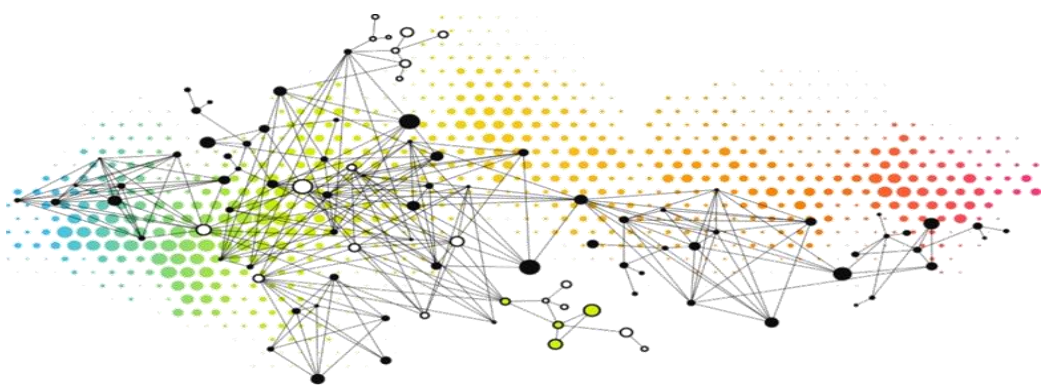# CABO VERDE

TECHNICAL ASSISTANCE REPORT—MONETARY AND FINANCIAL STATISTICS MISSION

June 2021

This Technical Assistance Report paper on Cabo Verde was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in May 2021.

**International Monetary Fund
Washington, D.C.**

CABO VERDE

MAY 2021

TECHNICAL ASSISTANCE REPORT ON THE MONETARY AND FINANCIAL STATISTICS MISSION (JANUARY 18–29, 2021)

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CONTENTS

Glossary

AFR	African Department of the IMF
BCV	Bank of Cabo Verde
DC	Depository Corporations
DEE	Statistics and Economic Studies Department, Bank of Cabo Verde
IFS	*International Financial Statistics*
IMD	Integrated monetary database
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
MCM	Monetary and Capitals Markets Department
MFS	Monetary and financial statistics
MFSMCG	*Monetary and Financial Statistics Manual and Compilation Guide*
NFCs	Non-financial corporations
INE	National Institute of Statistics of Cabo Verde
ODC	Other depository corporations
OFC	Other financial corporations
SRFs	Standardized report forms
SRF 1SR	Central bank standard report form
SRF 2SR	Other depository corporations standard report form
SRF 4SR	Other financial corporations standard report form
STA	Statistics Department of the IMF

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1.   At the request of the IMF's African Department (AFR) and the Bank of Cabo Verde (BCV), a monetary and financial statistics (MFS) remote technical assistance (TA) mission from the IMF's Statistics Department (STA) took place during January 18-29, 2021. The main objective of the mission was to assist the BCV in (i) reconciling the monetary accounts disseminated by the BCV with the monetary statistics submitted to STA for dissemination through *International Financial Statistics* and for internal use, in particular within AFR; (ii) improving the collection of data on sectoral distribution of credit by economic activity; and (iii) implementation of the IMF's *2016 Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*.The work of the mission was facilitated by the excellent collaboration of the BCV's staff, in particular the Statistics and Economic Studies Department (DEE). The officials met during the mission are listed in Appendix I.

2.   The mission assisted the MFS compilers at DEE in reconciling the monetary accounts disseminated by the BCV with the monetary statistics submitted to STA. After a thorough review of the central bank and other depository corporation surveys disseminated by the BCV and the concepts and definitions underlying the standardized reporting forms (SRF 1SR and 2SR) used to share data with the Fund (STA and AFR), all the inconsistencies were identified and resolved.

3.   In the central bank (CB) survey, the discrepancies found were small, except for the net claims on central government, which are significant. A detailed analysis of the differences was made using December 2019 data as reference. Central government deposits at the BCV and central government securities and medium- and long-term loans are not classified as net credit to government in the BCV's disseminated data, while these liabilities to and claims on central government are included in the SRF 1SR. More information on the differences between national publications and data released to STA is presented in Section A of this report.

4.   In the other depository corporations (ODC) survey, the discrepancies found were small, except for the reserve and other deposits of banks at the BCV. In the data reported to the IMF (2SR report form), these deposits include security deposits (depósitos de caução) that are excluded in the BCV data used to calculate the consolidated balance sheet of banks. More information on the differences in key aggregates is presented in Section B of this report.

5.   MFS compilers agreed to eliminate the discrepancies in the CB and ODC surveys, using the methodology of the *MFSMCG* as reference. In the case of the ODC, the discrepancies will be resolved following the implementation of a new compilation system for ODC. The new ODC compilation system should produce data to be used consistently for national publications and for reporting to the IMF.

6. **At AFR's request, the mission discussed plans to improve the compilation and dissemination of data on credit by economic activity**. MFS compilers have plans to implement a data collection system for credit by economic activity using the 2008 Classification by Economic Activities of Cabo Verde of the National Institute of Statistics (INE).

7. **To support progress in the above-mentioned work areas, the mission proposed a detailed one-year action plan with the following priority recommendations to make headway in improving MFS quality and completeness**. The details on the priority recommendations and the related actions/milestones can be found in the Section *Detailed Technical Assessment and Recommendations*.

Table 1. Cabo Verde: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
June 2021	Eliminate the discrepancies between the central bank survey disseminated by the BCV in its publications and the data sent to the IMF by adopting the methodology of the central bank survey compiled for the IMF, which is based on international statistical standards, such the *MFSMCG*.	BCV
December 2021	Use the new compilation system for ODC to eliminate the discrepancies between the ODC survey disseminated by the BCV in its publications and the data sent to the IMF.	BCV
December 2021	Improve data on credit by economic activity using the Classification by Economic Activity of the National Institute of Statistics (INE) of Cabo Verde.	BCV

BACKGROUND

A. Context

8. **In 2007, a TA mission assisted the BCV in compiling MFS using the SRFs.** The work focused on the compilation of central bank and ODC (SRF 1SR and 2SR) standardized reporting forms for monetary statistics. The mission worked in close collaboration with the staff of the BCV's Statistics and Economic Research Department (DEE). The BCV currently use these SRFs to report monetary data to STA.

9. **A number of differences in key monetary aggregates[1] are hampering IMF surveillance in Cabo Verde**. In agreement with the BCV, AFR's Cape Verde team requested TA to

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[1] For example, the net credit to central government by depository corporations was 24,952 million of escudos (STA data) in December 2019, versus 21,065 million of escudos in the analytical survey published by the BCV, i.e. a difference of 15.6 percent. Credit to the private nonfinancial sector shows a difference of 4.3 percent for the same period. Broad money is 1.4 percent different, etc.

undertake a thorough review of the concepts and definitions used in the MFS published by the BCV and compare them with the concepts and definitions underlying the standardized reporting forms used to share data with the Fund (STA and AFR), to resolve inconsistencies identified in the data and provide recommendations to improve dissemination of consistent MFS following the *MFSMCG*.

B.   The Financial Corporations Sector in Cabo Verde

10.   Following the *MFSMCG*, the financial corporations sector in Cabo Verde should be divided in three subsectors. These subsectors are: (i) central bank; (ii) other depository corporations (ODCs), includes all financial corporations and quasi-corporations that have liabilities in the form of deposits or their equivalents included in the definition of broad money; and (iii) other financial corporations (OFCs), which includes the remaining financial intermediaries with liabilities that are not included in broad money, and financial auxiliaries. The entities belonging to the ODC and OFC subsectors, including its relative size measured by total assets, are shown in Table 2.

11.   The financial corporations sector in Cabo Verde is dominated by banks. As shown in Table 2, in September 2020 onshore banks had 273,235 million escudos in total assets, representing 60 percent of the total financial corporations. The OFC comprise offshore banks, representing 19 percent of the total financial corporations sector; insurance companies, representing two percent; and remaining financial intermediaries and auxiliaries, for which total assets are very small.

12.   All financial corporations are supervised by the BCV. The ODCs report aggregate monthly balance sheets for supervision and detailed monthly balance sheets for compiling the monetary statistics. The OFCs currently report aggregate monthly data only for supervisory purposes. OFC data are not included in the monetary statistics compiled and disseminated by the BCV.

Table 2. Cabo Verde: Structure of the Financial Corporations Sector (Summary)

TYPE OF INSTITUTION	September 2020	
	Total Assets *(millions of escudos)*	Relative Size (1) (in percent)
FINANCIAL CORPORATIONS	456,662	100
A. DEPOSITORY CORPORATIONS	357,909	78
1) Banco de Cabo Verde	84,674	19
2) Other Depository Corporations	273,235	60
Onshore Banks	273,235	60
B. OTHER FINANCIAL CORPORATIONS	98,753	22
1) Offshore banks	88,079	19
2) Insurance Companies	7,443	2
3) Other financial intermediaries and auxiliaries (2)	3,231	1
(1) Relative to financial corporations' total assets. (2) Includes finance companies, microfinance institutions, venture capital companies, currency exchange agencies, insurance brokers, etc.		

Source: Banco de Cabo Verde.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Central Bank Survey: Analysis of Discrepancies

13.   A number of discrepancies exist between the central bank survey disseminated by the BCV in its publications and the data sent to the IMF, through STA, for publication and surveillance purposes. These discrepancies were identified and discussed during the mission with the BCV's MFS compilers. The MFS compilers agreed to eliminate these differences by adopting the methodology of the central bank survey compiled for the IMF, which is based on the *MFSMCG*. For example, this methodology includes the valuation of financial assets and liabilities including the accrued interest they generate, to better approximate the fair value of these instruments. Other discrepancies are described below.

14.   Overall, discrepancies found are small, except for the net claims on central government, which are significant. A detailed analysis of the differences was made using December 2019 data as reference. A summary of the main analytical concepts and the differences are presented below.[2] Table 3 presents the specific types of assets and liabilities that

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[2] A more detailed analysis of the discrepancies was made in a Excel file (Appendix 1 to this report).

explain the differences between IMF and BCV data for the central bank survey.

- Differences in net foreign assets are minor (71,869 vs 72,814 million escudos). See concepts 1 and 2 in Table 3.

- Differences in net claims on central government are significant (4,007 vs -3889 million escudos) See concept 3 in Table 3.

- Differences in claims on other sector are minor (1,000 vs 565 million escudos) See concept 4 in Table 3.

- Differences in monetary base are very minor (68,733 vs 68,710 million escudos).

Table 3. Central Bank Survey (1SG vs Consolidated Balance Sheet of BCV)

Concept	IMF data (Central Bank Survey, 1SG)	BCV data (BCV Consolidated Balance Sheet)
1. External assets (claims on nonresidents		
Accrued interest on assets	Included	Not included
SDR holdings	IMF record	BCV record
Reserve position in the Fund	IMF record	BCV record
Other foreign assets	Not included	Includes participation in international organization (Afrexibank)[3]
2. External liabilities (liabilities to nonresidents)		
Accrued interest on liabilities	Included	Not included
SDR allocations	Included	Not included
3. Net claims on central government		
Securities and loans (assets)	Included	Excludes some securities (TÍT. DIV. PUB. ESTADOS DE C.V. DETIDOS PELO BCV) Excludes m/l credit to government and other minor items
Deposits (liabilities)	Included	Not included
4. Claims on other sectors		
Shares and other equity (nonfinancial corporations)	Included	Not included

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[3] It should be included in the 1SR/1SG.

15. *Recommendation*: *Eliminate the discrepancies between the central bank survey disseminated by the BCV in its publications and the data sent to the IMF by adopting the methodology of the central bank survey compiled for the IMF, which is based on the MFSMCG.*

B. Other Depository Corporations Survey: Analysis of Discrepancies

16.   **Some discrepancies exist between the ODC survey disseminated by the BCV in its publications and the data sent to the IMF, through STA, for publication and surveillance purposes.** These discrepancies were identified and discussed during the mission with the MFS compilers. The MFS compilers agreed to eliminate these differences following the implementation of a new compilation system for ODC. This compilation system was discussed during the mission and contain enough data to compile an ODC survey in line with the *MFSMCG*.

17.   **The new compilation system should produce data to be used consistently for national publications and to report these data to the IMF**. The new source data are based on three elements: (1) detailed chart of accounts for banks, which is based on IFRS principles; (2) individual reporting of loans (loan-by-loan) and securities (security-by-security) held by banks; and (3) individual reporting of deposit liabilities (deposit-by-deposit). The combination of these three sources allow for the identification of the financial instruments, counterpart institutional sectors, and currency of denomination (national and foreign) recommended by the *MFSMCG*.

18.   **Overall, discrepancies found in current data are small, except for the reserve and other deposits of banks at the BCV.** In the data reported to the IMF (2SR report form), these deposits include security deposits (depósitos de caução) that are excluded in the BCV data used to calculate the consolidated balance sheet of the deposit banks. A detailed analysis of the differences was made taking December 2019 data as reference. A summary of the main analytical concepts and the differences are presented below.[4] Table 4 presents the specific types of assets and liabilities that explain the differences between IMF and BCV data for the ODC survey.

- Differences in net foreign assets are minor (-1,086 vs -2,100 million escudos). See concepts 1 and 2 in Table 4 below.

- Differences in net claims on central bank are significant (65,101 vs 60,362 million escudos). See concept 3 in Table 4.

- Differences in net claims on central government are minor (-19,715 vs -17,880 million escudos). See concept 4 in Table 4.

- Differences in claims on other sector are minor (123,506 vs 119,019 million escudos). See concept 5 in Table 4.

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[4] A more detailed analysis of the discrepancies was made in a Excel file was made in a Excel file (Appendix 1 to this report).

- Differences in broad money components are minor (189,106 vs 186,244 million escudos), although the composition (transferable vs other deposits) differ significantly. See concept 6 in Table 4.

Table 4. ODC Survey (2SG vs Consolidated Balance Sheet of ODC)

Concept	IMF data (ODC Survey, 2SG)	BCV data (ODC Consolidated Balance Sheet)
1.External assets (claims on nonresidents		
Accrued interest on assets	Included	Not included
Shares and other equity	Included	Not included
Other accounts receivable	Included	Not included
2.External liabilities (liabilities to nonresidents)		
Accrued interest on liabilities	Included	Not included
Other accounts payable	Included	Not included
3.Claims on central bank		
Reserve deposits - Security deposits (depósitos de caução)	Included	Not included
Debt securities (Títulos do Banco Central (TIM e TRM)	Banks record *(Valuation or time of recording issue)*	BCV record
4.Net claims on central government		
Accrued interest on assets and liabilities	Included	Not included
Deposits (liabilities)		
5.Claims on other sectors		
Classification of claims by institutional sector	Use of ponderations for banks not reporting accurate sectorization (not needed in the new compilation system)	Do not use ponderations
Accrued interest on assets	Included	Not included
6.Broad Money components		
Transferable deposits	Higher than BCV data	Mostly a reclassification issue between with other deposits
Other deposits	Lower than BCV data	Mostly a reclassification issue with transferable deposits

19.   *Recommendations:* *Use the new compilation system for ODC to eliminate the discrepancies between the ODC survey disseminated by the BCV in its publications and the data sent to the IMF. The new compilation system for ODC should follow the methodology of the current IMF report form 2SR, which is in line with the MFSMCG.*

C.   Compilation of the Depository Corporations Survey

20.   The depository corporations (DC) survey should also be consistently compiled. This survey or analytical account (called Síntese Monetária in BCV terminology) result from the consolidation of the BCV survey and the ODC survey. The DC survey contain key aggregates for monetary analysis, such as broad money, external assets, and domestic credit by sector in the economy. To maintain consistency and transparency of official statistics, the mission recommended that these key aggregates are compiled with exact results both for national publications and international users, including the IMF.

21.   Depending on user needs, the DC survey main contain different disaggregation. For example, in national publications the BCV may decide to provide more granularity or identify especial operations, such specific monetary policy instruments. At the IMF, the structure of the DC survey is also different depending on its intended use: publication in the IMF's *International Financial Statistics* bulletin for general audience, or analysis by internal users, such as AFR. However, the different breakdowns of key analytical concepts should add up to the same figures for all users.

D.   Compilation of the Other Financial Corporations Survey

22.   The other financial corporations (OFC) are not required to report data for monetary statistics purposes, except for insurance companies. The OFCs report quarterly data (analytical balance sheet) following the instructions from the banking supervision department (BSD), and the annual report of the BCSTP already includes annual data on insurance companies. Although the analytical balance sheets contain more aggregated data, they are useful as a starting point for collecting and compiling statistics on the OFCs.

23.   As presented in Table 2, the two main types of OFC in Cabo Verde are offshore banks and insurance companies. MFS compilers compile data on insurance companies only. However, historically important offshore banks are expected to become onshore by the end of 2021. Due to a change in legislation, Cabo Verde will no longer allow offshore banks to operate from its economic territory. Therefore, it is expected that the assets remaining in offshore banks will become onshore and their assets and liabilities will be added to the ODC survey.

24.   Offshore banks should be included in the OFC survey. The mission explained that these banks are not money issuers in Cabo Verde because they are not allowed by law to accept deposits from Cabo Verdean residents. Therefore, they are not included in the category of ODC (i.e. in the SRF 2SR). Consequently, offshore banks should be included in the SRF 4SR, together

with other types of financial intermediaries such as insurance companies.[5]

25.   Growth rates for external assets and liabilities of ODC need to be properly calculated. Because of the likely impact of the transformation of the offshore banks into onshore entities, the ODC survey for end of 2021 will contain new assets and liabilities from the offshore banks than did not appear in the ODC survey of the previous period (month or year). For the correct calculation of growth rates between periods, these assets/liabilities should not be considered, as they represent a reclassification rather than new acquisition of assets or incurrence in liabilities.

26.   Insurance corporations are also not included in the data shared with the IMF. However, this limitation is not important because of their relative size is small (only two percent of the financial system). Nonetheless, MFS compilers are very advanced in the incorporation of these corporations into the OFC survey (report form 4SR).

27.   *Recommendations*: *(i) Take into consideration the reclassification of offshore bank and incorporation into the ODC survey for the calculation of growth rates; and (ii) Disseminate data on insurance companies following the SRF 4SR, to be included in the OFC survey.*

E.   Resources and Technical Assistance

28.   The BCV has adequate staff for compiling MFS. The staff are comprised of a balanced combination of very experienced and relative new MFS compilers. Most staff have attended MFS courses provided by the IMF or other institutions, such as the Bank of Portugal.

29.   Hands-on training was well received but limited. More comprehensive training is recommended to familiarize staff with the new *MFSMCG*-based reporting forms, which are expected to be required by the end of 2021. The mission recommends the compiling staff members who have not yet attended any MFS courses to do so in the coming opportunities, which may be online.

F.   DC Compilation System and Integrated Monetary Database

30.   Since 2007, STA and AFR have shared an integrated monetary database (IMD) used for publication and operational needs. The mission discussed the importance of maintaining the IMD for Cabo Verde. The current IMD contains the SRFs for the central bank and ODC, and the corresponding surveys. The IMD contains data for December 2001 onward.

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[5] *MFSMCG* Table 2.1 (page 11) and paragraphs 3.138-3.140.

G. Compilation of Credit by Economic Activity

31.   At AFR's request, the mission discussed plans to improve the compilation and dissemination of data on credit by economic activity. MFS compilers are implementing a data collection system for credit by economic activity using the 2008 Classification by Economic Activities of Cabo Verde of the National Institute of Statistics (INE). According to INE, this classification was designed to preserve international statistical comparability, in a harmonized manner with the International Standard Classification of Economic Activities, Revision 4 (CITA-Rev.4) published by the United Nations Statistical Services (ST/ESA/STAT/SER.M/4/Rev.4).

32.   *Recommendation: Improve data on credit by economic activity using the Classification by Economic Activity of the INE.*

ACTION PLAN

The Action Plan below includes steps to accomplish milestones and target completion dates. The plan is for technical compilers. Actions are prioritized (PR – Priority recommendation, H - high, M - medium).

Table 5. Cabo Verde: Mission's Recommendations

Priority	Action/Milestone	Target Completion Date
Outcome Indicator: Data are compiled and disseminated using the concepts and definitions of the latest manual/guide		
PR	*Eliminate the discrepancies between the central bank survey disseminated by the BCV in its publications and the data sent to the IMF by adopting the methodology of the central bank survey compiled for the IMF, which is based on international statistical standards, such the MFSMCG.*	June 2021
PR	*Implement the new compilation system for ODC.*	December 2021
PR	*Use the new compilation system for ODC to eliminate the discrepancies between the ODC survey disseminated by the BCV in its publications and the data sent to the IMF. The new compilation system for ODC should follow the methodology of the current IMF report form 2SR, which is in line with the MFSMCG.*	December 2021
Outcome Indicator: Data are compiled and disseminated using the classification of financial instrument and institutional sectors following the latest manual/guide		
H	*Take into consideration the reclassification of offshore bank and incorporation into the ODC survey for the calculation of growth rates.*	March 2022
H	*Disseminate data on insurance companies following the SRF 4SR, to be included in the OFC survey.*	May 2021
PR	*Improve data on credit by economic activity using the Classification by Economic Activity of the INE.*	December 2021

Appendix I. Officials Met During the Mission

Name	Institution/Position/Department
Bank of Cabo Verde	
Mrs. Ana Semedo	Director, Statistics and Economic Studies Department
Mrs. Suzy Brito	Director, Micro-prudential Supervision Department
Mrs. Susana Silva	Director, Governor and Board Offices
Mrs. Teresa Barbosa	Head of Monetary and Financial Statistics Unit, Statistics and Economic Studies Department
Ms. Nara Carvalho	Statistics Compiler and Analyst, Monetary and Financial Statistics Unit, Statistics and Economic Studies Department
Mr. Humberto Henriques	Statistics Compiler and Analyst, Monetary and Financial Statistics Unit, Statistics and Economic Studies Department
Ms. Alice Benchimol	Statistics Compiler and Analyst, Monetary and Financial Statistics Unit, Statistics and Economic Studies Department
Ms. Maria José Monteiro	Statistics Compiler and Analyst, Methodological Development Unit, Statistics and Economic Studies Department
Mr. Elton Pereira	Public Credit Registry, Unit, Statistics and Economic Studies Department
Ms. Karine Miranda	Statistics Compiler, Statistics Dissemination Unit, Statistics and Economic Studies Department
Ms. Carla Gonçalves	IT Analyst, Methodological Development Unit, DEE
Ms. Vânia Sousa	Analyst, Micro-prudential Supervision Department
Mr. Nilton Fernandes	Analyst, Micro-prudential Supervision Department
Ms. Lina Dias Lima	Analyst, Micro-prudential Supervision Department