under the 3<sup>rd</sup> Review of the RSF with capacity constraints creating some implementation challenges.**

- **RM4:** FAD will provide further support once we finish the pipeline of public capital projects. As a consequence, RM completion will be delayed to October 2025.
- **RM5:** Findings from FAD CD in December 2024 identified missing information for calculating the cost-recovery tariff at required disaggregation levels, including separate accounting data for electricity generation, electricity distribution, water desalination, and on subsidies provided to Electra. Given the challenges, RM completion will be delayed to December 2025.
- **RM6:** FAD has delivered TA in March 2025 on water subsidy reform. Unlike electricity, multiple utility SOEs exist across islands with different models complicate the cost-recovery tariff calculation, requiring additional data collection. We request a modification of this RM as a result of the FAD TA recommendation to narrow the scope to Santiago Island, which is where most of the losses are accrued. Completion of the RM will be delayed to December 2025.
- **RM7:** The USR was expanded to 100 percent of poor and vulnerable households, and the inclusion of households living in areas vulnerable to climate change is still ongoing. Given the additional work needed, including completion of RM8, this RM is expected to be completed by October 2025.
- **RM8:** The National Institute of Territorial Management (INGT) has completed the process of defining natural disaster risk and vulnerability maps, showing regional exposures to climate hazards to assess risks and vulnerabilities of the population, infrastructure assets, and businesses. We are still in the process of amending land use planning and construction

code requirements to consider disaster risks and vulnerabilities in urban and rural development planning and construction. Given the additional work needed, this RM is expected to be completed by October 2025.

- **RM9:** The BCV hired a consultant to help develop the architecture and the taxonomy, a publication of climate risk and opportunities, and disclosure guidelines to help banks submit their internal roadmaps. MCM is ready to support us by reviewing the consultant's work and providing direct assistance to BCV as needed. Given the challenges, completion of this RM will be delayed to April 2026.

## F. Financing and Program Monitoring

**30. The program will be closely monitored through the proposed quantitative performance criteria, indicative targets, and structural benchmarks (Table 1 and 2).** The Technical Memorandum of Understanding (TMU) describes the definitions, as well as data provision requirements. The seventh, eighth and nineth program reviews are scheduled to be completed by October 2025, March 2026, and October 2026 (based on end-June 2025, end-December 2025, and end-June 2026 test date, respectively). The program will continue with monitoring by the IMF Executive Board on a semi-annual basis. Under the RSF, monitoring will be done by means of the reform measures. RM4, RM5, RM6, RM7, RM8 and RM9 will be completed and reviewed in the next reviews under the extension period under the RSF arrangement. These are detailed in Table 3 of the MEFP.

**Table 1. Cabo Verde: Quantitative Performance Criteria Under the ECF, December 2024–September 2026<sup>1</sup>**  
 (Millions of Escudos, unless otherwise indicated)

	2024			2025				2026		
	Performance Criteria (PC)	end-December		Indicative Targets (IT)	Proposed Performance Criteria (PC)	Proposed Indicative Targets (IT)	Proposed Performance Criteria (PC)	Indicative Targets (IT)	Proposed Performance Criteria (PC)	Proposed Indicative Targets (IT)
		Actual	Status							
<b>Quantitative performance criteria</b>										
Primary balance; floor <sup>3</sup>	-3063.9	3626.1	met	7	529	998	1512	527	1229	2317
Tax revenue; floor	53973.7	56638.5	met	14808	21339	40239	60968	9825	22925	43230
Net other liabilities; floor <sup>3</sup>	-2870	-2431	met	-139	-1911	-2317	-2896	-1080	-1783	-2161
Net domestic financing; ceiling	5494	3029	met	96	2336	2831	3539	1327	2189	2653
Nonaccumulation of domestic arrears <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
Non-accumulation of external payment arrears <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
PV of new external debt; ceiling (in millions of US Dollars)	58	50	met	19	29	54	82	38	39	51
Nominal level of new nonconcessional external debt of central government; ceiling <sup>4</sup>	0	0	met	0	0	0	0	0	0	0
0	0	met	0	0	0	0	0	0	0	0
Gross international reserves (in millions of euros); floor <sup>2</sup>	646	736	met	659	753	761	759	777	785	792
<b>Indicative Targets</b>										
Social spending; floor	18490.1	17957	[not met]	4941	6957	13119	19877	5469	7701	14521
<b>Non-quantitative continuous PCs</b>										
Non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions										
Non-introduction or modification of multiple currency practices										
Non imposition or intensification of import restrictions for balance of payments reasons										
Non-conclusion of bilateral payments agreements that are inconsistent with Article VIII										
<i>Memorandum items:</i>										
Net onlending	194	439		82	243	459	696	45	105	199
Capitalization	2600	2869		0	770	1452	2200	360	840	1584
<b>Program assumptions</b>										
Project and budget support grants	6409.3	2926.4		1077	1371	2585	3917	624	1456	2746
External debt service	12031.9	14500.1		0	4573	8624	13066	2051	4786	9025
Sales of assets	705.0	568.9		118	255	481	729	120	281	530
Project and budget support loans	19752.2	12189.5		3840	4568	8614	13051	1958	4568	8614

Sources: Cabo Verdean authorities; and IMF staff estimates and projections.

<sup>1</sup> Foreign currency amounts will be converted at current exchange rates.

<sup>2</sup> The ceiling or floor will be adjusted as specified in the TMR.

<sup>3</sup> Until December 2023, Net other liabilities includes net onlending, capitalization, use of deposits, privatization. From June 2024 onwards, the definition was narrowed down to SOEs support focusing on net onlending to SOEs and capitalization.

<sup>4</sup> Continuous: Contracted disbursements derived from the additional loan under a contract originally signed in 2013 with the Kuwait Fund, related to ongoing healthcare sector projects to support the construction of two hospitals and the establishment of the first blood testing laboratory in Cabo Verde, are excluded from the definition of non-concessional external debt.

**Table 2a. Cabo Verde: Structural Benchmarks for 2022-24 Under the ECF**

<b>Actions</b>	<b>Target date</b>	<b>Objective</b>	<b>Status</b>
<b>Fiscal reforms</b>			
1) Invoice electronically at least 50 percent of tax payers for VAT	End-December 2022	Improve revenue collection	Met
2) Submit to parliament the budget for 2023 that is in line with commitments under the program.	End December 2022	Support fiscal and debt sustainability	Met
3) Compile and publish historical series of government financial statistics for general government.	End-March 2023	Improve fiscal transparency	Met
4) Publish annual budget execution reports for the general government.	End-September 2023	Improve fiscal transparency	Met
5) Construct a Compliance Risk Management system to allow for the optimization of tax revenue collection by end-December 2023.	End-December 2023	Support fiscal and debt sustainability	Met
6) Submit to parliament the budget for 2024 that is in line with the primary balance commitment under the program.	End-December 2023	Support fiscal and debt sustainability	Met
7) Develop and publish an action plan to reduce tax expenditures by 1 percent of GDP and include published estimates of annual tax expenditures in the budget to improve transparency	End-September 2024	Support fiscal and debt sustainability	Met
8) Implement the action plan to reduce tax expenditures in the 2025 budget	End-December 2024	Support fiscal and debt sustainability	Met
9) Broadening the coverage of fiscal risk analysis and reporting to include PPPs	End-September 2024	Support fiscal and debt sustainability	Met
10) Adopt a budget for fiscal year 2025 that is in line with the program parameters	End-December 2024	Support fiscal and debt sustainability	Met
<b>SOEs reforms</b>			
11) Conduct quarterly analysis of fiscal risk assessment using the IMF SOEs health check tool.	End-September 2022	Improve fiscal reporting and reduce fiscal risks	Met
12) Introduce a quarterly monitoring report on SOEs budget execution.	End-September 2022	Improve fiscal reporting and reduce fiscal risks	Met
13) Improve the annual SOEs report to include comparison of execution to initial budget projection, evaluation of performance against medium term plan, data on government relations (transfers and liabilities).	End-July 2023	Improve fiscal reporting and reduce fiscal risks	Met
14) Based on the July 2023 structural benchmark, publish in the annual report on public companies the targets agreed between the Ministry of Finance and Business Development and the six largest public companies, on improving financial performance and reducing the need for central government support.	End-June 2024	Improve fiscal reporting and reduce fiscal risks	Met
<b>Monetary policy reforms</b>			
15) Preannounce a schedule for TIM and TRM auctions.	End-June 2022	Support the development of the money market	Met
16) Introduce composite indicators of economic activity.	End-June 2023	Support monetary policy analysis	Met
<b>Financial sector reforms</b>			
17) Submit draft amendments to the BCV Law, in line with IMF recommendations, to the Ministry of Finance with a view to (i) establishing an independent oversight process that is separate from executive management, (ii) strengthening the BCV's personal and financial autonomy, and (iii) enhancing transparency and accountability mechanisms	End-December 2022	Strengthen BCV institutional framework	Met
18) Carry out a comprehensive study of loan losses and provisions at the expiration of the credit moratorium.	End-December 2022	Strengthen financial stability	Met
19) Develop a common framework for the resolution of crisis related NPLs.	End-December 2022	Strengthen financial stability	Met
20) Increase the frequency of stress testing to twice per year (June 2023 and December 2023) to ensure the effectiveness of the supervisory process and revamp the stress testing methodology to include detailed banking data and cyber security risk assessment.	End-December 2023	Strengthen financial stability	Met
21) Submit the draft amendments to the BCV Law, in line with IMF recommendations, to parliament with a view to (i) establish an independent oversight process that is separate from executive management, (ii) strengthen the BCV's personal and financial autonomy, and (iii) enhance transparency and accountability mechanisms	End-July 2024	Strengthen BCV institutional framework	Not Met; implemented with a delay in September

**Table 2b. Cabo Verde: Proposed Structural Benchmarks for 2025-26 Under the ECF**

<b>Actions</b>	<b>Target date</b>	<b>Objective</b>
<b>Fiscal reforms</b>		
1) Submit to parliament the budget for 2026 that is in line with commitments under the program.	End December 2025	Support fiscal and debt sustainability
2) Manual Data Exchange between DNRE and RNI: Implement a manual exchange of databases agreed in all phases of the MoU – civil identification of citizens and companies, real properties and vehicles.	End December 2025	Enhance tax compliance and collection
3) Manual Data Exchange between DNRE and INPS: Implement a manual exchange of taxpayer databases and periodic filing of returns containing information on salaries and taxes paid to DNRE and INPS.	End December 2025	Enhance tax compliance and collection
4) Submit to parliament a revised Public Procurement Code with the aim of minimizing the share of direct awards (Ministry of Finance).	End-December 2025	Improve fiscal transparency
5) Implement the electronic public procurement system (e-GP) to cover the entire life cycle of public procurement, integrating data on sanctions, awards and execution (Ministry of Finance and ARAP).	End-December 2025	Improve fiscal transparency
6) Automated Data Exchange between DNRE and INPS: Transition to an automated exchange of taxpayer databases and periodic filing of returns containing information on salaries and taxes paid to DNRE and INPS.	End September 2026	Enhance tax compliance and collection
<b>SOEs reforms</b>		
7) Publish the annual report and audited financial statements of all State-Owned Enterprises (SOEs) up to and including calendar year 2023 through the SOE Manager portal of the SOE Sector Monitoring Unit (UASE) of the Ministry of Finance	End-December 2025	Improve fiscal reporting and reduce fiscal risks
8) Publish the annual report and audited financial statements of all State-Owned Enterprises (SOEs) up to and including calendar year 2025 through the SOE Manager portal of the SOE Sector Monitoring Unit (UASE) of the Ministry of Finance.	End June 2026	Improve fiscal reporting and reduce fiscal risks
<b>Monetary policy and financial sector reforms</b>		
9) Improve the methodology for compiling monetary statistics through the development of a new series of working files (DEE)	End-December 2025	Support monetary policy analysis and quality of monetary statistics
10) Effective activation of the new platform of the Credit Registry Center (CRC)-DEE.	End-March 2026	Support monetary policy analysis and quality of monetary statistics
11) Reconciliation between the monetary statistics published by the Bank of Cabo Verde (BCV) and the International Monetary Fund (IMF) (DEE).	End-June 2026	Support monetary policy analysis and quality of monetary statistics
12) Publish the monetary statistics based on 11) above on the BCV website (DEE).	End-September 2026	Support monetary policy analysis and quality of monetary statistics
13) Ongoing development of the integrated database of the Department of Economic Statistics (DEE).	End-October 2026	Support monetary policy analysis and quality of monetary statistics
14) Develop and publish a macroprudential policy framework, comprising at least two additional macroprudential instruments along with their respective methodologies for systemic risk assessment. The development of this framework is contingent on the operationalization and the timely provision of data from the CRC, a critical source of granular and reliable data to support robust systemic risk assessment methodologies (MacroPrudential Unit).	End-September 2026	Support monetary policy analysis and macroprudential framework

**Table 3. Cabo Verde: RSF Reform Measures Matrix**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>National coordination and management of climate change is under the MAE that is not able to ensure cross sector coordination</b>	<ul style="list-style-type: none"> <li>▪ <b>RM1.</b> Government will establish a council/body for coordinating climate change policy planning and strategy, and DRM under the Heads of Government, with a clear tasks, responsibilities and procedures, including mechanisms for (i) holding entities accountable for consistency across sectoral plans in line with the national development strategy (PEDS II) and international commitments (NDC), and (ii) providing strategic oversight of DRM defined in the TORs, with implementation reflected in the protocols of regular meetings. The MAE serves as secretariate.</li> </ul>	Climate Policy Diagnostic (CPD)	None needed	<p>Completed. The Cabinet approved on May 7 the Resolution n° 38/2024, which was published in the Official Gazette on May 10, 2024, I Série N° 42-1106I</p> <p>(<a href="https://kiosk.incv.cv/1.142.5747/">https://kiosk.incv.cv/1.142.5747/</a>)</p>	LuxDev provided TA on the climate governance function and associated legal amendments	End-April 2024; 4 <sup>th</sup> ECF Review	<i>Fiscal and external sustainability</i> <ul style="list-style-type: none"> <li>- Better informed and coordinated policy decisions will improve budget management, reduce costs, improve impact, and maximize multi-pronged BOP risk reduction through the implementation of other RMs.</li> <li>- By embedding resilience in planning/ budgeting, thereby reducing post-disaster costs.</li> </ul>

**Table 3. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Natural disaster and climate related risk not adequately featured in fiscal planning</b>	▪ RM2. To improve fiscal risk management, the Ministry of Finance will conduct and publish in the annual Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.	C-PIMA; CPD	IMF CD from FAD was delivered in July 2024 to support changes.	Completed. The <a href="#">Fiscal Risk Statement</a> was published alongside the draft 2025 budget sent to parliament.	World Bank has prior actions and triggers in the latest DPF supporting a stronger PIM framework and aligned with the C-PIMA recommendations	End-Sept. 2024; 5 <sup>th</sup> ECF Review	<p><i>Improved fiscal and external sustainability.</i></p> <ul style="list-style-type: none"> <li>- Improves fiscal risk management.</li> <li>-Enables better informed policies that reduce fiscal and financial-sector costs when climate risks materialize and lower external financing needs while supporting investor confidence.</li> <li>-Reduces import demand for reconstruction and facilitates a quick recovery of growth and net exports.</li> </ul>

**Table 3. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Investments do not reflect needed physical resilience to Climate Change</b>	<b>RM3.</b> The Ministry of Finance will enact amendments to the PPP legal framework to ensure climate requirements are reflected in PPP agreements and the Ministry of Finance will publish a manual integrating these requirements throughout the PPP capital project lifecycle, from project identification to contract management stages.	C-PIMA	FAD/LEG CD in March to support the authorities on the amendments of the PPP legislation and the Manual.	Completed. Changes were approved by Cabinet in April and published in the Official Gazette on May 8, 2024 (Decreto-lei 21/2024, I Série n° 40-1012 <a href="https://kiosk.incv.cv/1.140.5737">https://kiosk.incv.cv/1.140.5737</a> )		End-April 2024; 4 <sup>th</sup> ECF Review	<i>Improves fiscal and external resilience.</i> - Reduces government contingent liabilities and the subsequent need for external financing. - Improves investor confidence reduces uncertainty, contributing to attracting external capital inflows and official financing. - Reduces reconstruction needs and associated import demand after shocks.
	<b>RM4.</b> To scale up and systematize climate finance the Ministry of Finance will (i) adopt a national climate finance mobilization strategy that comprehensively identifies the financing instruments to unlock climate finance sources; and (ii) develop and publish a pipeline of appraised public capital projects, including climate-related projects, as part of the budget process.	C-PIMA	Luxembourg and follow up support from FADM2 in 2025	On track. The climate finance strategy is largely complete and was presented at COP29.  Work on the pipeline of projects is ongoing work and expected to be completed up to June 2025.	LuxDev is providing TA to formulate a climate finance strategy	End-October 2025; 7 <sup>th</sup> ECF Review	- Helps improve public investment efficiency and alignment with government objectives.

**Table 3. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
	<ul style="list-style-type: none"> <li>▪ <b>RM9.</b> The BCV will develop a climate information architecture for banks, consisting of 1) the adoption of a climate change adaptation and mitigation taxonomy, and 2) the publication of climate risk and opportunities and disclosure guidelines, so that banks are expected to submit their internal roadmaps within six months from the effective date of application of the guideline, followed by progress reports every six months.</li> </ul>		MCM has delivered an online presentation to the BCV to help set the ground for future work	In progress. BCV engaged an external consultancy. In addition, MCM will support in two distinct ways: i) by reviewing the consultant's deliverables and ii) by providing bilateral CD to BCV, as needed, either remotely or in person	TBC	End-April 2026; 9 <sup>th</sup> ECF Review	<i>Financial sector resilience</i> -Reduces financial sector losses when climate risks materialize, thereby lowering potential bank recapitalization needs.

**Table 3. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Inefficiency and financial vulnerability of electricity company pose fiscal risks and hinder the transition to a more resilient and reliable electricity supply</b>	<p>▪ <b>RM5.</b> To support energy transition plans, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of electricity (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting electricity tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments. (Ministry of Industry, Trade and Energy and MoF)</p>	CPD`	FADEP supported on the analytical study of tariffs and distributional impact in December 2024.	<p>On track. Cooperation with international partners on tariffs is advanced (e.g., calculating cost recover rates). Ongoing work by LuxDev will be incorporated in FAD TA.</p> <p>Authorities are preparing the business plans for each of the new business units (EPEC and EDEC). It will be important for these to include the information needed for assessing cost recovery tariffs.</p>	<p>WB energy projects are providing support on unbundling the energy SOE. LuxDev is also supporting work on tariff reforms.</p>	End-December 2025; 8 <sup>th</sup> ECF Review	<p><i>BOP resilience to shocks.</i></p> <p>- Reduces LT reliance on fossil fuel imports whose prices are volatile.</p> <p><i>Increased productivity, growth, investment, net exports owing to increased and reliable access to electricity.</i></p> <p><i>Fiscal and external sustainability</i></p> <p>-Market pricing of electricity reduces fiscal pressures and the need for external financing.</p>

**Table 3. Cabo Verde: RSF Reform Measures Matrix (continued)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Access to water resources and fiscal sustainability are vulnerable to long-run climate impacts due to lack of investment</b>	<b>RM6.</b> To support reform initiatives, which will require substantial infrastructure investment the government will, (i) determine the cost-recovery rate for the provision of water (fully reflecting operational and capital cost), (ii) identify any discrepancy between the existing tariff and so defined cost recovery, (iii) undertake a distributional impact assessment, and (iv) publish and adopt regulations establishing a methodology for adjusting water tariffs to the identified cost-recovery rate, to be applied by the regulator (thereby achieving full cost recovery) by the test date, with transparent periodic adjustments, and/or by financing infrastructure investment transparently from the budget, with a view to ensure sustainability of the water sector in the Santiago Island. (National Water and sanitation Agency (ANAS) and MoF)	CPD	FAD support for tariff review and the distributional impact in March 2025.	Authorities are setting out the investment plans needed for the water sector.  Cooperation with international partners on tariffs is advanced (e.g., calculating cost recover rates).  The scope of what is possible by the test date is narrowed to Santiago Island (which is where most of the losses are accrued) due to the diversity of water business and management models across islands.	LuxDev is supporting work on tariff reforms.	End-December 2025; 8 <sup>th</sup> ECF Review	<i>Fiscal and external sustainability and resilience</i>  - Reduces fiscal costs from covering water sector losses and promotes debt sustainability.

**Table 3. Cabo Verde: RSF Reform Measures Matrix (concluded)**

<b>Key Challenge</b>	<b>Reform Measure</b>	<b>Diagnostic Reference</b>	<b>IMF CD Input</b>	<b>Status</b>	<b>Development Partner Role</b>	<b>Timing</b>	<b>Prospective BoP Risk Reduction</b>
<b>Social safety nets do not properly account for climate related economic vulnerabilities</b>	▪ <b>RM7.</b> The Unique Social Registry (USR) will be expanded to provide the basis for a social support system that can efficiently mitigate the implications of climate transition and climate hazard events. To this end, the Ministry of Family and Social Inclusion and the MoF will expand coverage of the USR to 100 percent of poor and vulnerable households (including from rural areas) as identified based on the latest household budget survey, and offer inclusion in the USR to 100 percent of the households in climate vulnerable areas.	CPD		Near completion. The USR has been expanded and covers 100 percent of poor and vulnerable households.  Work on offering inclusion to households in climate vulnerable areas is dependent on RM8.  URS web page: <a href="http://www.csu.cv">www.csu.cv</a>	WB	End-October 2025; 7 <sup>th</sup> ECF Review	<i>Improves households' economic resilience.</i>  -Improves the economy's resilience to weather-related shocks.  -Improves food security.  -Reduces economic uncertainty in vulnerable areas.
<b>Economic activity overly vulnerable to climate and weather-related shocks amid inadequate resilience and disaster risk management policy frameworks</b>	▪ <b>RM8.</b> INGT or new unit/council for CC management and DRM will develop and disseminate natural disaster risk and vulnerability maps, including information on how and where climate hazards might affect the areas and regions, to assess risks and vulnerabilities of the population, infrastructure assets, sectors, and the economy/businesses. The land use planning regulation and construction code requirements will be amended to consider disaster risks and vulnerabilities for urban and rural development planning and for designing and constructing infrastructure and buildings.			Near completion. The authorities started working on this RM and using own resources to finance the activities. INGC is working on defining the natural disaster and vulnerability maps, which also supports RM7.		End-October 2025; 7 <sup>th</sup> ECF Review	<i>BOP and fiscal resilience to shocks and increased economic growth.</i>  -Reduces the need for frequent reconstruction and associated imports, fiscal costs, and external loans/debt service.  - Supports food security and improves the economy's resilience to weather-related shocks.

## Attachment II. Technical Memorandum of Understanding

*This memorandum sets out the understandings between the Cabo Verdean authorities and the IMF staff regarding the definitions of variables included in the quantitative targets and continuous targets set out in the Memorandum of Economic and Financial Policies (MEFP), the key assumptions, and the reporting requirement of the Government and the Central Bank of Cabo Verde for the three-year Extended Credit Facility (ECF).*

### PROGRAM EXCHANGE RATES

**1. Program exchange rates are used for formulating and monitoring quantitative performance criteria.** All assets and liabilities denominated in U.S. dollars (USD) will be converted into escudos at a program exchange rate of CVE 98.8 per one USD. Assets and liabilities denominated in SDRs and in foreign currencies not in USD will be converted into USD at the exchange rates reported in Table 1:

<b>Table 1. Cabo Verde: Program Exchange Rates</b>	
Currency	Program Exchange Rates
Escudos/US Dollars	98.8
Escudos/Euros	110.3
US Dollar / U.K. pound	1.34
US Dollar/Euro	1.11
US Dollar/ Japanese yen	0.01
SDR/US Dollar	0.72

Source: WEO April period average exchange rates

### QUANTITATIVE AND CONTINUOUS TARGETS

#### A. Floor on the Primary Balance of the Central Government

**2. The central government includes all units of budgetary central government and extrabudgetary entities.** It does not include local government (municipalities), social security funds and public corporations.

**3. The central government primary balance is defined as total tax and non-tax revenues and grants minus primary expenditure** and covers non-interest government activities as specified in the budget. The central government primary balance will be measured as cumulative flow over the calendar year.

- Revenues are recorded when the funds are transferred to a government revenue account. Tax revenues are recorded as net of tax refunds.
- Central government primary expenditure is recorded on a cash basis and covers recurrent expenditures and capital expenditure.

**4. The floor of the primary balance will be adjusted upward** (downward) by the surplus (shortfall) in disbursements of the grants to the baseline projection.

<b>Table 2. Cabo Verde: Grants Projected Under the Program (GIR)</b>	
Date	Grants projected under the program, cumulative from the beginning of the year (in million CV Escudos)
30-Jun-25	2,154
31-Dec-25	3,917
30-Jun-26	2,081

Source: Cabo Verdean Authorities; IMF Staff estimates

**5. For program monitoring, data will be provided to the Fund by the Directorate National of Planning (DNP) of the Ministry of Finance** monthly with a lag of no more than six weeks from the end of-period.

## B. Cumulative Floor on Central Government Tax Revenue

**6. Tax revenues refer to revenues from tax collection. It excludes all revenues from asset sales, grants, and non-tax revenues.** To gauge the impact of tax policy reforms and improvements in tax administration, the program will have a floor on central government tax revenues. The revenue target is calculated as the cumulative flow from the beginning of the calendar year.

**7. For program monitoring, data will be provided to the Fund by the DNP of the Ministry of Finance** monthly with a lag of no more than six weeks from the end of-period.

## C. Floor on Net Other Liabilities

**8. Net Other Liabilities is defined as the sum of loans to state-owned enterprises (SOEs) and municipalities (onlending) and capitalization.** The floor of central government net other liabilities will be measured as cumulative over the calendar year. Onlending is defined as domestic and external loans contracted by the central government from another institution and then onlending the proceeds to SOEs. Net onlending is reflected with an inverted sign in total Net Other Liabilities and defined as disbursement of these loans minus repayment of previous loans by SOEs to the central government. Capitalization is reflected with an inverted sign in total Net Other

Liabilities and defined as capital injection or equity participation made by the central government into corporations when some financial support is provided to capitalize or recapitalize these corporations.

#### D. Ceiling on Net Domestic Financing of the Central Government

**9.** **Net domestic financing (NDF) of the central government** is defined as the sum of (i) the net position (difference between the government's claims and debt) vis-à-vis the central bank and commercial banks and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system. NDF at end-December 2023, end-June 2024, and end-December 2024 (PCs) must be equal to or less than the amounts indicated in Table 1 (of QPCs) attached to the MEFP.

**10.** **External budgetary assistance** is defined as budget loans, grants and non-earmarked debt relief operations (excluding project-related loans and debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives). It would include budget support loans from the IMF, World Bank, AfDB, European Union and others.

**11.** **The NDF ceiling of the government will be adjusted downward** (upward) if net external budgetary assistance exceeds (or falls short) of the program projections in Table 3 of external budget assistance:

<b>Table 3. Cabo Verde: Budget Support Loans and Grants</b> (Million CV Escudos)	
Date	Budget support loans and Grants (in million CV Escudos)
30-Jun-25	6,012
31-Dec-25	9,965
30-Jun-26	5,058

Source: Cabo Verdean Authorities; IMF Staff estimates

- If, at the end of a quarter, external budgetary assistance exceeds the program projections (cumulative since January 1 of the same year), the ceiling of NDF will be adjusted downward.
- If at the end of a quarter, external budgetary assistance falls short of the projected amounts (cumulative since January 1 of the same year), the NDF ceiling will be upward while respecting the limits established by the Budget law (including any waivers).

**12. The NDF ceiling of the government will be adjusted upward (downward) by the shortfall (surplus) in privatization proceeds relative to program projections.**

**13. For program monitoring, data will be provided to the Fund by the DNP of the Ministry of Finance** quarterly with a lag of no more than six weeks from the end of-period.

**Table 4. Cabo Verde: Privatization Income Projected Under the Program**

Date	Privatization income projected under the program, cumulative from the beginning of the year
30-Jun-25	0
31-Dec-25	0
30-Jun-26	0

Sources: Cabo Verdean authorities and IMF staff estimates.

**14. Reporting requirements.** For program monitoring, data will be provided to the Fund by the DNP of the Ministry of Finance and BCV (for the net position of the government to the banking system) monthly with a lag of no more than six weeks from the end of-period.

## E. Non-Accumulation of Domestic Payments Arrears

**15. As part of the program, the government will not accumulate any new domestic payments arrears.** This will be monitored through the monthly execution of the cash-flow plan and the corresponding release of budget appropriations. For programming purposes, a domestic payment obligation to suppliers is deemed to be in arrears if it has not been paid within the normal grace period of 60 days (30 days for government salaries and debt service) or such other period either specified by the budget law or contractually agreed with the supplier after the verified delivery of the concerned goods and services, unless the amount or the timing of the payment is subject to good faith negotiations between the government and the creditor.

**16. Reporting requirements.** The DNP of the Ministry of Finance will submit on a quarterly basis a detailed table of the stock of domestic payments arrears, including the accumulation, payment, rescheduling and write-off of domestic payments arrears during the quarter. The data are to be provided within six weeks after the end of the quarter.

## F. Ceiling on the PV of New External Concessional Debt of the Central Government

**17. Under the program a ceiling applies to the PV of new external debt, contracted or guaranteed by the public sector with original maturities of one year or more.** The ceiling applies to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or

debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

**18. External public debt (long-term, medium-term, and short-term) is defined as debt to nonresidents contracted or guaranteed by the central government.** The external public debt comprises the external debt of the central government and the external debt of the official sector entities and SOEs guaranteed by the central government.

**19. The definition of debt is set out in Point 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020.**

(a) The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- (i) Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
- (ii) Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- (iii) Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

**20. Under the program, ceilings on medium and long-term, as well as on short-term, concessional external debt constitute quantitative targets.** The coverage of the ceiling on concessional external debt includes budget loans, projects and program loans, and on-lending loans to SOEs in line with the fiscal program. For program purpose, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.<sup>1</sup> For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). Debt rescheduling, and debt reorganization are excluded from the limits on concessional external debt. New concessional external debt excludes normal short-term (less than one year) import-related financing.

**21. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract.** The program reference rate for the six-month USD LIBOR is 2.699 percent and will remain fixed for the duration of the program. The spread of six-month Euro LIBOR over six-month USD LIBOR is -168 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -80 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is 100 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added. Given the anticipated global transition away from LIBOR, this TMU can be updated to reflect the relevant benchmark replacements (U.S. Secured Overnight Financing Rate (SOFR); U.K. Sterling Overnight Index Average (SONIA); EURIBOR; and Tokyo Overnight Average Rate (TONAR)) prior to the complete phase out, once operationally feasible.

**22. Reporting requirements.** The government of Cabo Verde will consult with Fund staff before assuming any liabilities in circumstances where they are uncertain whether the instrument in question falls under the quantitative target. Details of all new external debt (including government guarantees), indicating terms of debt and creditors, will be provided on a quarterly basis within six weeks of the end of each quarter.

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<sup>1</sup> The calculation of concessionality takes into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

## G. Non-concessional External Debt Contracted or Guaranteed by the Central Government

**23. Under the program, ceilings on medium- and long-term, as well as on short-term, non-concessional external debt constitute quantitative targets.** The zero ceiling on non-concessional external debt is on a continuous basis. For program purpose, a debt is non-concessional if it includes a grant element of less than 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.<sup>1</sup> For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). Debt rescheduling, and debt reorganization are excluded from the limits on non-concessional external debt. The quantitative target on new non-concessional external debt contracted or guaranteed by the central government, excluding borrowing from the Fund. Non-concessional external debt excludes normal short-term (less than one year) import-related financing. The Portuguese government's precautionary credit line (the "Portuguese credit line") in support of the exchange rate peg is also excluded from the definition of non-concessional external debt. Contracted disbursements derived from the additional loan under a contract originally signed in 2013 with the Kuwait Fund, related to ongoing healthcare sector projects to support the construction of two hospitals and the establishment of the first blood testing laboratory in Cabo Verde, are also excluded from the definition of non-concessional external debt. The loan qualifies under the Debt Limits Policy as an exceptional from for non-concessional borrowing on the basis that these healthcare infrastructure projects are integral to the authorities' development program and that concessional financing is not available for these projects. The macroeconomic impact, including on public debt sustainability, is negligible.

**24. Reporting requirements.** The government of Cabo Verde will consult with Fund staff before assuming any liabilities in circumstances where they are uncertain whether the instrument in question falls under the quantitative targets. Details of all new external debt (including government guarantees), indicating terms of debt and creditors, will be provided on a quarterly basis within six weeks of the end of each quarter.

## H. Gross International Reserves of the Central Bank

**25. The floor on the stock of gross international reserves (GIR) of the BCV constitutes a quantitative target under the program.** The GIR of the BCV are defined as gross international reserves of the BCV which include assets that are readily available (i.e., liquid and marketable and free of any pledges or encumbrances), controlled by the BCV and held for the purposes of meeting balance of payments needs and intervening in foreign exchange markets. They include gold, holdings of SDRs, the reserve position at the IMF, holdings of foreign exchange and traveler's

checks, demand and short-term deposits at foreign banks abroad, fixed-term deposits abroad that can be liquidated without penalty, and any holdings of investment-grade securities. The program floors for the GIR will be adjusted downward by:

- The cumulative upward deviations in external debt service relative to program assumptions.
- The cumulative downward deviations in external financial assistance, and project and budget loans relative to program assumptions. For purposes of calculating the adjusters, these flows will be valued at current exchange rates.

**26. Reporting requirements.** A table on the GIR prepared by the BCV will be transmitted on a monthly basis, with a maximum delay of four weeks.

**Table 5. Cabo Verde: External Debt Service Projected Under the Program (GIR)**

Date	External debt service projected under the program, cumulative from the beginning of the year (in million CV Escudos)
30-Jun-25	5,856
31-Dec-25	13,066
30-Jun-26	6,837

Source: Cabo Verdean Authorities; IMF Staff estimates

**Table 6. Cabo Verde: External Financial Assistance and Project and Budget Loans Projected Under the Program**

Date	External financial assistance and project and budget loans projected under the program, cumulative from the beginning of the year (in million CV Escudos)
30-Jun-25	19,667
31-Dec-25	18,042
30-Jun-26	7,798

## I. Non-Accumulation of External Payments Arrears

**27. As part of the program, the government will not accumulate any new external payments arrears.** This will be a continuous target under the program. This will be monitored through the monthly execution of the cash-flow plan and the corresponding release of budget appropriations.

**28. External payments arrears for program monitoring purposes are defined as the amount of external debt service due and not paid within the contractually agreed period,** subject to any applicable grace period, including contractual and late interests. Arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or a rescheduling agreement is sought are excluded from this definition.

**29. Reporting requirements.** Data on (i) debt-service payments; and (ii) external arrears accumulation and payments will be transmitted on a quarterly basis by the DNP of the Ministry of Finance, within six weeks of the end of each quarter. In addition, the government will inform the Fund staff immediately of any accumulation of external arrears.

## J. Memorandum Item: Floor on Central Government Social Spending

**30. The indicative floor on social spending of the central government will apply only to expenditures incurred by the central government** on the following plans and programs that are intended to have a positive impact on education, health, and social protection, excluding the wages and salaries component.

**31. For program monitoring, the data will be measured as cumulative over the fiscal year** and it will be reported by the DNP on a quarterly basis, with a lag of no more than six weeks from the end-of-period.

## K. RSF Reform Measures

**32. Cost recovery tariff under RM 5 and 6 should reflect the capital cost of infrastructure and the operational cost.** Infrastructure cost will cover the investment as needed during the transition, as well as the maintenance and replacement based on the useful life of such infrastructure. The operational cost will reflect the current and target energy mix.

**33. Climate vulnerability information under RM8 will cover:** (i) maps on vulnerability to sea-level rise projection based on identified climate scenarios with full coverage of territory; (ii) climate vulnerability maps for the seven (seven out of 22) most populated and/or most climate vulnerable municipalities; and (iii) maps including information on the occurrence of past climate hazards with additional information on the expected implications of climate change as implied by the identified climate scenarios. These maps will be made available online. The requirements for using information from vulnerability maps in land use and construction planning should be reflected in the National Regulations for Territory Management and Urban Planning (Decree-Law 61/2018) or the related regulations, and the Technical Building Code (Order 4/2012).

## OTHER DATA REQUIREMENTS AND THE ASSESSMENT OF THE ACHIEVEMENT OF REFORM TARGETS

**34. Data on exports and imports, including volume and prices and compiled by the Director of Customs and the BCV**, will be transmitted on a quarterly basis within five weeks after the end of each quarter. A preliminary quarterly balance of payments, compiled by the BCV, will be forwarded within six weeks after the end of each quarter.

**35. The Statement of Other Economic Flows as defined in the IMF Manual GFSM2001 or GFSM2014** relative to holding gains/losses of the previous year with ASA, Electra, EMPROFAC, ENAPOR, and IFH will be transmitted on an annual basis within three months after the end of the following year (15 months after the closing date).

**36. The consolidated balance sheet of ASA, Electra, EMPROFAC, ENAPOR, and IFH** relative to the previous year will be transmitted on an annual basis within three months after the end of the following year (15 months after the closing date).

**37. Pre-announce a schedule for TIM and TRM auctions reform target.** This reform target will be assessed as achieved when the pre-announcements are posted on the central bank website.

**38. Introduce a composite indicator of economic activity reform target.** This reform target will be assessed as achieved when the central bank has released the composite indicator.

**39. Carry out a comprehensive study of loan losses and provisions at the expiration of the credit moratorium.** This reform target will be assessed as achieved when the study is completed and released.

**40. Develop a common framework for the resolution of the crisis related NPLs.** This reform target will be assessed as achieved when the common framework is complete and released. The common framework is being developed jointly by the BCV and the World Bank.

**41. Construct a Compliance Risk Management (CRM) system to allow for the optimization of tax revenue collection.** This reform target will be assessed as achieved when the MOF provides staff with a copy of methodology.

**42. Increase the frequency of stress testing to twice per year:** This reform target will be assessed as achieved when the central bank provides the findings of the second annual stress test.

**43. Develop and publish an action plan to reduce tax expenditures.** This reform target will be assessed as achieved when the MOF provides staff a copy of the approved action plan.

**44. Implement the action plan on tax expenditures in the 2026 budget.** This reform target will be assessed as achieved when the MOF provides staff a copy of the approved 2026 budget with the specification of the actions and impacts.

**45. Publish in the SOE report measurable metrics between the MOF and the 6 largest SOEs on financial performance.** This reform target will be assessed as achieved when the report is published in the MOF webpage.

**Statement by Mr. André Roncaglia, Executive Director for Cabo Verde,  
Mr. Filipe Antunes, Alternate Executive Director, and  
Mr. Pedro Miranda, Senior Advisor to the Executive Director**

**July 9, 2025**

**On behalf of our Cabo Verdean authorities, we thank Mr. Schindler and his team for the insightful report.** The authorities appreciate the frank and constructive policy dialogue with staff, including in the review mission in May. Amid a more challenging and uncertain external environment for developing economies, they continue to highly value the IMF's sustained engagement with Cabo Verde.

**Recent economic developments and outlook**

**Cabo Verde's macroeconomic performance surpassed expectations in 2024.** Economic activity grew 7.3 percent, reflecting record tourist arrivals, robust exports, and private consumption growth. Inflation was low, with headline inflation at 1.4 percent and core inflation at 1.6 percent year-over-year at end-2024. The external sector also overperformed, with the current account moving to surplus for the first time since the pandemic at an all-time high of 3.7 percent of GDP. Besides tourism receipts, the surplus reflected a sharp expansion in fish exports and robust remittances. The financial sector is well capitalized, profitable and liquid.

**The economic outlook remains positive, but significant downside risks are present.** Growth is expected to gradually moderate towards the potential growth rate. Inflation is projected to remain around 2 percent over the medium term, in line with euro area trends. The current account is expected to converge towards a deficit of about 3.5 percent over the medium-term, as capital expenditures on climate and infrastructure pick up. As a small island developing economy, Cabo Verde is subject to substantial external risks, including related to commodity prices, global trade tensions, increased uncertainty regarding external financing, and climate-related risks such as rising sea levels and extreme weather events.

**Program performance**

**Performance under the ECF has remained strong.** All the quantitative performance criteria for this review were met, as were the continuous performance criteria. The 2024 primary balance recorded a surplus of 1.3 percent of GDP, as compared to a projected deficit of 0.1 percent. International reserves resumed their upward trend, comfortably exceeding the target and covering 5.9 months of projected imports. The indicative target for

social spending was not met by a small margin. The structural benchmarks related to tax expenditures and adoption of a 2025 budget consistent with program parameters were met.

**Progress on the ambitious reforms under the RSF was slower than foreseen, but the authorities remain committed to the critical climate agenda.** With important technical assistance support from the Fund, the authorities continued to make progress on all outstanding reform measures, some of which are well advanced. While slower than expected progress reflects a learning curve for reforms under the RSF for both the authorities and the Fund, the authorities remain determined to push forward the critical climate agenda and achieve program goals. Towards that end, the authorities are requesting a program extension to provide more time to complete the remaining reform measures.

#### Fiscal and debt policies

**Higher tax revenues and spending discipline have helped drive down the public debt-to-GDP ratio.** The fiscal overperformance in 2024 reflected stable primary spending and strong growth in tax revenues, which reached 20.1 percent of GDP due to the strong economy and to improvements in tax administration. Tax revenues are expected to remain strong in 2025 and 2026, reflecting reductions in tax expenditures and the introduction of the tax on tourist arrivals. Meanwhile, spending is expected to remain below projections despite rising capital expenditures. As a result of these outcomes, the public debt-to-GDP ratio continues to decline and is expected to fall below pre-pandemic levels by end-2025. The authorities are undertaking further measures to improve fiscal governance and to ensure that public debt remains on a declining path, including the formation of a new tax authority with support from the Fund.

**The authorities continue to make progress in enhancing public sector efficiency and reducing fiscal risks from state-owned enterprises (SOEs).** The new structural benchmarks on the timely publication of audited financial statements from all SOEs will build on previous progress in improving fiscal transparency and accountability. With support from development partners, the authorities continue to advance reforms in the critical energy and water sectors, while also restructuring or divesting some public enterprises. Given the critical importance of the transport sector in an archipelago such as Cabo Verde, the authorities are taking steps and studying options to enhance domestic and international connectivity in a fiscally sustainable fashion.

#### Monetary and financial policies

**Monetary policy continues to focus on preserving the fixed peg exchange rate regime.** To that end, the Banco de Cabo Verde (BCV) has fully closed the policy rate gap with the

ECB, in line with the forward guidance that had been provided. Looking ahead, the BCV will continue to communicate clearly with markets, closely monitor developments and make monetary policy decisions based on the available data. With support from the Fund, the BCV is improving the statistical databases that provide support to monetary policymaking.

**The authorities continue to strengthen the institutional framework underpinning**

**Cabo Verde's resilient financial system.** Banks are profitable and have strong capital and liquidity buffers, with regulatory capital at end-2024 equaling 23.9 percent of risk-weighted assets, well above the regulatory minimum of 12 percent. Amendments to the Organic Law of the BCV to improve the Central Bank's governance were approved in an initial vote in parliament in May and now await final parliamentary approval. With Fund support, the BCV is taking steps to strengthen its macroprudential policy framework, including through the creation of a new Credit Registry Platform. Cabo Verde has continued to improve the AML/CFT framework, including by advancing amendments to strengthen the AML law in Parliament in February and through the establishment of a separate unit within the BCV for AML/CFT supervision in April.

Growth and climate resilience reforms

**Cabo Verde's development strategy aims to increase potential growth and economic resilience, create quality jobs for Cabo Verde's youth and continue to reduce poverty.** To further these goals, the Sustainable Development Strategic Plan 2022-2026 (PEDS II) prioritizes improving the business environment and access to finance. Economic diversification will be encouraged by investment in the digital economy, connectivity, and the blue economy.

**The ambitious climate reforms supported by the RSF are key to Cabo Verde's sustainable development goals.** The RSF supports Cabo Verde's climate adaptation and transition efforts by focusing on strengthening climate governance, increasing physical resilience, enhancing energy efficiency, promoting water sustainability, and building financial sector resilience to climate change. While progress has been slower than anticipated, the authorities continue to move forward on the outstanding reform measures. The reforms to develop natural disaster risk and vulnerability maps and expand the social registry are well advanced, as are the efforts to adopt a national climate finance strategy and develop a pipeline of appraised public capital projects, including climate-related projects. The authorities are also making progress on complex reforms to support investment in the critical electricity and water provision sectors, with support from the Fund and development partners. The water sector is particularly complex as there are multiple SOEs across the islands with different business and management models, complicating the calculation of cost-recovery tariff rates. For this reason, the scope of the water sector reform measure is

proposed to be narrowed to the island of Santiago, where most of the sectoral losses are accrued. The BCV has made progress on the development of a climate information architecture for banks and is closely engaged with MCM, which will provide crucial capacity development to finalize this reform.

#### Concluding remarks

**The authorities are requesting an extension and augmentation of the ECF arrangement and an extension of the arrangement under the RSF.** Amid exceptionally high global economic uncertainty, the ECF extension will provide continued concessional financing and policy guidance to support the authorities' efforts to maintain debt sustainability, strengthen the monetary policy framework, and address long-term structural challenges. The RSF extension will provide more time to complete the ongoing climate adaptation and transition reforms. While economic performance has been strong and significant reforms have been implemented, major challenges still need to be overcome in order to ensure Cabo Verde's long-term macroeconomic stability, boost potential growth, improve social welfare, and increase climate resilience. The authorities count on the continued support of the Fund as they pursue these key economic policy goals.