LAPSE OF TIME

EBS/20/11
Correction 2

March 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Cabo Verde—First Review Under the Policy Coordination Instrument and Request for Modification of Targets**

Board Action:	The attached corrections to EBS/20/11 (2/26/20) have been provided by the staff:
Evident Ambiguity	**Pages 5, 6 (Box 1, second paragraph), 11**
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Pages 6 (Box 1, first and third paragraphs), 12, 13, 19, 20, 21, 27**
Typographical Errors	**Page 14**
Questions:	Ms. Kabedi-Mbuyi, AFR (ext. 36387)

and expenditure would be below program projections; the programmed primary surplus of 0.7 percent of GDP will be achieved and; the overall fiscal deficit will be slightly better than projected, and about 1 percentage point of GDP lower than in 2018.

- Net other liabilities (NOLs) were below the program target at end-September because of higher loan repayment by the airport management company (ASA) as well as slow execution of capitalization operations. Annual estimates show that NOLs will be lower than programmed, with capitalisation operations above projections, mainly due to two new operations completed in the fourth quarter: the recapitalization of the central bank, and the acquisition of 27 percent of shares in Caixa Economica (the second largest bank) from a foreign private investment group, to help preserve the bank's correspondent banking relationships.

- Resulting from the above developments, financing needs are estimated at 5 percent of GDP for 2019 (6.5 percent under the program). This notwithstanding, the central government debt-to-GDP ratio is projected at 123 percent, which, although in decline compared with 2018, (124 percent of GDP) is above the original forecast (121.4 percent of GDP) due to unfavourable exchange rates projections.

Text Table 1. Statement of Operations of the Central Government, 2018Q1–2019Q3[1]

(Millions of Cabo Verde Escudos, cumulative)

	2018				2019				
	Q1	Q2	Q3	Q4	Q1	Q2		Q3	
	Act.	Act.	Act.	Act.	Act.	Proj.	Act.	Prog.	Act.
Revenue	11,768	23,628	36,153	52,097	11,891	25,951	25,094	41,562	37,803
Tax	9,076	18,908	29,056	40,657	9,518	19,965	20,219	31,362	30,652
of which: Taxes on international trade	1,686	3,562	5,571	7,733	1,735	3,833	3,663	6,090	5,655
Grants	825	1,085	1,284	2,575	357	1,326	928	2,401	1,225
Non-Tax	1,867	3,635	5,813	8,865	2,016	4,660	3,947	7,800	5,926
Expenditure	10,753	24,284	37,956	57,301	13,353	28,457	25,796	45,063	39,163
Current expenditure	10,399	22,950	34,491	49,162	12,772	25,372	24,119	38,930	36,492
Net acquisition of nonfinancial assets	354	1,334	3,466	8,140	581	3,084	1,676	6,133	2,671
Primary balance	1,917	1,735	1,751	-478	-280	456	1,880	841	2,510
Overall balance	1,015	-657	-1,803	-5,204	-1,462	-2,506	-701	-3,501	-1,360
Net other liabilities	-108	-62	-834	-1,903	8	-3,575	-2,674	-6,345	-1,657
Onlending to SOEs for investment purpose	0	0	-105	-1,541	0	-1,194	0	-2,332	-1,315
Other onlending (net)	6	127	1,729	3,606	6	-683	130	-1,315	1,603
Capitalization	-114	-189	-2,459	-3,968	0	-1,698	-2,806	-2,698	-1,944
Other	0	0	0	0	2	0	3	0	0
Financing needs	-907	719	2,638	7,107	1,454	6,081	3,375	9,846	3,017

Sources: Cabo Verdean authorities and IMF staff projections.

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

3. **The authorities created a Sovereign Private Investment Guarantee Fund (SPIGF) to be funded with the offshore trust fund (TF) set up in 1998** (Box 1). Resources in the TF were originally mobilized with donors' support and privatization receipts, in the context of financial sector reforms and a domestic debt reduction operation in the late 90s. The TF was backed by twenty-year bonds (*Titulos Consolidados de Mobilizacão Financeira* – TCMFs) issued to swap the stock of domestic debt totaling CVE 11.35 billion (equivalent to €103 million). At the end of the twenty-year period (August 2018), the authorities, in consultation with bond holders, decided to replace the largest bonds with new securities. Accordingly, through a law passed by parliament in June 2019,

they created the SPIGF with an initial capital of €90 million, and an Emergency Fund totaling €10 million, intended to provide rapid first response to weather-related and other exogenous shocks. Since there are liabilities backed by resources in the offshore account, the creation of the SPIGF, as currently plannedp, would increase public gross debt by 5.7 percent of GDP and may raise debt service obligations, with implications for debt sustainability.[1] The authorities will prepare a strategy on the operationalization of the SPIGF, which is a new reform target, in consultation with staff (see below).

Box 1. The Sovereign Private Investment Guarantee Fund – Background

Background. In the late 90’s, Cabo Verde faced a domestic debt overhang. At end-1997, the stock of domestic debt stood at US$186 million (about 46 percent of GDP), reflecting excessive domestic financing of fiscal deficits, and contingent liabilities from restructured SOEs and banks. To reduce the public debt burden, the government put in place a debt reduction operation funded with donors’ financial support and proceeds from privatization. The operation covered a stock of domestic debt totaling CVE 11.35 billion, held by the central bank, BCV (CVE 4.6~~6.4~~ billion); a commercial bank, BCA (CVE 6.4~~4.6~~ billion); the pension fund, INPS (CVE 328 million); and the insurance company, Garantia (CVE 22 million).

The offshore Trust Fund (TF). Although there was funding for the debt reduction operation, rather than repaying directly the creditors, the authorities decided to set up a scheme under which: (i) resources mobilized for the operation were placed in an offshore TF, created by law in August 1998, and managed by a central bank in Europe~~n European central bank~~ and; (ii) an institution (Fiduciaria International) was created to swap the old stock of domestic debt with twenty-year bonds called *Titulos Consolidados de Mobilizacão Financeira- TCMFs*. Bonds holders earned dividends proportional to their shares, paid directly by the TF manager. The main reason for adopting this approach was to avoid a sudden and large injection of liquidity in the banking system through cash payments associated with the debt reduction.

The TCMFs were not repaid as planned. Under the 1998 law creating the TF, the TCMFs had to be repaid during the 20-year maturity period, using budgetary resources, as the fiscal position improved. However, the TCMFs were eventually not repaid as planned and they all matured in 2018. Consequently, in December 2018, the government issued a Decree calling for the repayment of TCMFs worth less than CVE 300 million, and the replacement of the remaining stock with new bonds to be repaid in 20 years in equal annual instalments, at an interest rate of up to 3 percent; or exchanged between bond holders on conditions to be agreed between parties. On this basis, TCMFs held by Garantia were redeemed in January 2019; and INPS repurchased BCA bonds. As a result, at end-December 2019, TCMFs totaled CVE 11.33 billion (equivalent to €102.7 million) and were held by the BCV (CVE 4.6 ~~6.4~~ billion) and INPS (CVE 6.7~~4.9~~ million).

The planned use of the Trust Fund. As of end-2019, the offshore account had €106 million; and the corresponding liabilities amounted to €102.7 million (5.7 percent of GDP). The authorities plan to use the resources in the offshore account to set up the SPIGF (€90 million) that will be invested and used to provide guarantees to capital-intensive private investment projects; and an Emergency Fund (€10 million) for rapid response to natural disasters. The balance would be allocated to the government budget (€6 million). Under this plan, the SPIGF will issue a bond to the Treasury, and the Treasury will issue bonds at 3 percent interest rate to replace the TCMFs, with debt service paid by the Treasury. The final modalities of the TCMFs replacement and parameters related to the new bonds will be clarified in the strategy currently under preparation. The authorities stressed that one important aspect in this regard would be to avoid a mismatch between assets and liabilities.

[1] The TCMFs were originally not included in the stock of domestic public debt, which would explain an increase in gross debt with the issuance of bonds replacing them.

9. The 2020 budget is consistent with program objectives (PS ¶18-24, Text Table 2). Although both revenue and expenditure are higher than projected under the original program, the budget seeks to achieve the programmed primary surplus of 1 percent of GDP. The overall deficit ~~balance~~ (1.7 percent of GDP) is slightly above program projections, leading to financing needs of 3.9 percent of GDP—0.2 percentage points of GDP above the program level.

Text Table 2. Summary of Central Government Operations, 2018–21
(Percent of GDP)

	2018	2019		2020		2021
		Prog.	Proj.	Prog.	Budget	Proj.
Total revenue	28.2	31.7	29.4	30.4	32.5	31.2
Tax Revenue	22.0	21.8	21.3	21.9	22.9	22.6
Other revenue	4.8	7.1	5.5	6.5	6.8	6.4
Grants	1.4	2.8	2.6	1.9	2.8	2.2
Total expenditure	31.0	33.9	31.3	31.8	34.2	32.4
Current expenditure	26.6	28.8	27.5	27.5	29.7	28.7
Compensation of employees	10.7	11.7	10.5	11.2	11.4	11.1
Use of goods and services	4.0	4.7	4.0	4.6	6.4	5.7
Interest	2.6	2.8	2.5	2.4	2.7	2.3
Net acquisition of nonfinancial assets	4.4	5.1	3.7	4.3	4.6	3.6
Primary balance	-0.3	0.7	0.7	1.0	1.0	1.2
Overall balance	-2.8	-2.2	-1.9	-1.5	-1.7	-1.1
Net other liabilities	-1.0	-4.3	-3.1	-2.2	-2.2	-0.9
Onlending	1.1	-2.3	-1.1	-1.6	-1.6	-0.5
Capitalization	-2.1	-1.9	-2.1	-0.6	-0.7	-0.5
Financing needs	3.8	6.5	5.0	3.7	3.9	2.1

Sources: Cabo Verdean authorities and IMF staff projections.

- Revenue is budgeted at 32.5 percent of GDP, predicated on the projected strong economic activity, the full year impact of measures introduced in 2019, and new administrative measures. The latter focus on broadening the tax base, notably through an overhaul of the tax exemption system, improved compliance with tax obligations and digitalization of revenue administration covering collection, inspection and audit. The budgeted revenue to GDP ratio also reflects the following one-off measures with an estimated impact of 2 percent of GDP: (i) potential privatization receipts, projected conservatively; (ii) higher projects grants (0.9 percent of GDP); (iii) revenue from some public institutions now covered in central government statistics (hospitals, universities, the judiciary, and security agencies) in the context of the broadening of coverage for government finance statistics; (iii) higher collection of tax arrears and compensation of cross-liabilities between the Treasury and some companies, including SOEs (0.8 percent of GDP).

- Expenditure is projected at 34.2 percent of GDP (31.8 percent of GDP under the original program), mostly reflecting an upward revision in spending in goods and services due to the broadening of fiscal coverage and cross-liabilities compensation mentioned above. The significant increase in capital outlays projected for 2020 reflects the authorities' plan to improve public investments' execution rate, and the beginning of the water and sanitation project for Santiago island, originally planned for 2019.

10. Budget execution will benefit from planned public financial management and other fiscal reforms. Key measures for 2020 include the introduction of electronic billing, and the adoption of the plan for public acquisitions and E-procurement. The Medium-Term Fiscal Framework will also be enhanced with technical assistance from the World Bank. Staff welcomed the authorities' resolve to continue using the Treasury cashflow monitoring plan as well as the PAYLOG system as important tools to strengthen expenditure management and prevent accumulation of payment arrears. It encouraged them to maintain the past practice of mid-term review of budget execution to identify corrective measures needed to safeguard the achievement of fiscal targets.

11. Staff reached understandings with the authorities on the preparation of a comprehensive conceptual framework before the SPIGF becomes operational (PS ¶ 26-28, Box 1). During the discussions, the authorities explained that the use of resources from the offshore TF to set up a SPIGF and an emergency fund was driven by three main factors: (i) help facilitate access to finance for capital-intensive private investments; (ii) avoid flooding an already over-liquid banking system, with 5.7 percent of GDP if resources from the TF were to be used to repay immediately the TCMFs;[3] and (iii) improve the country's preparedness to respond to exogenous shocks that proportionately affect vulnerable groups. The authorities stressed that these resources present a unique opportunity for Cabo Verde to support private sector development and enhance growth prospects. Staff took the view that several aspects of the SPIGF raised concerns, particularly regarding potential quasi-fiscal risks if guarantees were to be called, uncertainties on yields from the fund in relation with the coverage of liabilities, and potential mismatch between assets and liabilities stemming from the allocation of resources from the TF. Consequently, staff called for a more comprehensive approach that would provide clarity on issues related to assets management and liabilities coverage. In this context, the authorities will prepare a Strategy Note (**new reform target**) addressing: (i) the issuance and repayment of bonds replacing the TCMFs; (ii) the statistical recording of assets and liabilities in public finance statistics and; (iii) key aspects of the legal framework that would govern the management and operations of the SPIGF as specified in the PS. The authorities indicated that a number of issues raised by staff were covered in the law creating the SPIGF. This notwithstanding, in consultation with staff, they will prepare the Strategy Note in time for the second PCI review.

B. Monetary Policy and Financial Sector Reforms

12. The BCV believes that the current monetary policy stance is appropriate (PS ¶ 29). In the current environment of low inflation, continued fiscal consolidation efforts, and adequate reserves, the BCV maintained the policy rate at 1.5 percent, while closely monitoring developments that may require a change in monetary policy stance. Staff supported the approach and encouraged the BCV to continue building precautionary reserves to enhance resilience to exogenous shocks and protect the peg.

13. Staff welcomed measures introduced to improve monetary policy transmission mechanism (PS ¶ 30). In June 2019, the BCV reduced the overnight interest rate corridor to 150 basis points and established a symmetric interest rate corridor with overnight rates linked directly to the policy rate. The BCV noted that, thanks to this measure and increased competition in the market, there was some decline in banks' lending rates (about 0.4 percent) during June-September 2019. To enhance communication on monetary policy orientation, the BCV started publishing in ~~July~~June, the minutes of the Monetary Policy Committee meetings.

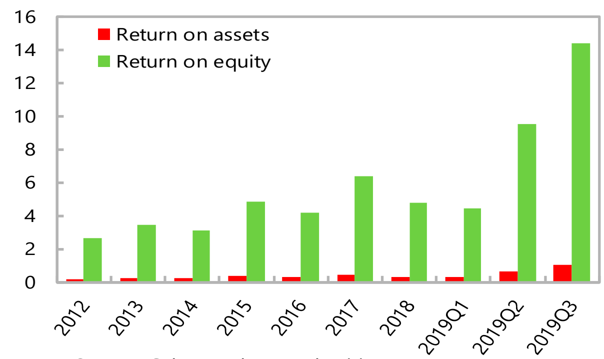
[3] At end-September 2019, excess liquidity in the banking system stood at 15 percent of deposits, equivalent to 13.9 percent of GDP. Injecting another 5.7 percent of GDP through the full repayment of TCMFs could be destabilizing. It is worth noting that in this high liquidity environment, investment opportunities for banks are limited as demand for credit from good borrowers is low, and the government has been reducing domestic borrowing in the securities market where banks are the main investors.

14. The authorities have decided to recapitalize the BCV (PS ¶ 31). At end-2018, the BCV's equity position was negative (CVE -2.7 billion). Contributing factors have been unfavorable income, and revaluation of assets in US dollars. In recent years, income opportunities declined, partly because the banking system is over-liquid. The authorities are planning to recapitalize the BCV with CVE 2.1 billion during 2019–21. While welcoming this measure, staff called for more resources to be committed if the recapitalization is to deliver the expected results and given the widening negative equity gap.[4] A safeguards assessment of the BCV is expected before the end of the year.

15. Financial stability indicators continue to improve (Text Figures 3, 4; Table 5, PS ¶ 32). Banks are well-capitalized, and their profitability has been improving. The regulatory capital to risk-weighted assets has increased in recent years, standing at 17 percent at end-September 2019, well-above the regulatory minimum of 12 percent. The reduction in funding costs has contributed to higher return on assets and on equity. However, assets quality remains weak with non-performing loans (NPLs) reaching 12 percent of total loans at end-September 2019. Staff reiterated the need for the BCV to continue working with banks to reduce the stock of legacy loans (70 percent of total NPLs) to foster credit growth. The BCV noted that some banks had written-off some legacy loans, and that compliance with foreclosure regulations is being monitored.

Text Figure 3. Earnings and Profitability of Commercial Banks

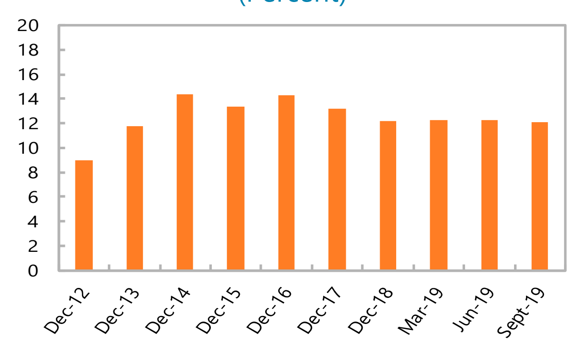
(Percent)



Source: Cabo Verdean authorities.

Text Figure 4. Total Non- Performing Loans

(Percent)



Source: Cabo Verdean authorities.

16. Staff welcomed the authorities' continued resolve to accelerate financial sector reforms (PS ¶ 33). It noted that the focus on deepening financial intermediation, enhancing risk-based supervision and facilitating access to finance was appropriate. Key actions planned for 2020 include: (i) revamping ~~operationalizing~~ the credit registry and information system (**Reform Target**); (ii) setting up a functional central registry of mobile collateral (**Reform Target**); (iii) developing a centralized official balance sheets database for the corporate sector, to facilitate banks' risk assessment and; (iv) establishing the National Commission for the development of the financial system. In addition, the authorities reaffirmed their plan to sell the shares acquired in Caixa

[4] BCV's capital level of CVE 200 million remains low; more resources for recapitalization would need to be planned even if BCV's profitability improves.

Economica in 2019 (PS ¶ 7). They indicated that discussions are ongoing with a potential investor, and that selling these shares through the Stock Exchange was also being considered.

17. Cabo Verde has been able to maintain correspondent banking relationships (CBRs). Loss of CBRs in recent years has been marginal and mostly related to US dollars transactions. Nonetheless, given the economy's dependence on migrant deposits and remittances, staff stressed the importance of continued implementation of the AML/CFT framework in line with FATF requirements to avoid loss of CBRs. In this context, staff welcomed the authorities' plan to establish a national commission by end-2020, to evaluate AMF/CFT risks.

C. Structural Reforms

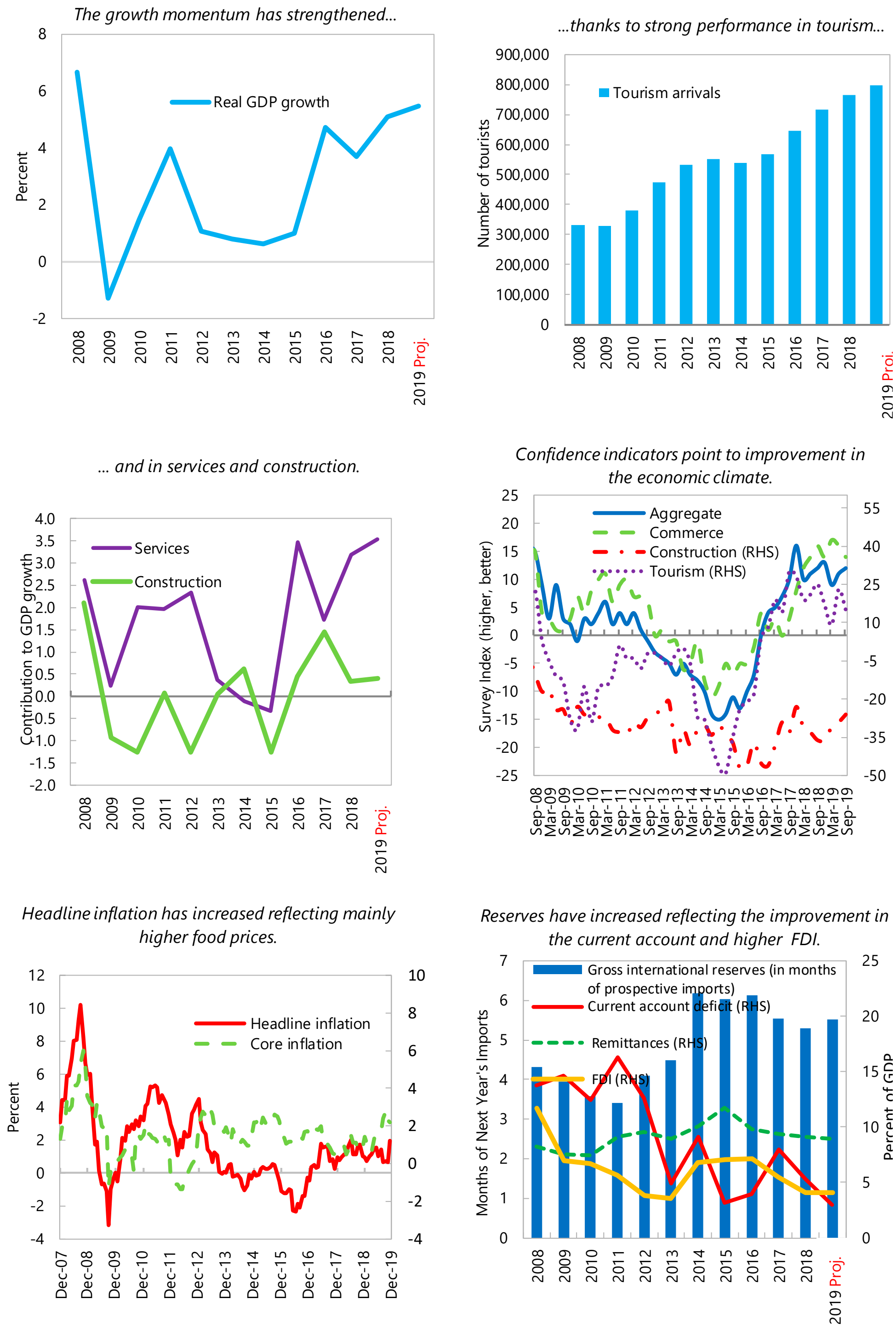
18. Advancing structural reforms, particularly in the SOEs sector remains an important priority to enhance growth prospects and build resilience to shocks (PS ¶ 34,35).

- *Building on recent progress*. Staff encouraged the authorities to build on progress made in 2019 to press ahead with SOEs reforms. It noted in particular the case of the airline company (Cabo Verde Airline – CVA) which, since privatization in March 2019, has established its hub in Sal island as anticipated, and opened new routes in Africa as well as North and South America. Staff stressed that measures taken so far, including improved oversight mechanism to monitor the financial performance of key SOEs, and compilation of financial information on their cash flow performance provide an important platform to detect inefficiencies in SOEs and take corrective measures to continue reducing fiscal risks.

- *Completing the 2020 agenda*. Although the timeline has been updated, the 2020 reform agenda for SOEs covers the privatization of four companies in the following sectors: energy (ELECTRA), health (INPHARMA, EMPROFAC), and transport (CV Handling); and the granting of concessions for port (ENAPOR) and airport (ASA) services. Other than ELECTRA for which cost cutting measures are being implemented to prepare the company for privatization, the other SOEs have positive income positions and are expected to generate some privatization revenue. While determined to complete these reforms by end-2020, the authorities have cautioned that market-related factors beyond their control may generate delays.

- *Advancing broader structural reforms.* Key actions under the PEDS~~s~~ aim to improve the business environment, contribute to skills building through reforms in the education system and increased vocational training, and to support small and medium-sized enterprises (SME). The authorities put in place in 2019, a financial ecosystem comprising three institutions that seek to facilitate access to finance for SMEs through loan guarantees (*Pro Garante)*; venture capital (*Pro Capital)* and capacity building (*Pro Empre~~s~~sa*). The three institutions are expected to become fully operational in 2020.

Figure 1. Cabo Verde: Recent Economic Developments

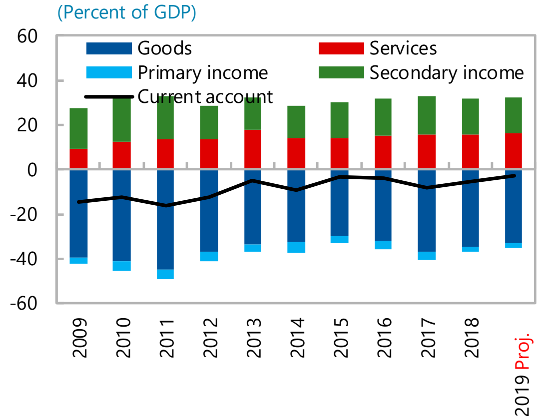


Sources: Cabo Verdean authorities; and IMF staff estimates.

Figure 2. Cabo Verde: External Sector Developments

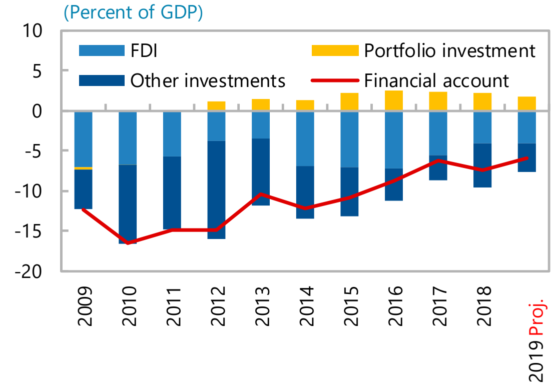
Current account deficit has narrowed owing to an increase in exports and a deceleration in imports.

Current Account Balance
(Percent of GDP)



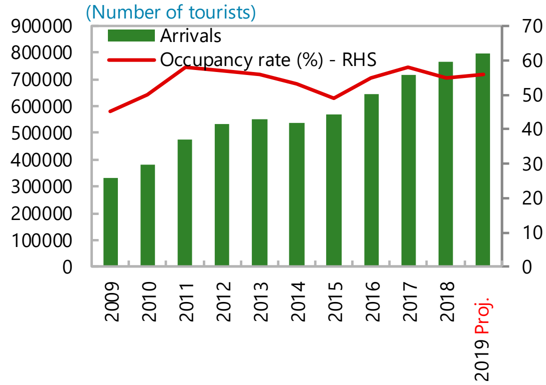
… the deficit has been financed mainly by foreign direct investment and other investments.

Financial Account Composition
(Percent of GDP)



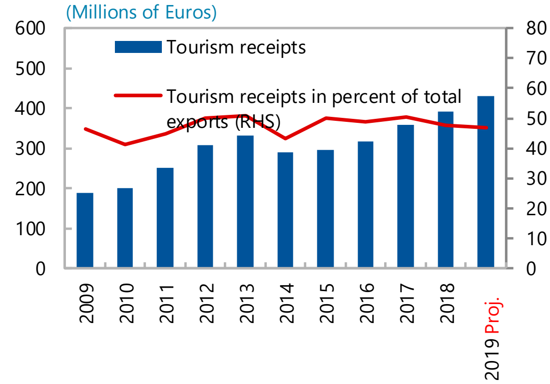
Tourism arrivals steadily improved in recent years …

Tourism Arrivals and Occupancy Rate
(Number of tourists)



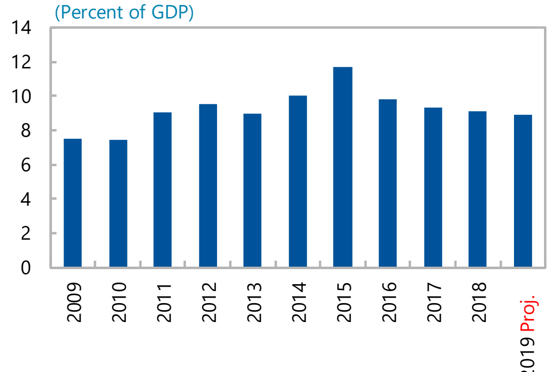
… as a result tourism receipts continue to be a significant contributor to export performance.

Tourism Receipts
(Millions of Euros)



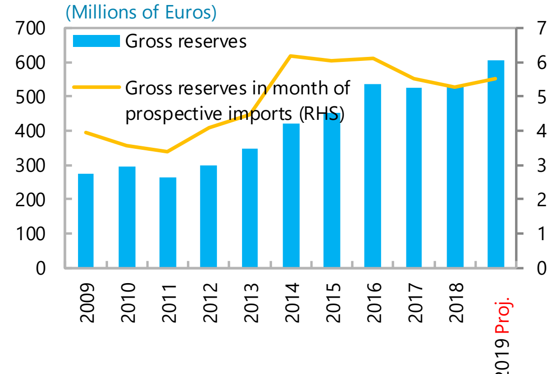
Remittances remain an important source of foreign currency …

Remittances
(Percent of GDP)



… supporting the country's strong reserve position.

Reserves
(Millions of Euros)



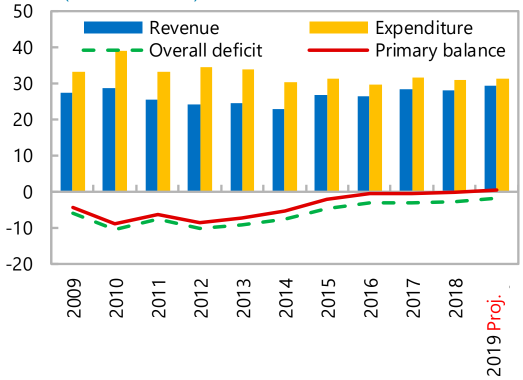
Sources: Cabo Verdean authorities; and IMF estimates.

Figure 3. Cabo Verde: Fiscal Sector Developments

Sources: Cabo Verdean authorities; and IMF staff estimates.

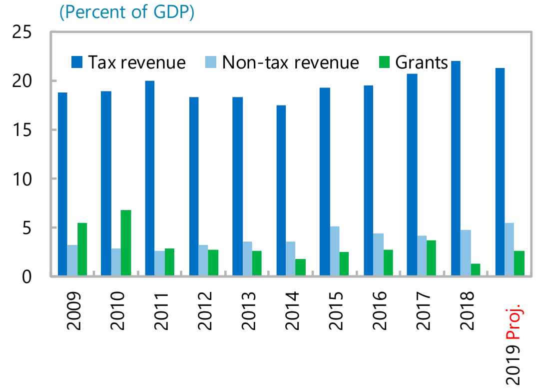
Fiscal perfomance has continously improved in recent years….

Fiscal Performance
(Percent of GDP)



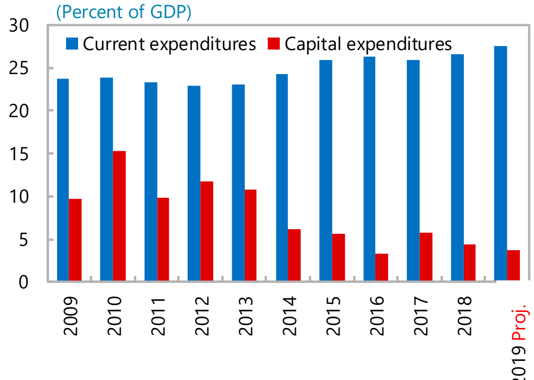
… owing to strong performance in tax revenue that compensated for the decline in grants…

Revenue Composition
(Percent of GDP)



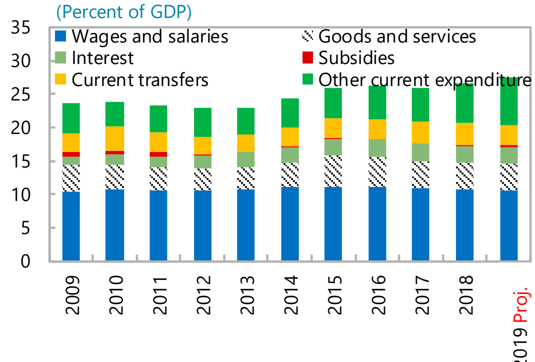
… and a decline in capital expenditures.

Expenditure
(Percent of GDP)



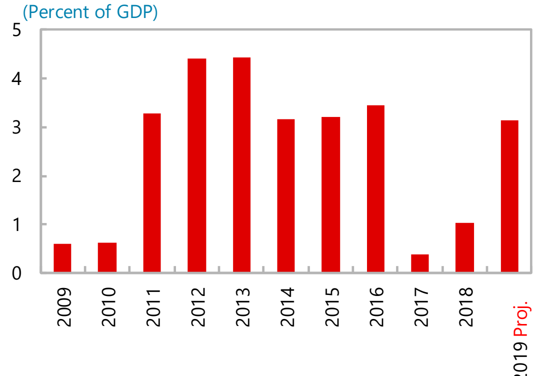
Wages and salaries remain the largest component of current expenditures.

Current Expenditure Composition
(Percent of GDP)



Net other liabilities increased in 2019 mainly reflecting support to SOEs and municipalities…

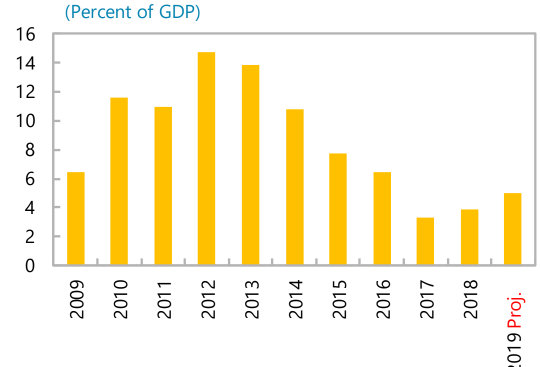
Net other liabilities ~~Support from the Budget to SOEs 1/~~
(Percent of GDP)



~~1/Includes onlending and capitalization~~.

… contributing to an increase in financing needs.

Financing Needs
(Percent of GDP)



Sources: Cabo Verdean authorities; and IMF staff estimates.

Table 4. Cabo Verde: Monetary Survey, 2017–24

(Millions of Cabo Verde Escudos, unless otherwise indicated)

	2017	2018	2019		2020		2021	2022	2023	2024
		Prel.	Prog.	Proj.	Prog.	Proj.	Proj.			
Net foreign assets	60,227	56,396	60,076	62,589	60,076	65,536	71,495	75,788	81,717	88,044
Foreign assets	86,730	83,533	87,678	88,786	87,678	93,531	98,616	103,452	109,934	116,825
Of which: gross international reserves	57,330	58,649	65,780	66,889	65,780	71,214	77,193	82,778	88,847	95,316
Foreign liabilities	-26,519	-27,233	-27,698	-26,293	-27,698	-28,091	-27,218	-27,760	-28,314	-28,878
Net domestic assets	120,878	127,234	136,456	133,822	136,456	143,291	149,364	158,397	167,035	175,833
Net domestic credit	145,938	156,614	162,715	157,713	162,715	169,682	170,670	177,892	185,166	192,876
Net claims on general government (net)	33,068	40,284	40,832	37,460	40,832	41,400	39,423	40,034	40,193	40,512
Investment in TCMFs 1/	11,053	11,070	11,070	4,637	11,070	4,637	4,637	4,637	4,637	4,637
Net claims on the central government	24,818	32,659	33,674	33,420	33,674	34,099	33,882	34,317	34,284	34,392
Credit to central government	35,920	46,866	47,881	47,627	47,881	48,306	48,089	48,524	48,491	48,599
Deposits of central government	-11,102	-14,207	-14,207	-14,207	-14,207	-14,207	-14,207	-14,207	-14,207	-14,207
Of which: project deposits	-47	-56	-56	-56	-56	-56	-56	-56	-56	-56
Net claims on local government and other agencies 2/	-1,938	-3,446	-3,913	-597	-3,913	-3,769	904	1,081	1,272	1,483
Credit to the economy	112,869	116,330	121,884	120,253	121,884	128,281	131,247	137,858	144,973	152,364
Other items (net)	-25,060	-29,380	-26,259	-23,891	-26,259	-26,391	-21,306	-19,495	-18,130	-17,043
Broad money (M2)	181,105	183,630	196,532	196,411	196,532	208,827	220,859	234,185	248,753	263,877
Narrow money (M1)	81,953	86,806	92,905	92,848	92,905	98,717	104,404	110,704	117,590	124,740
Currency outside banks	9,342	9,571	10,243	10,237	10,243	10,884	11,511	12,205	12,965	13,753
Demand deposits	72,612	77,235	82,662	82,611	82,662	87,833	92,894	98,499	104,626	110,987
Quasi-money	93,394	91,862	98,316	98,255	98,316	104,466	110,485	117,152	124,439	132,005
Foreign currency deposits	5,758	4,963	5,312	5,308	5,312	5,644	5,969	6,329	6,723	7,132
(Change in percent of broad money, 12 months earlier)										
Net foreign assets	1.3	-2.1	2.0	3.4	2.0	2.8	1.9	1.9	2.5	2.5
Net domestic assets	5.2	3.5	5.0	3.6	5.0	3.5	4.0	4.1	3.7	3.5
Net domestic credit	4.8	5.9	3.3	0.6	3.3	3.5	3.0	3.3	3.1	3.1
Net claims on the central government	1.5	4.3	0.6	0.4	0.6	0.2	0.0	0.2	0.0	0.0
Credit to the economy	4.4	1.9	3.0	2.1	3.0	3.3	2.9	3.0	3.0	3.0
Other items (net)	0.4	-2.4	1.7	3.0	1.7	-0.1	1.0	0.8	0.6	0.4
Broad money (M2)	6.5	1.4	7.0	7.0	7.0	6.3	5.9	6.0	6.2	6.1
Memorandum items:										
Emigrant deposits	63,251	63,869	68,154	68,112	68,154	72,418	76,590	81,212	86,263	91,508
Emigrant deposits/total deposits (percent)	36.8	36.7	36.6	36.6	36.6	36.6	36.6	36.6	36.6	36.6
Excess reserves/total deposits (percent)	11.1	13.4	...	...	...	...	...	...	...	...
Money multiplier (M2/M0)	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Money velocity (Nominal GDP/M2)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Credit to the economy (percent change) 3/	7.0	3.1	4.8	3.4	4.8	4.1	4.8	5.0	5.2	5.1
Broad money (M2 in percent of GDP)	104.6	99.4	99.4	99.5	99.4	98.9	98.5	97.7	97.0	96.2

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

1/ TCMFs (Títulos Consolidados de Mobilização Financeira) are bonds in CVE, backed by an offshore account managed by the Banco de Portugal ~~an European central bank~~. They matured in late 2018; and in 2019 the authorities decided to redeem a portion of them and to replace the balance with new bonds.

2/ Includes Cabo Verde's National Pension Institute (INPS).

3/ Percent change, year over year.