

**EXECUTIVE
BOARD
MEETING**

EBS/22/42
Supplement 1
Correction 1

June 22, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Cabo Verde—Request for an Arrangement Under the Extended Credit Facility—Debt Sustainability Analysis**

Board Action: The attached correction to EBS/22/42, Sup.1 (6/3/22) has been provided by the staff:

Typographic Errors **Page 6**

Questions: Mr. Darius, AFR (ext. 34085)

Text Table 2. Cabo Verde: Publicly-Guaranteed Debt, 2018–2021

	2018			2019			2020			2021		
	CVE million	Percent of GDP	Percent of debt	CVE million	Percent of GDP	Percent of debt	CVE million	Percent of GDP	Percent of debt	CVE million	Percent of GDP	Percent of debt
External Debt (A)	1,674	0.8	100.0	395	0.2	100.0	1,913	1.1	100.0	2,502	1.3	100.0
contracted by SOEs	1,674	0.8	100.0	395	0.2	100.0	1,913	1.1	100.0	2,502	1.3	100.0
contracted by private entities	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0	0.0
Domestic Debt (B)	11,077	5.5	100.0	13,843	6.5	100.0	15,369	8.5	100.0	20,832.4	10.6	100.0
contracted by local governments	396	0.2	3.6	363	0.2	2.6	356	0.2	2.3	359	0.2	1.7
contracted by SOEs	10,681	5.3	96.4	13,473	6.3	97.3	15,004	8.3	97.6	20,474	10.4	98.3
contracted by private entities	0	0.0	0.0	8	0.0	0.1	9	0.0	0.1	0	0.0	0.0
Total Publicly-Guaranteed Debt (A+B)	12,751	6.3		14,238	6.7		17,283	9.6		23,335	11.9	

Source: Cabo Verdean authorities and IMF staff calculations.

10. Historical series of private external debt derived from international investment position (IIP) data indicate a stock of about 15.3 percent of GDP at end-2021. Private debt includes both bank and non-bank external debt.

11. Cabo Verde participated in the G-20 Debt Service Suspension Initiative (DSSI). The DSSI is a net-present-value (NPV) neutral exercise intended to provide eligible countries with liquidity relief from May 2020 -December 2021 to allow them to redirect resources in response to the COVID-19 pandemic. The DSSI provided around US\$15.4 million in debt service relief, including US\$2.9 million in interest in 2020. The G-20 extended the DSSI initiative until the end of 2021, which provided an additional US\$45.9 million in debt service relief. Portugal has agreed to provide additional debt service relief in 2022 of US\$1.3m. The debt service relief from the DSSI is captured in the baseline. Repayments to ensure NPV-neutrality will occur over 2022–25 and average about US\$15 million per year.

B. Outlook and Key Macroeconomic Assumptions

12. Compared to the last DSA (October 2020) the macroeconomic assumptions underlying the projections have been adjusted to reflect the lingering effects of the pandemic and the impact of the Ukraine-Russia crisis. The Ukraine war has increased inflationary pressures and reduced growth prospects in 2022, highlighting the structural vulnerability of the country to external shocks. The main transmission channels are higher international oil and food prices, as Cabo Verde imports about 80 percent of consumption products, domestic prices have increased in line with international developments. The authorities have announced a package of measures to help mitigate the impact of rising fuel and food prices on the most vulnerable. The package of measures includes the reduction of VAT on electricity from 15 to 8 percent and an increase in the energy subsidy to poor households from 30 to 50 percent.

13. The level of GDP has been revised in line with the completion of the of the rebasing of the national account statistics to 2015 from 2007. The published data indicate nominal GDP about 10 percent higher than previous estimates, which reflected a more accurate measure of the services sector.