

July 1999

IMF Staff Country Report No. 99/58

## **Cape Verde: Recent Economic Developments**

This Recent Economic Developments report on Cape Verde was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Cape Verde or the Executive Board of the IMF.

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

# INTERNATIONAL MONETARY FUND

## CAPE VERDE

### Recent Economic Developments

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May 10, 1999

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Cape Verde: Basic Data, 1994-98

|   | 1994  | 1995    | 1996    | 1997    | 1998    |
|---|---|---------|---------|---------|---------|
| <b>Area population and GDP per capita</b>                         |   |         |         |         |         |
|   | (In units indicated)                                    |         |         |         |         |
| Area: 4,036 square kilometers                                     |   |         |         |         |         |
| Population (midyear) (in thousands) 1/                            | 380   | 390     | 401     | 412     | 423     |
| Population (annual change in percent) 1/                          | 2.7   | 2.7     | 2.7     | 2.7     | 2.7     |
| GDP per capita (in Cape Verde escudos) 1/                         | 88,554  | 97,050  | 101,422 | 109,601 | 115,157 |
| GDP per capita (in U.S. dollars) 1/                               | 1,081.4   | 1,262.8 | 1,228.0 | 1,176.3 | 1,172.7 |
| <b>Gross domestic product and prices</b>                          |   |         |         |         |         |
|   | (Annual changes; unless otherwise specified)            |         |         |         |         |
| GDP (in millions of U.S. dollars) 1/                              | 410.8   | 492.7   | 492.0   | 484.0   | 495.6   |
| GDP (in billions of Cape Verde escudos) 1/                        | 33.6  | 37.9    | 40.6    | 45.1    | 48.7    |
| GDP at current prices 1/  | 15.2  | 12.6    | 7.3     | 11.0    | 7.9     |
| GDP at 1980 prices 1/   | 6.9   | 7.5     | 3.5     | 5.2     | 5.0     |
| Consumer price index (average)                                    | 3.4   | 8.4     | 6.0     | 8.6     | 4.3     |
| Consumer price index (end of year)                                | 3.3   | 6.5     | 9.1     | 6.7     | 8.3     |
| <b>National accounts</b>  |   |         |         |         |         |
|   | (In percent of GDP)                                     |         |         |         |         |
| Gross fixed investment  | 43.4  | 38.5    | 38.8    | 39.1    | 40.2    |
| Gross domestic savings  | 2.8   | -1.3    | 5.9     | 8.4     | 8.3     |
| Gross national savings  | 36.2  | 21.7    | 25.9    | 24.9    | 23.5    |
| <b>Central government finance</b>                                 |   |         |         |         |         |
|   | (In percent of GDP)                                     |         |         |         |         |
| Total revenue, grants and capital participation                   | 38.6  | 38.6    | 34.4    | 31.8    | 34.9    |
| <i>Of which: domestic revenue 2/</i>                              | 23.4  | 23.8    | 21.1    | 21.3    | 24.1    |
| Total expenditure   | 52.6  | 51.5    | 48.3    | 42.2    | 39.1    |
| <i>Of which: current expenditure</i>                              | 20.6  | 24.5    | 22.8    | 23.3    | 22.0    |
| Current balance   | 0.5   | -2.3    | -1.7    | -3.9    | 1.9     |
| Primary balance   | -28.2   | -24.5   | -23.6   | -16.9   | -11.1   |
| Overall balance, incl. grants (commitment basis)                  | -14.0   | -12.9   | -13.9   | -10.4   | -4.3    |
| Domestic financing (net)  | 9.1   | 9.9     | 9.7     | 9.0     | 0.0     |
| <i>Of which: banking system</i>                                   | 6.3   | 5.2     | 2.4     | 4.8     | 0.0     |
| External financing (net)  | 4.9   | 3.0     | 4.3     | 1.4     | 4.3     |
| <b>Money and credit</b>   |   |         |         |         |         |
|   | (Changes in percent of beginning-of-period money stock) |         |         |         |         |
| Net foreign assets  | -1.3  | -3.5    | 6.4     | -4.4    | 0.1     |
| Net domestic assets   | 17.4  | 24.5    | 1.5     | 16.5    | 1.7     |
| Domestic credit   | 21.6  | 22.8    | 8.6     | 17.2    | 5.6     |
| <i>Of which: claims on central government 3/</i>                  | 29.6  | 9.9     | 9.2     | 6.3     | -0.9    |
| Credit to the economy   | -11.0   | 13.5    | 2.7     | 11.0    | 5.7     |
| Money and quasi money   | 16.3  | 20.6    | 8.9     | 12.1    | 1.8     |
| <i>Of which: Cape Verde escudo money and quasi-money</i>          | 16.3  | 20.6    | 8.9     | 12.1    | 1.8     |
| Income velocity of money 4/                                       | 1.6   | 1.5     | 1.5     | 1.5     | 1.6     |
| <b>External sector</b>  |   |         |         |         |         |
|   | (In percent of GDP; unless otherwise specified)         |         |         |         |         |
| Real effective exchange rate (annual change in percent)           | 5.0   | 2.4     | -0.8    | 5.5     | -4.5    |
| Cape Verde escudos per U.S. dollar (average)                      | 81.9  | 76.9    | 82.6    | 93.2    | 98.2    |
| Cape Verde escudos per U.S. dollar (end of year)                  | 81.1  | 77.5    | 85.2    | 96.2    | 94.3    |
| Trade balance (goods and nonfactor services)                      | -37.6   | -39.8   | -32.8   | -30.7   | -32.0   |
| Current account balance (excluding official transfers)            | -18.9   | -16.8   | -12.9   | -14.2   | -15.6   |
| Current account balance (including official transfers)            | -9.1  | -16.8   | -12.9   | -14.2   | -15.6   |
| Overall balance of payments                                       | -1.4  | -2.8    | 3.8     | 1.9     | 0.1     |
| Net official reserves (In millions of U.S. dollars)               | 41.9  | 66.5    | 55.0    | 46.5    | 35.6    |
| In months of imports of goods and services                        | 2.3   | 2.7     | 2.4     | 2.0     | 1.5     |
| External debt outstanding   | 39.9  | 38.7    | 41.0    | 44.6    | 46.2    |
| External debt services as percent of export of goods and services | 19.5  | 15.5    | 13.6    | 13.9    | 16.0    |

Sources: Cape Verdean authorities, and staff estimates.

1/ Estimates of February 1999

2/ Excluding public enterprise transfers

3/ Includes credit to central and local government

4/ Ratio of GDP to broad money stock at end period.

## I. INTRODUCTION

1. *Over the course of the last few years, Cape Verde has pursued an ambitious program of economic liberalization and decentralization, in the context of which the authorities scaled down the state's previously dominant role. Concomitantly, the authorities attempted to preserve and reinforce its social infrastructure and tranquility. While it is too early to conclusively arrive at an assessment of its period of economic transition, recent economic developments seem to indicate that considerable progress has been made in terms of structural adjustment and, more recently, fiscal administration and monetary control.*

### A. Background

2. Constrained by an acute scarcity of natural resources, governments in Cape Verde have had to make the development of a sustainable economic base the central plank of their political platforms. Located in the Sahel zone's western tail-end, the arid and drought-ridden archipelago, approximately 650 kilometers off the Senegalese coast, has long been struggling to provide for its population of currently about 400,000.<sup>1</sup> Less than one-tenth of Cape Verde's entire area of about 4,030 square kilometers is at all arable—a circumstance that has left the country vitally dependent on the external support provided by its extensive émigré community and international donors.<sup>2</sup>

3. Since independence in 1975, the Cape Verdean authorities have proposed several, very different development strategies. Initially, during the years of Cape Verde's "first republic" (1975–91), the authorities pursued an inward-looking, activist development program, based on central planning and an economically dominant public sector, particularly in areas such as banking, insurance, energy, and transportation. The policy measures, as detailed in previous staff documents, remained relatively prudent, preserved the country's external competitiveness, and, as a result, allowed the economy—bolstered by large foreign transfers—to grow at a solid pace throughout most of the 1980s.

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<sup>1</sup> Poverty and famine have run like a thread through Cape Verde's 500-year history. Since independence, the governments have made remarkable progress in eradicating famine—in part by relying on labor-intensive public work programs to construct the country's transport and social infrastructure, in part by broadening its traditionally narrow productive base. The real sector's rapid growth rates notwithstanding, the economy has not yet managed to generate sufficient employment for its people. As a result, poverty—particularly among women, the unskilled, and untrained—continues to be a widespread phenomenon of Cape Verdean society. According to recent World Bank studies, approximately one-third of the population is poor, one-seventh very poor. The large majority of the poverty-stricken families live in rural areas, thereby exacerbating the effects of droughts and other climatic and environmental adversities.

<sup>2</sup> It has been estimated that roughly twice as many expatriates live in the United States, Portugal, and other countries—mainly in Western Europe and Africa—than on the islands.

4. Steady emigration relieved the demographic pressures of high population growth<sup>3</sup> and allowed per capita income to grow steadily, securing Cape Verde's position as a "lower-middle-income country." Unemployment, however, remained high. By the late 1980s, key macroeconomic variables had started to deteriorate rapidly, indicating the ultimate unsustainability of the interventionist development program. With an ensuing drop in aid and remittances, the government needed—but ultimately failed—to cut its expenditure substantially in order to regain its macroeconomic balance. Instead, it relied on domestic bank credit to cover the increasing fiscal deficit, which, in turn, led to heightened financial pressures that exacerbated the effects of the economic contraction already slowing down real sector activities. Consequently, unemployment and inflation rose, while official reserves dwindled and arrears on external debt service accumulated.

5. By 1988, the government had begun to reorient its development strategy by introducing measures that were aimed at—albeit hesitantly—liberalizing prices and trade and at fostering private sector activities. The economic reform process gathered further momentum when the political landscape was transformed concurrently. Throughout the first one-and-a-half decades of Cape Verde's postcolonial history, the tight control over economic activities had been complemented by an equivalent degree of political monopoly exerted by the Partido Africano da Independência (PAIGC; since 1981, PAICV). Following the country's first multiparty elections (held in 1991), which signified the beginning of Cape Verde's "second republic," the PAICV was ousted and replaced by the market-oriented Movimento para a Democracia (MpD).

## **B. Recent Economic Developments**

6. Under a new constitution, which was ratified in 1992, and with further electoral successes in 1995–96, the MpD-led government has been setting in motion a comprehensive structural adjustment program aimed at broadening the economy's production base, but this time through the use of market instruments. With these policies, as outlined in the national development plan, the government sought to diversify Cape Verde's economy, restore its macroeconomic and financial balances, reduce the relative size of the public sector, and control the domestic debt situation in order to encourage the development of a dynamic private sector, the creation of jobs, and the building of a social infrastructure. The transformation of Cape Verde's political and economic landscape has received support from the international donor community.

7. While—in the wake of the country's comprehensive adjustment program (launched in 1992)—the GDP growth rates accelerated again, unemployment remained at the high level of about 25 percent and fiscal policies, until 1996, unsustainably lax. This situation resulted in the rapid accumulation of domestic debt and the depletion of foreign reserves to a level as low as half a month of imports in early 1996 (Figures 4 and 6). Temporarily imposing import quotas, the government began to tighten fiscal policies and sought donor support for a

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<sup>3</sup> Between 1990 and 1995, Cape Verde's population grew at a rate of 2.3 percent a year, with a fertility rate equal to an average of four children born to every woman.

multilaterally coordinated domestic debt-reduction operation. In 1998, it negotiated a precautionary Stand-By Arrangement with the Fund in support of its economic and financial policies.

## II. PRODUCTION, INCOME, AND CONSUMER PRICES

8. *According to revised national account estimations, economic activity during the country's transition period appears to have been more dynamic than previously believed, particularly in the primary and tertiary sectors. Largely as a result of fiscal contraction and droughts, growth rates of real GDP during the 1996–98 seem to have slowed down to some extent. Real per-capita GDP, however, has grown consistently throughout the entire transition period, as has the ratio of private sector activity to overall output. Inflationary pressures that existed in 1996 and 1997 have, for the most part, receded in 1998.*

### A. Production

9. Throughout the period of structural adjustment (1992–98), real GDP in Cape Verde has grown at rates considerably higher than previously calculated—an average 5½ instead of 4 percent; see Box 1. This became apparent in 1998, after the National Institute of Statistics (INE) refined the method of calculating the country's national-account estimates, which it published for the period 1992–95, together estimates for 1996–97 and preliminary ones for 1998 (Tables 4 and 5). According to the provisional calculations, real GDP—despite failing rains on several islands—grew by around 5 percent in 1998, a figure that is broadly in line with the revised average of annual growth rate for the transition period.<sup>4</sup>

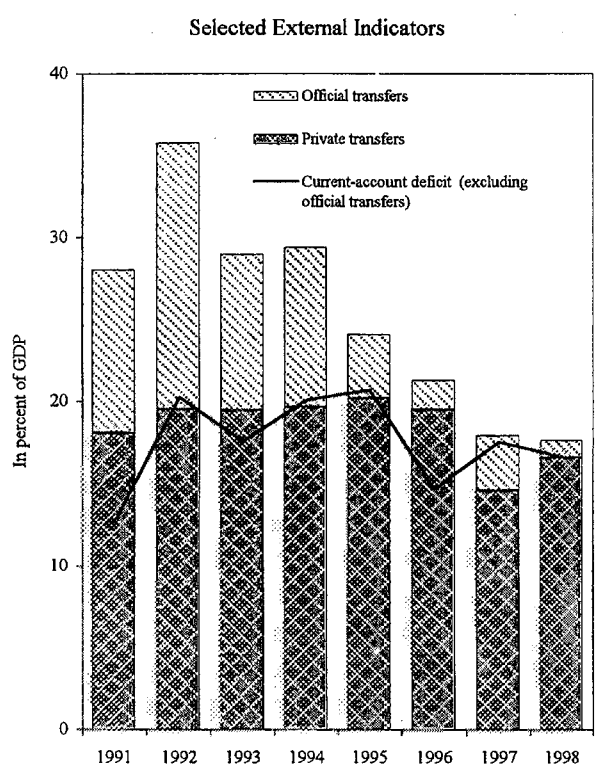
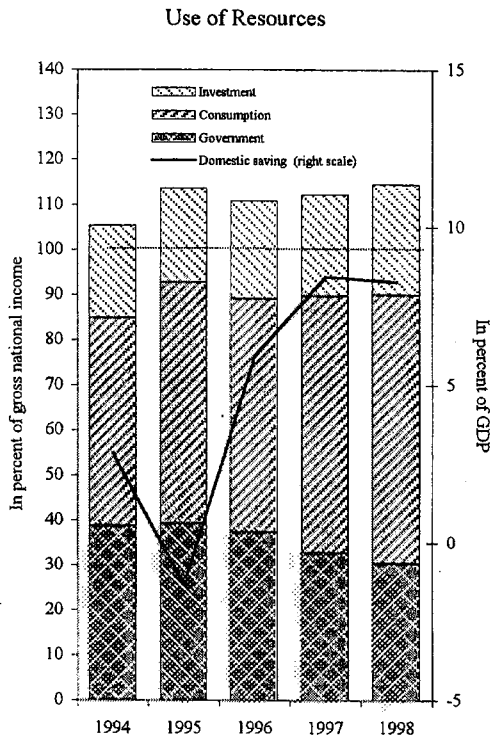
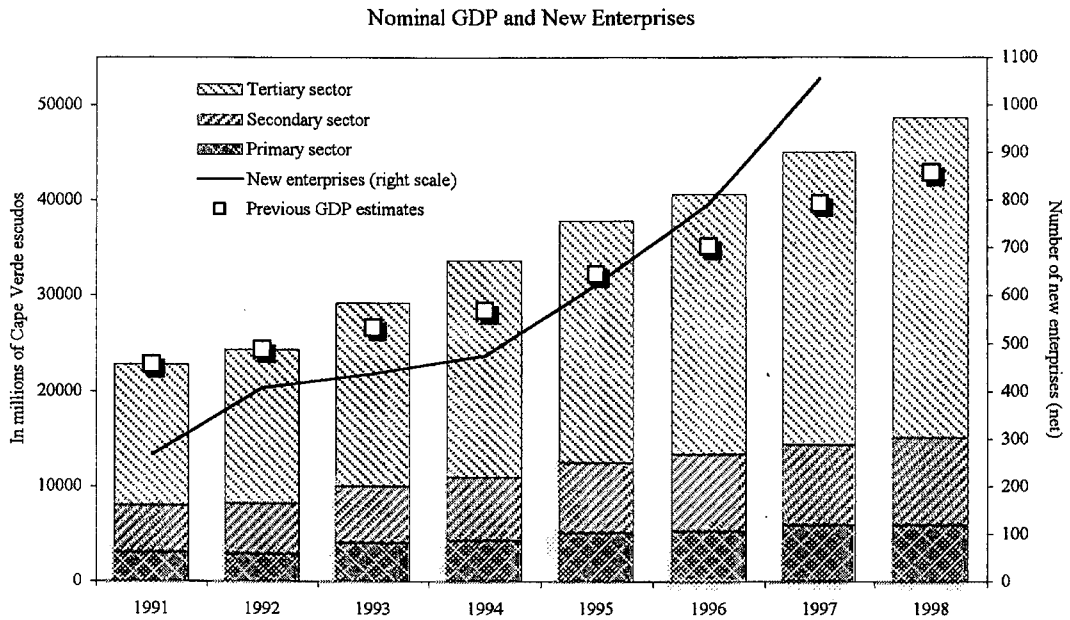
10. The rapid expansion of economic activity has been fuelled by a number of factors, including (1) the development of tourism facilities, (2) rising foreign investment, especially in export-oriented manufacturing, and (3) an increase in the receipts of workers' remittances, which have stimulated construction. This dynamism is also reflected in the accelerating net

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<sup>4</sup> The difference in the GDP estimations largely stems from new economic activities, which had not been taken into account in the previous calculations. INE's staff emphasized that the provisional figures (1996–97)—compiled for the very first time in Cape Verde—might understate actual GDP growth, because the economic activities in “non-traditional” sectors may not have yet been fully considered. Only the substantiated official figures will show whether statistical problems of estimation and projection are indeed an important factor, which could help to explain the slowdown of average growth rates from 6.4 percent for the years with final national accounts (1992–95) to an average figure of 4.4 percent for the following two-year period. Revised real GDP estimates were estimated by retroactively combining the nominal sectoral figures with the corresponding price movements in order to recalculate the GDP at constant 1980 prices. The process is ongoing, and the final nominal GDP figures for 1996 and 1997, together with the corresponding figures in real terms, are expected to be published shortly.



Figure 1. Cape Verde: Production and Output, 1991-98



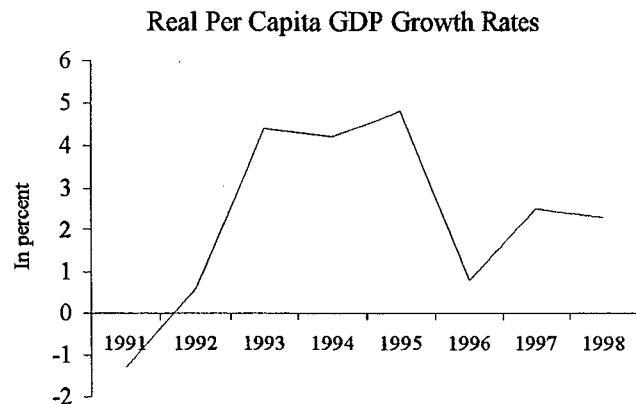
Sources: National Institute of Statistics; Bank of Cape Verde; and staff estimates

rate of business creation in Cape Verde throughout the transition period—also shown in the accompanying Figure 1.

11. The detailed analysis of the differences with the previous and revised national accounts for 1995 (in constant 1980 prices)—the last official estimates that have been published by INE so far—reveals that the main changes in the structure of the economy were found in banking (which sector has grown 147 percent faster than earlier calculations had predicted), transport and communications (34 percent), and hotels (30 percent); see Box 2. These variances highlight the crucial importance of the tertiary sector in the process of expanding the country's productive base, but also hints at considerable average growth rates in agriculture and fishing.

12. These results are reinforced when analysing the nominal<sup>5</sup> estimates for the 1996–98 period (Table 4), which, inter alia, show that the value of services provided by hotels has more than doubled in 1997, from which level the sector continued to grow in 1998. The banking and the transport and communication sectors as well continued to expand rapidly, with almost consistent above-average growth rates during the 1993–98 period.<sup>6</sup> The large variability in primary sector data, by contrast, reveals the degree, to which climatic factors—such as the droughts of 1996 and 1998 or the effects of el Niño (1997) and la Niña (1998) on mid-Atlantic water temperatures—affected the outcomes in both agriculture and fishing, notwithstanding the considerable productivity advances achieved in both sectors.

13. Throughout the entire transition period 1992–98, real GDP has increased at rates that exceeded population growth. The dynamism, however, seems to have lost some pace in 1996 (see figure to the right). The deceleration of growth was largely due to the government's response to the balance-of-payment difficulties described in paragraph 7. The subsequently pursued policies of fiscal contraction, combined with the introduction of import restrictions (which were imposed as an interim measure),



Sources: National Institute of Statistics; and staff estimates.

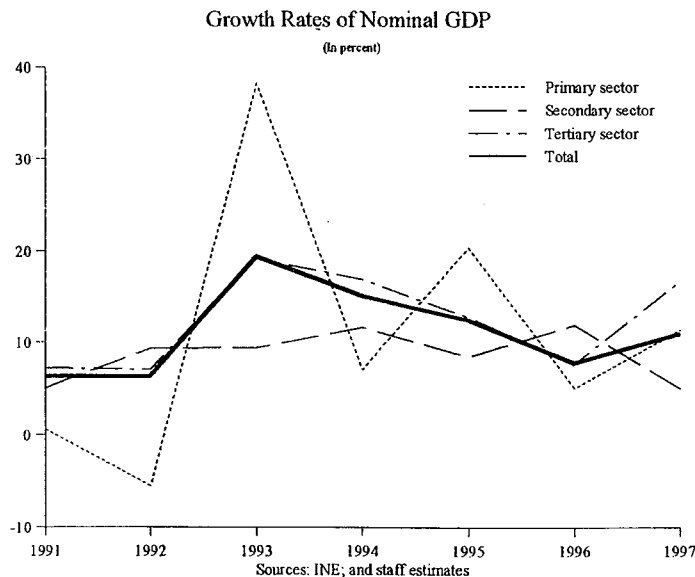
<sup>5</sup> No corresponding real figures exist for these years, but efforts at compiling and reconciling real sector data are ongoing, as, for instance, reflected in the incompleteness of Tables 6–9.

<sup>6</sup> The opening of branches by two foreign banks partly explain the high growth rates in the banking sector (see Chapter IV, Section B and Box 4), whereas the development in the transport and communication sector is closely correlated with the expansion of tourism in Cape Verde.

### Box 1. Improvements in the Compilation of Statistics

**Strengthening of the statistical institute.** Responding to the assessment of an IMF statistics mission in 1996, according to which the compilation of statistics was hindered by both severe resource constraints and an obsolete legal framework, the Cape Verdean parliament adopted a new statistics law in 1996 that addressed most of the problem areas. The statistical agenda is now being set by the newly established National Statistics Council, which is comprised of both public and private sector representatives. Moreover, the law establishes clear requirements for the timely communication of data to the National Institute of Statistics (INE), while equipping the institute with legal instruments designed to ensure that both public and private entities meet their commitments.

**Survey of enterprises.** In order to correct the deficiencies of the statistical system, particularly in respect to the national accounts, which had not taken into account the changes to the economy caused by the structural adjustment program launched in 1992, the INE staff undertook a comprehensive statistical survey of enterprises in 1998, concentrating on areas such as the creation of producer price indices and sound employment data, with a view to capturing the substantial structural changes that have occurred throughout the country's transition period. The enterprise survey was one pivotal pillar in compiling the national account estimates for Cape Verde's transition years.



**Revised national accounts.** In 1998, INE published official figures for the country's 1993–95 national accounts and preliminary ones for 1996–97. With this effort, it is expected that the backlog in the preparation of national accounts will soon be eliminated. The accompanying figure, representing the revised nominal growth rates of the three sectors, underlines the particular—and steadily increasing—importance of the tertiary sector, which grew at an average rate of 12.5 percent during the 1991–97 period—compared with 11.1 percent for the primary sector, 8.6 percent for the secondary sector, and 11.2 percent for overall nominal GDP.

**Box 2. Cape Verde's New National Accounts, 1993-97**

|   | 1993     |         | 1994     |         | 1995     |         | 1996     |            | 1997     |            |
|---|----------|---------|----------|---------|----------|---------|----------|------------|----------|------------|
|   | Previous | Revised | Previous | Revised | Previous | Revised | Previous | Revised 1/ | Previous | Revised 1/ |
| (In millions of Cape Verde escudos; unless otherwise specified) |          |         |          |         |          |         |          |            |          |            |
| GDP (current prices)  | 26,627   | 29,215  | 28,441   | 33,641  | 32,229   | 37,864  | 35,147   | 40,638     | 39,650   | 45,101     |
| Annual growth rates (in percent)                                | 9.3      | 20.0    | 6.8      | 15.2    | 13.3     | 12.6    | 9.1      | 7.3        | 12.8     | 11.0       |
| Agriculture, forestry and livestock                             | 2,552    | 3,462   | 2,159    | 3,646   | 2,374    | 4,469   | 2,625    | 4,547      | 2,946    | 5,160      |
| Fishing   | 395      | 545     | 426      | 645     | 488      | 663     | 424      | 735        | 482      | 736        |
| Industry and energy   | 2,651    | 2,699   | 3,058    | 3,049   | 3,468    | 3,585   | 2,573    | 4,173      | 2,900    | 4,444      |
| Construction  | 3,175    | 3,165   | 3,425    | 3,476   | 3,919    | 3,566   | 4,926    | 3,825      | 5,578    | 3,938      |
| Commerce  | 4,560    | 4,446   | 5,015    | 5,429   | 5,766    | 6,074   | 7,463    | 6,363      | 8,393    | 6,975      |
| Hotels  | 342      | 423     | 325      | 455     | 358      | 456     | 374      | 625        | 433      | 1,464      |
| Transport and communications                                    | 4,727    | 5,162   | 5,024    | 6,292   | 5,681    | 6,363   | 5,525    | 6,839      | 6,456    | 7,589      |
| Banks and insurance   | 341      | 755     | 369      | 747     | 419      | 1,394   | 466      | 1,774      | 535      | 2,414      |
| Housing   | 2,082    | 1,939   | 2,252    | 2,087   | 2,483    | 2,431   | 2,755    | 2,527      | 3,159    | 2,896      |
| Public services   | 3,505    | 4,100   | 3,792    | 4,685   | 4,284    | 5,412   | 4,648    | 5,473      | 4,973    | 6,264      |
| Other services  | 2,297    | 2,405   | 2,596    | 2,991   | 2,989    | 3,280   | 3,368    | 3,569      | 3,795    | 2,960      |
| New sectors   | ...      | 115     | ...      | 138     | ...      | 171     | ...      | 190        | ...      | 261        |
| GDP (constant 1980 prices)                                      | 10,389   | 10,681  | 10,783   | 11,422  | 11,298   | 12,278  | 11,634   | 12,707     | 11,982   | 13,368     |
| Annual growth rates (in percent)                                | 4.1      | 7.1     | 3.8      | 6.9     | 4.8      | 7.5     | 3.0      | 3.5        | 3.0      | 5.2        |
| Agriculture, forestry and livestock                             | 1,006    | 1,079   | 832      | 1,014   | 915      | 1,077   | 869      | ...        | 891      | ...        |
| Fishing   | 102      | 125     | 107      | 151     | 112      | 165     | 140      | ...        | 146      | ...        |
| Industry, energy  | 709      | 518     | 795      | 558     | 827      | 673     | 852      | ...        | 877      | ...        |
| Construction  | 1,432    | 1,458   | 1,502    | 1,486   | 1,576    | 1,541   | 1,631    | ...        | 1,688    | ...        |
| Commerce  | 2,194    | 2,113   | 2,345    | 2,258   | 2,473    | 2,460   | 2,470    | ...        | 2,540    | ...        |
| Hotels  | 125      | 160     | 116      | 169     | 117      | 152     | 124      | ...        | 131      | ...        |
| Transport and communications                                    | 1,566    | 1,890   | 1,618    | 2,185   | 1,678    | 2,241   | 1,829    | ...        | 1,939    | ...        |
| Banks and insurance   | 134      | 207     | 140      | 202     | 147      | 362     | 154      | ...        | 162      | ...        |
| Housing   | 815      | 821     | 855      | 852     | 870      | 898     | 912      | ...        | 956      | ...        |
| Public services   | 1,372    | 1,511   | 1,439    | 1,513   | 1,502    | 1,670   | 1,538    | ...        | 1,505    | ...        |
| Other services  | 933      | 801     | 1,035    | 1,034   | 1,082    | 1,039   | 1,115    | ...        | 1,148    | ...        |
| New sectors   | ...      | ...     | ...      | ...     | ...      | ...     | ...      | ...        | ...      | ...        |

Sources: National Institute of Statistics; and staff estimates.

1/ The GDP figures for 1996-97 are preliminary estimates.

noticeably suppressed aggregate demand, while failing rains damaged agricultural production.<sup>7</sup> This development was short-lived, as output growth accelerated again in 1997, largely as a result of increasing travel receipts—the number of tourists rose by 27 percent—and, following normal precipitation, a rejuvenated agricultural sector. In addition, the government's emergency contraction was partially loosened; wage expenditures, for instance, increased by 12 percent and thus considerably faster than prices. The combination of an outward shift in aggregate demand and higher wages led not only to the solid growth rates in 1997 but also higher inflation. The year 1998 saw a comparably dynamic increase in output (but without the inflationary side effects), largely caused by a continuously buoyant tourism sector and a remittances-led boom in residential construction.

### **B. Domestic Demand**

14. In recent years, the government has made significant progress in reaching several important of the underlying goals set out its comprehensive adjustment program—viz., the widening of the country's productive base and the encouragement of private sector activities. Accordingly, the government further limited its involvement in the economy, as depicted in the accompanying Figure 1 encapsulating the depth of the structural changes that have occurred in the Cape Verdean economy: government activities, which still consumed about 39 percent of gross national income (or 48 percent of GDP) in 1995, steadily decreased in relative importance to an estimated 30 percent of gross national income (or 35 percent of GDP) in 1998 (see Table 3).

15. In contrast, private sector investments (particularly in light industry, tourism, fisheries, maritime transportation, telecommunications, and construction) have increased from a level of 26 percent of GDP maintained throughout the 1995–97 period to more than 28 percent in 1998. Firms have responded favorably to specific tax incentives (particularly generous in the export-processing zones<sup>8</sup>), the full liberalization of current account transaction (Chapter V, Section A), as well as the overall economic program of modernization and decentralization.

16. Domestic savings as well have increased noticeably—from dissavings equivalent to 1.3 percent of GDP in 1995 to a positive figure of 8.3 percent in 1998. The public investment program, relative to output, remained at a relatively constant level of 12–13 percent during 1995–98.<sup>9</sup> Reflecting the relatively reduced importance of the public sector, both

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<sup>7</sup> In real terms, recurrent expenditure decreased by 5.5 percent in 1996, while it increased again—by about 5 percent—in 1997. Due to a contraction in capital expenditure, overall expenditure, however, continued to be reduced, in real terms, by 5.3 percent in 1996 and 11.7 percent in 1997; see Chapter III, Section C and Tables 11 and 15.

<sup>8</sup> These include temporary exemptions from corporate taxation on profits and dividends and duty-free imports of equipment and materials used in the production process.

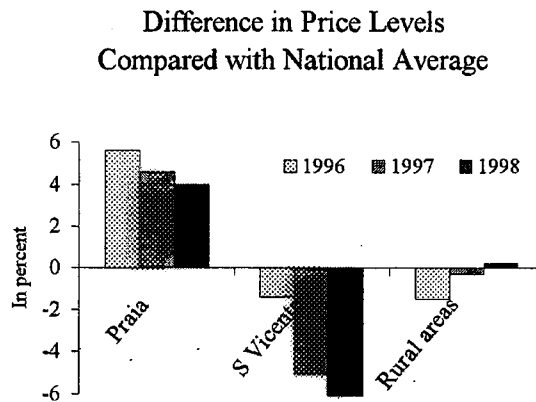
<sup>9</sup> INE's public expenditure figure includes municipalities as well, thus resulting in a higher overall figure than the one used in the fiscal section; see Table 10. The institute's economic continued

consumption and the trade deficit showed a significant trend increase in the relative use of resources in Cape Verde; see Table 3.

### C. Prices

17. Inflation in Cape Verde—notwithstanding the 6 percent devaluation of the escudo vis-à-vis a currency basket in end-March 1998—continued to decline in 1998, to an average 4.3 percent, half the rate of 1997 (Table 11). The analysis of the 12-month changes in the price level, however, reveals an increase at year's end—owing, in part, to the effects of the altered parity. The fourth-quarter rates were also affected by the autumn drought, which led to significantly higher food prices in Praia and the rural areas during late 1998 (Figure 3). Judging from the money supply growth data (see, for instance, Figure 6), as well as the consumer price index for the first three months of 1999, the downward trend in inflation—which has largely been the result of improved fiscal and monetary discipline—appears to be continuing, with Cape Verde's consumer price increases showing signs of converging with the ones prevailing in the euro zone, to which currency the escudo has been pegged since the beginning of 1999.

18. Inflation rates in Cape Verde have tended to vary widely across products (Box 3) and regions. While the price level in the capital Praia has long been consistently higher than in the rest of the country—between 1996 and 1998, Praia's CPI was, on average, about 4.7 percent above the national one—consumer prices in São Vicente tended to increase more modestly<sup>10</sup> and thus remained at a lower level. Goods and services on this northern island, on which the country's main port Mindelo is located, were—compared to the country as a whole—discounted by about 4.2 percent (see also figure to the right). It is interesting to note that, throughout the 1996–98 period, the price level differences between urban and rural Cape Verde shifted relatively significantly—the cities

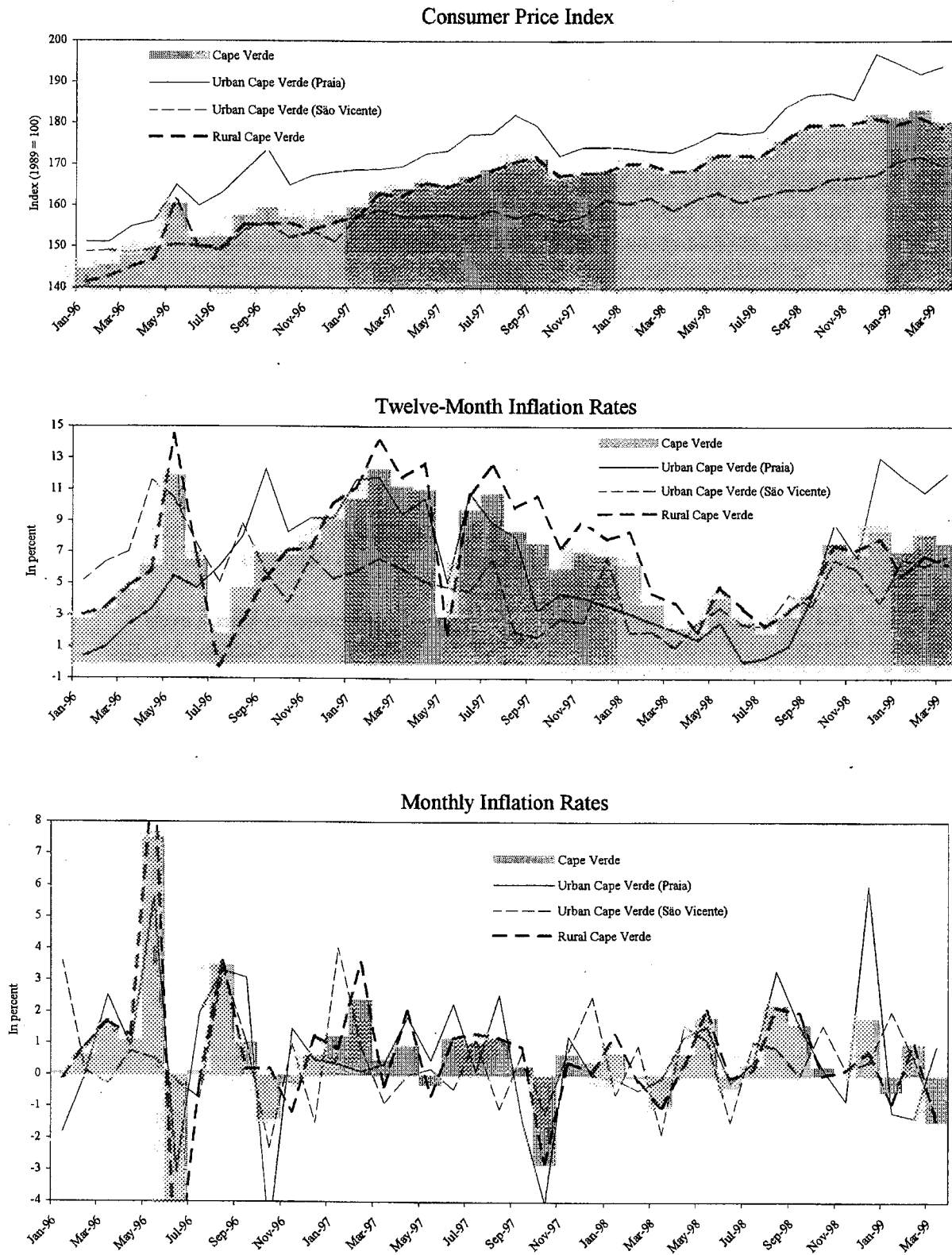


Sources: National Institute of Statistics; and staff estimates.

definition of “public investment” is narrower than the budgetary used by the treasury. According to INE’s more comprehensive classification, public investment expenditures steadily declined during the 1994–98 period, falling from 32 percent to 27, 26, 19, and 17 percent of GDP.

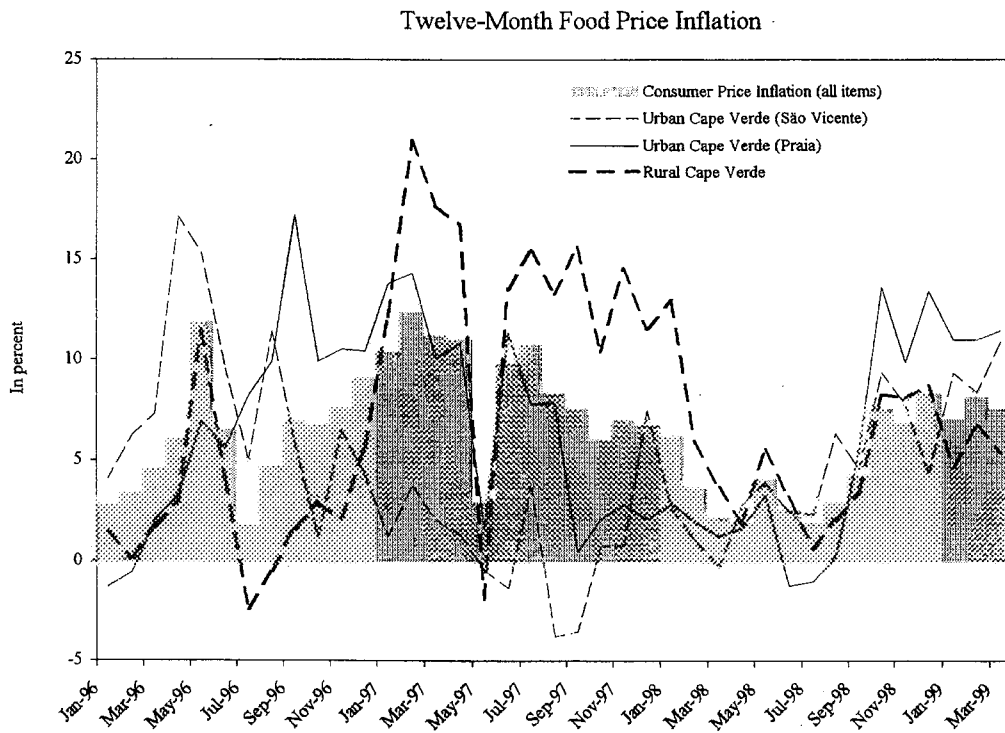
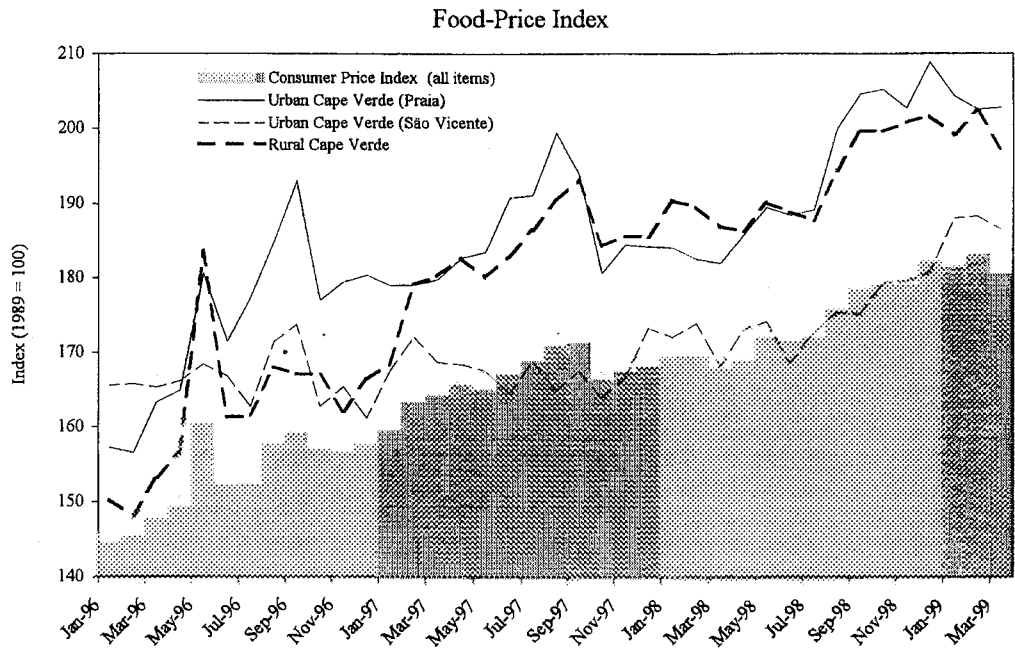
<sup>10</sup> The average monthly inflation rate in São Vicente during the January 1996–December 1998 period was 0.4 percent—substantially lower than the corresponding 0.7 percent increases seen in both Praia and the rural areas.

Figure 2. Cape Verde: Regional Consumer Prices, January 1996 - March 1999



Sources: National Institute of Statistics; and staff estimates.

Figure 3. Cape Verde: Food Prices, January 1996 - March 1999



Sources: National Institute of Statistics; and staff estimates.



**Box 3. Cape Verde: Average Consumer Price Inflation in 1998**  
(In percent)

|                             | Praia | São Vicente | Rural Areas | Cape Verde |
|-----------------------------|-------|-------------|-------------|------------|
| Food                        | 4.2   | 3.9         | 5.3         | 4.5        |
| (weight)                    | 54.0  | 48.5        | 52.1        |            |
| Beverages                   | 0.3   | 8.0         | 0.9         | 1.9        |
| (weight)                    | 4.7   | 7.6         | 8.2         |            |
| Tobacco                     | 4.9   | -3.9        | -0.1        | 0.6        |
| (weight)                    | 0.5   | 0.6         | 1.6         |            |
| Clothing                    | 4.6   | -3.2        | 8.8         | 5.5        |
| (weight)                    | 8.9   | 7.4         | 11.6        |            |
| Accommodation               | 3.4   | 2.3         | 1.5         | 2.1        |
| (weight)                    | 19.7  | 19.4        | 10.7        |            |
| Health and hygiene          | 2.4   | 3.8         | 1.5         | 2.0        |
| (weight)                    | 4.6   | 4.3         | 5.3         |            |
| Transport and communication | 0.0   | 2.4         | 0.5         | 0.6        |
| (weight)                    | 6.4   | 8.4         | 9.3         |            |
| Total                       | 3.8   | 3.3         | 4.8         | 4.3        |

Sources: National Institute of Statistics; and staff estimates.

Praia and Mindelo became relatively cheaper and the countryside more expensive.<sup>11</sup> These divergent developments indicate distribution bottlenecks and problems in transporting goods from São Vicente's harbor facilities to the rest of the country.

19. These regional differences are especially pronounced when analysing the consumer price basket's primary item—food. As summarized in the accompanying Figure 3, food prices—particularly in the capital Praia and the rural areas—have increased at a faster rate than the prices for other goods and services.<sup>12</sup> This phenomenon implies that, throughout the country, the inflation tax is being disproportionately paid by the poorest segments of society. The bottom panel of Figure 3 shows the particular volatility of food prices, as well as the asymmetric nature of the fluctuations in food prices across these three regions. Between January 1996 and December 1998, food prices in the rural areas—where most of Cape Verde's poor live—increased faster, by 7.1 percent, than both the country's representative consumer price basket, which increased by an average 6.3 percent, and the region's aggregate price level (6.9 percent).<sup>13</sup> It also highlights the particular significance that rural food price changes have on the overall inflation rate and, more importantly, hints at the possibility that the CPI basket of 1989—which, following the considerable increase in average income, likely over-represents the relative weight of food—has resulted in inflation figures consistently higher than the “actual” ones.

### III. FISCAL DEVELOPMENTS

20. *The government's fiscal position improved markedly in 1998. Revenue increased considerably, while central government expenditure was essentially frozen. For the first time since 1994, the government was able to report a current balance surplus, which was largely due to its abstinence from pre-financing donor-supported investment projects with high*

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<sup>11</sup> While the consumer price index in the rural areas in 1996 was 1.5 percent lower than the national average, the cost-of-living advantage eroded to 0.3 percent in 1997 and tipped to a price premium over the national average of 0.2 percent in 1998. São Vicente, meanwhile, strengthened its price level advantage over the three-year period. While, in 1996, goods and services were about 1.4 percent cheaper than in the rest of the country, the gap increased to 5.1 percent in 1997 and 6.1 percent in 1998. A similar development—while on a much higher plateau—could be observed in Praia; its price level premium, which stood at 5.6 percent in 1996, fell to 4.6 percent in 1997 and 4 percent in 1998; see figure on the previous page.

<sup>12</sup> In all three regions, food items constitute approximately one-half of the representative basket of goods and services. The base year, on which the consumer price index is based, is 1980, the representative CPI basket dates back to 1989.

<sup>13</sup> Over the same period of time, food prices increased by an average of 5.8 percent (6.1 percent for all goods) in Praia and by 4.9 percent (4.2 percent for all goods) in São Vicente.

*interest domestic debt. In 1997, the government began to confront the increasingly serious problem by seeking external assistance for a large domestic debt-reduction operation.*

#### **A. Overall Fiscal Developments**

21. During much of Cape Verde's period of transition, insufficient fiscal discipline has been the Achilles' heel of its economic policies. The difficulties were largely the result of the government's customary practice of financing large budget deficits with high-interest domestic debt to a degree that its ultimately unsustainable accumulation began to generate serious macroeconomic imbalances, which, in turn, threatened to hamper Cape Verde's entire structural adjustment program.<sup>14</sup> In 1998, the government, however, managed to make considerable progress in consolidating its fiscal position (Table 15; see also Figure 4). Over the 12 months to end-1998, the government completely abstained from domestic bank financing, bridging its budgetary gap solely through concessional assistance from foreign creditors. Consequently, the deficit of the overall budget (on a commitment basis) could be brought down by about 6 percentage points, to 4.3 percent of GDP. The current balance, which stood at a deficit equivalent to 3.9 percent of GDP in 1997, tipped into a surplus of about 1.9 percent during the succeeding fiscal year.

22. Various factors contributed to this encouraging result: (1) the government improved its tax-collection efforts (as reflected in the 12 percent increase in tax revenue); (2) in order to offset higher interest expenditure, current primary expenditure was curtailed (in nominal terms, this item increased by only 1.5 percent)<sup>15</sup> and (3) the government abstained from pre-financing donor-supported investment projects, implying that any shortfall in the externally financed component over initial budget projections led to a protraction in the execution rate of capital expenditures rather than an increase in domestic debt.<sup>16</sup>

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<sup>14</sup> See para. 18 of EBS/98/18 (2/4/98), describing the urgency of fiscal reform at the time: "The more important concern was whether fiscal policy would finally be tightened sufficiently to begin to reduce inflation, to stop the rundown in reserves, and to ensure that there would be no further buildup of domestic debt." In this context, domestic debt has proven particularly burdensome, because of their high nominal interest rates. With an end-1997 stock of domestic debt equivalent to 40 percent of GDP, the resultant domestic interest payments represented more than 13 percent of recurrent expenditure in 1998. External debt, by contrast, has been mostly concessional.

<sup>15</sup> The higher-than-projected interest payments had resulted from the delay in the domestic debt-reduction operation.

<sup>16</sup> The foreign component of public-investment expenditures in 1998 increased by 11.5 percent over 1997. However, given that the fiscal problems of 1997 were reflected in an exceptionally low degree of foreign assistance, last year's increase simply restored external contributions to its 1996 level. Overall capital expenditure in 1998 was 2.2 percent lower than in 1997.

## B. Government Revenue

23. The government's commitment to strengthen its tax administration led to a considerable reinforcement in its collection capacity and an increased recovery of debt obligations from public enterprises. As a consequence, total revenues increased significantly, rising from CVEsc 8.8 billion (or 20 percent of GDP) in 1997 to CVEsc 11.7 billion (24 percent of GDP) in 1998.<sup>17</sup> Of this increase, about CVEsc 1.3 billion came from the reimbursements of debt principals by public enterprises vis-à-vis the state; see Table 16. Tax revenues, as percentage of GDP, therefore continued on their moderately increasing trend (with the notable exception of 1997), mainly as a result of rising proceeds from taxes on international trade (Table 17).<sup>18</sup>

24. But even when the one-off revenues from public enterprise reimbursements are excluded (there were none in 1996 or 1997), the central government's tax and nontax revenue still increased by a nominal 18 percent between 1997 and 1998, thus increasing the revenue-to-GDP ratio from 19.5 to 21.3 percent. While this figure is broadly in line with the results of 1994–96,<sup>19</sup> tax revenue, expressed in terms of GDP, increased in 1998 by half a percentage point from the 1994–97 annual average of 16.8 percent, thereby signifying the degree to which it was possible to strengthen the country's tax administration throughout the fiscal year 1998.

## C. Expenditure Developments

25. Total expenditure (Tables 18) has remained approximately constant, at about CVEsc 19 billion during the four-year period between 1995 and 1998. In fact, the overall structure of expenditures in 1998 did only incrementally change from the year before; with no significant adjustments to almost any of the main items in either recurrent and capital expenditures. This outcome is consistent with the government's objective to gradually diminish the state's importance within the Cape Verdean economy. By 1998, central government spending, in percent of GDP, declined from its 1995 level of almost one quarter by almost three percentage points.

26. The only fiscal priority, which was set by the government in 1998, has been the increase in public spending for wages and salaries. The 1997–98 increase of about 8 percent—well above the nominal wage increase for public sector employees—included additional recruitment for Cape Verde's ongoing program of strengthening its educational system (Table 20). These extra expenditures were partly offset by reduced subsidies and

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<sup>17</sup> CVEsc 100 are approximately equal to US\$1.

<sup>18</sup> Effective January 1, 1999, the government eliminated all remaining quantitative import quotas, while adopting a simplified—but somewhat elevated—tariff structure, thus reinforcing the importance of taxes on international trade.

<sup>19</sup> The total revenue-to-GDP ratio was 21.1 percent in 1994, 21.9 percent in 1995 (excluding public enterprise reimbursements), and 21.1 percent in 1996.

transfers to the public sector. Consequently, recurrent expenditures, in nominal terms, rose by only about 1.8 percent—substantially less than the average inflation rate.

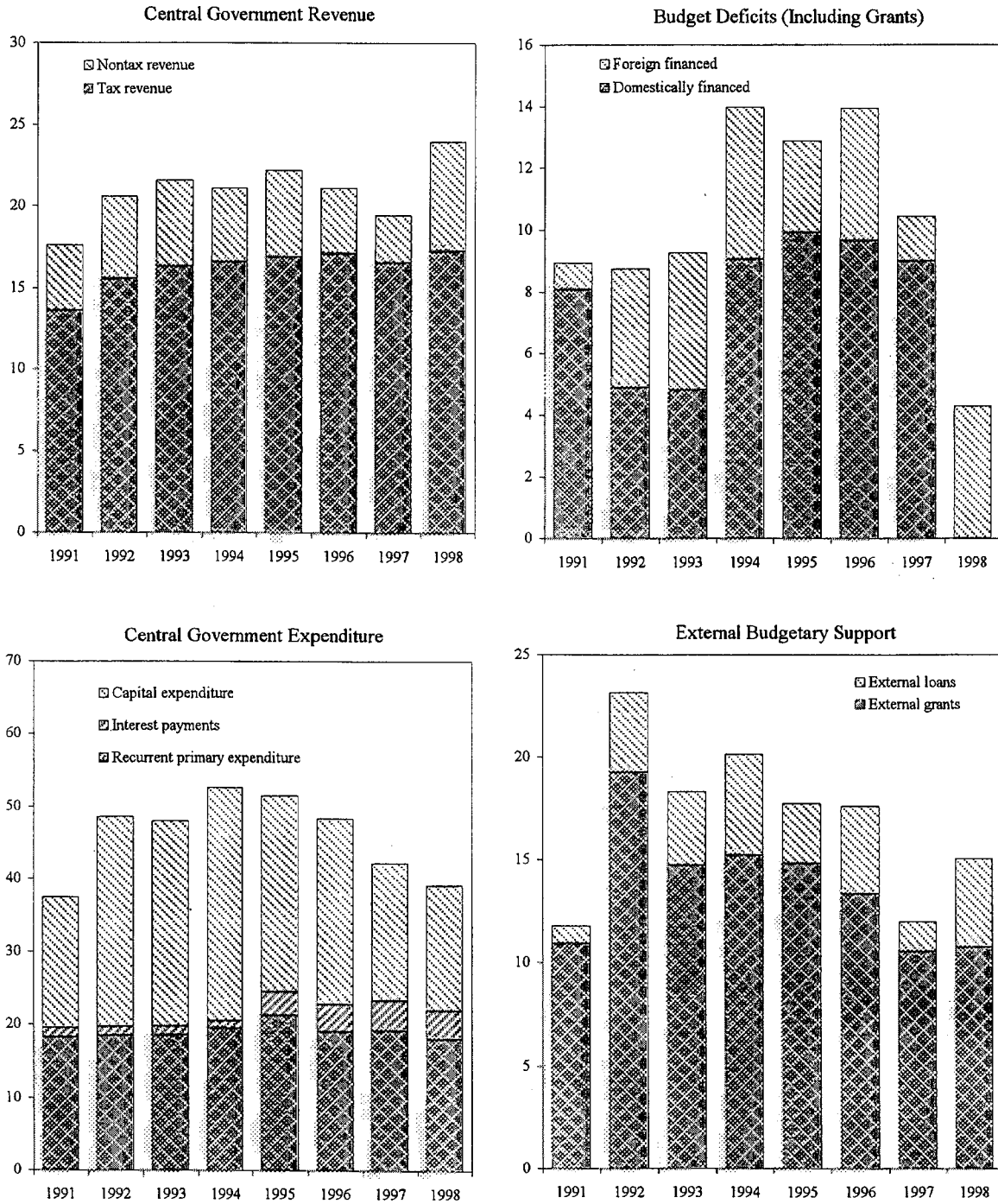
27. The foreign-financed element of capital expenditures rose by 11.5 percent in 1998, despite significant delays by donors to disburse loans and grants earmarked for public investment projects. However, following the government's decision to abstain from its previous habit of simply pre-financing these items, the domestically financed portion declined (by 50 percent), resulting in a further decline of public investments relative to output to 17 percent of GDP. This trend began in 1994, when the ratio stood at about 32 percent of GDP.

#### **D. Domestic Debt**

28. As a result of continued recourse to domestic bank financing throughout the early transition period 1992–96, the stock of domestic debt grew to unsustainable levels (Tables 19 and 28). At end-1997, it stood at CVEsc 18 billion, or 40 percent of GDP. This meant that domestic debt-service payments—about 13 percent of recurrent expenditure—consumed more than 3 percent of GDP in 1997. In 1998, the government abstained from any further increase of domestic debt financing (Figure 4), while restructuring its existing stock of domestic debt in 1998 (Figure 5), converting CVEsc 1.4 billion of short-term and CVEsc 0.1 billion of medium-term debt into long-term debt.

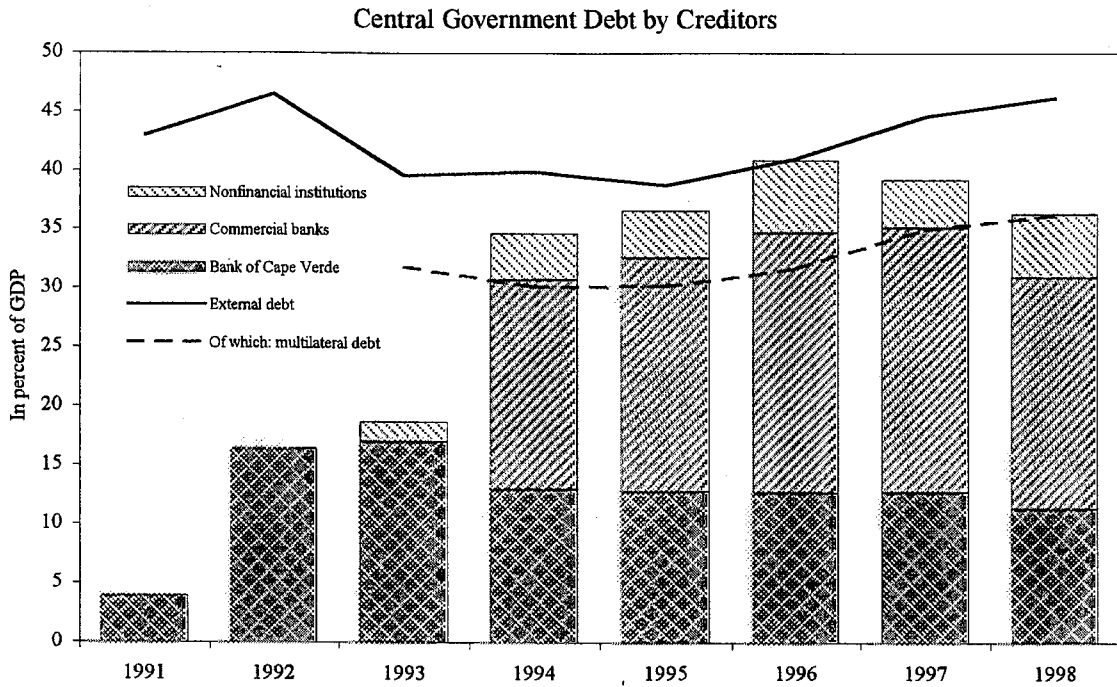
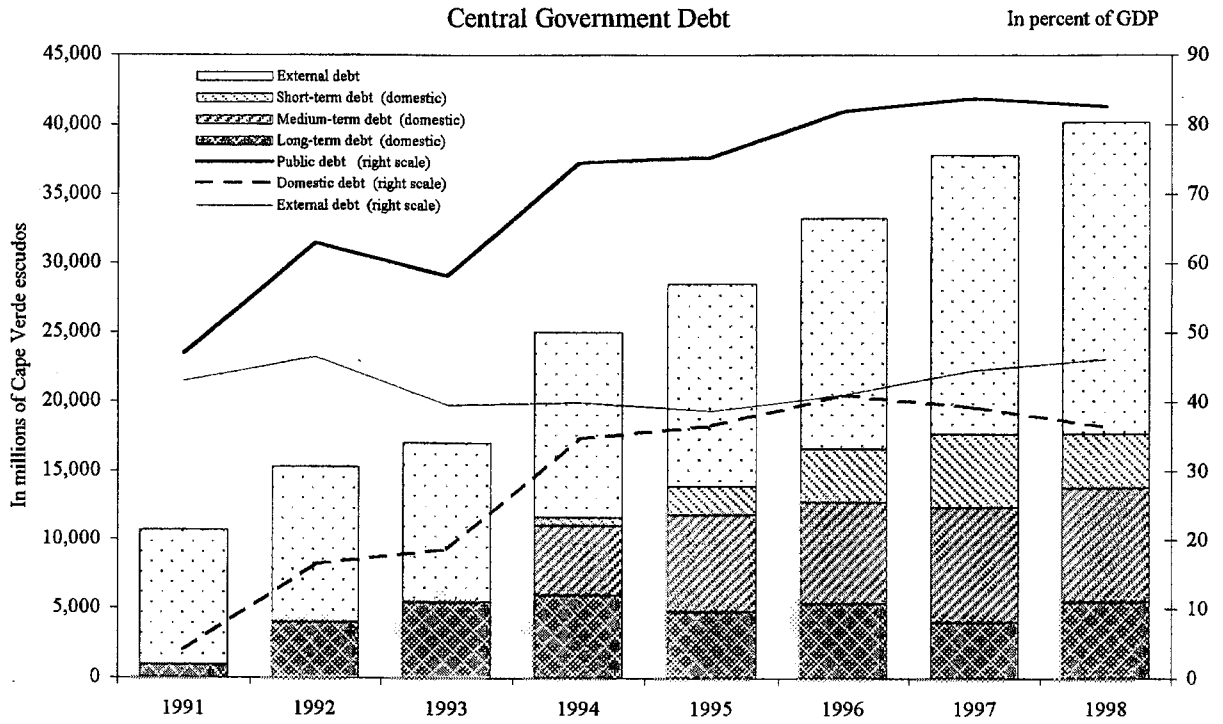
29. To remedy this situation, the government began to seek external financial assistance in early 1997 to support a large domestic debt-reduction operation. It sought donor contributions in the amount of US\$100 million (about CVEsc 10 billion) and pledged to contribute US\$80 million (CVEsc 8 billion) from privatization revenues to be invested in an offshore trust fund. Since the repayment of all the domestic debt would have resulted in a very large liquidity injection into the economy, it was decided to place the mobilized resources in a trust fund and to swap the existing (high-interest) government debt against (lower-interest) claims on the trust fund's revenue, referred to as *títulos consolidados de mobilização financeira* (TCMFs). These are to be bought back by the government as fiscal and monetary conditions permit. Of the US\$80 million that international donors had already pledged in the form of grants and loans, US\$29 million had been deposited into the trust fund by end-1998; the majority of privatization revenues and external contributions are expected for 1999. The government sought—and, in June 1998, was given—parliamentary approval for the regulations governing the trust fund. Since no conversion took place in 1998, the interest payments on domestic debt remained at the high level of 3.9 percent of GDP.

Figure 4. Cape Verde: Central Government Budget, 1991-98  
(In percent of GDP)



Sources: Ministry of Finance; and staff estimates.

Figure 5. Cape Verde: Public Debt, 1991-98



Sources: Ministry of Finance; Bank of Cape Verde; and staff estimates.

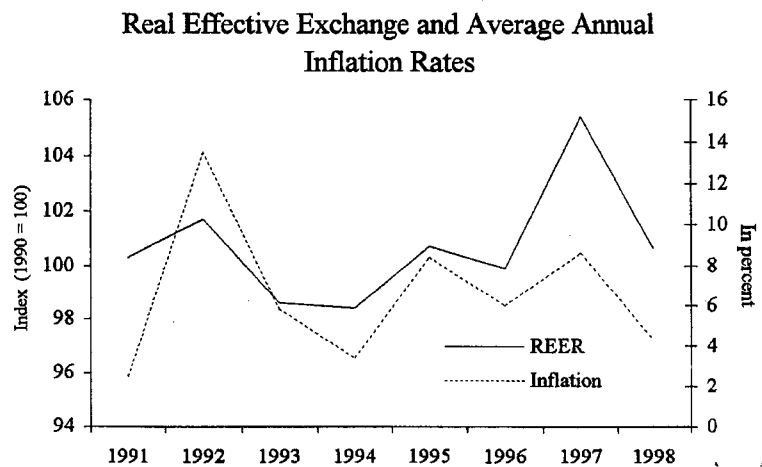
#### IV. MONETARY POLICIES

30. *Given Cape Verde's fixed exchange rate regime, monetary policy is oriented towards the goal supporting the escudo. After mixed results in 1997, leading to a rise in inflation, declining net foreign assets, and a considerable appreciation in the real effective exchange rate, monetary control was noticeably tightened in 1998. Broad money grew by less than two percent, allowing inflationary pressures to recede and the banking system's foreign reserves to increase (albeit moderately).*

##### A. Monetary Policy Objectives

31. Cape Verde's monetary environment is shaped by its fixed exchange rate regime, which commits the Bank of Cape Verde (BCV) to use monetary policy goals to maintain the escudo's peg. Following an overly loose policies in 1997—as, for instance, signified by the 26 percent expansion in credit to the economy, the 20 percent increase in domestic credit, the 12 percent growth in broad money, the 8.6 percent in average annual inflation, and, lastly, the 5.5 percent appreciation in its real effective exchange rate (see also figure below)—the BCV clearly needed to steer against the trend of further expansion. In fact, the monetary environment had turned decidedly unfavorable by end-1997: the central bank's net reserves (and with it, the confidence into the nominal exchange-rate peg) had declined to two months of imports of goods and nonfactor services. Worse still, the monetary uncertainty lasted well into mid-1998, when it became

clear that neither the rapid expansion of credit to the economy had not been contained<sup>20</sup> nor the fears of further realignments (beyond the one at end-March 1998) been relieved. Both developments detrimentally affected the influx of workers' remittances, while coinciding with the government's adoption of a new foreign exchange law (which liberalized current-account transactions) and the switch from the previous basket to a single-currency peg (see below). Without the possibility of adjusting the weights



Sources: National Institute of Statistics; Information Notice System.

<sup>20</sup> In mid-1998, the annual growth rate of “credit to the economy”—based on end-December 1997 to end-June 1998 figures—was estimated to equal 15 percent; the revised figures show an annualized expansion of “only” 13 percent during this period.



of the partner countries' weights within the basket, particular importance had thus implicitly been placed on the improvement of the banking system's "net foreign asset" position.

### B. Recent Monetary Developments

32. Following the tightening of monetary policies in (the latter half of) 1998, net foreign assets of the banking system did indeed increase (albeit slightly), from US\$58.3 million (CVEsc 5,613 million) in end-1997 to US\$59.9 million (CVEsc 5,646 million). This result is, however, more positive than the numbers would indicate, since it has to be viewed within the context of the authorities' third and fourth quarter efforts aimed at reducing the foreign exchange queue, which had been accumulating since end-1995.<sup>21</sup> The backlog of applications declined from its June 1998 level of CVEsc 3.8 billion (US\$38 million) to CVEsc 0.8 million (US\$9 million) by year's end. The banking system as a whole spent—net of cancellations<sup>22</sup>—an equivalent of CVEsc 1.8 billion on this operation, mainly as a result of the central bank's transfers of foreign reserves to the country's financial institutions. Over the same end-June to end-December period (no data for the size of the queue are available for December 1997), the central bank lost close to CVEsc 1 billion in reserves, while the commercial banks—which were successful in attracting expatriate savings with special, high-yielding "emigrant accounts"—increased their stock of net foreign assets by almost CVEsc 0.7 billion. Thus, the amount of reserves lost by the banking system as a whole—CVEsc 0.3 billion—was significantly less than the amount used to reduce the queue. Central bank reserves (net of the backlog) consequently increased, as shown in Figure 6, at a considerable rate.

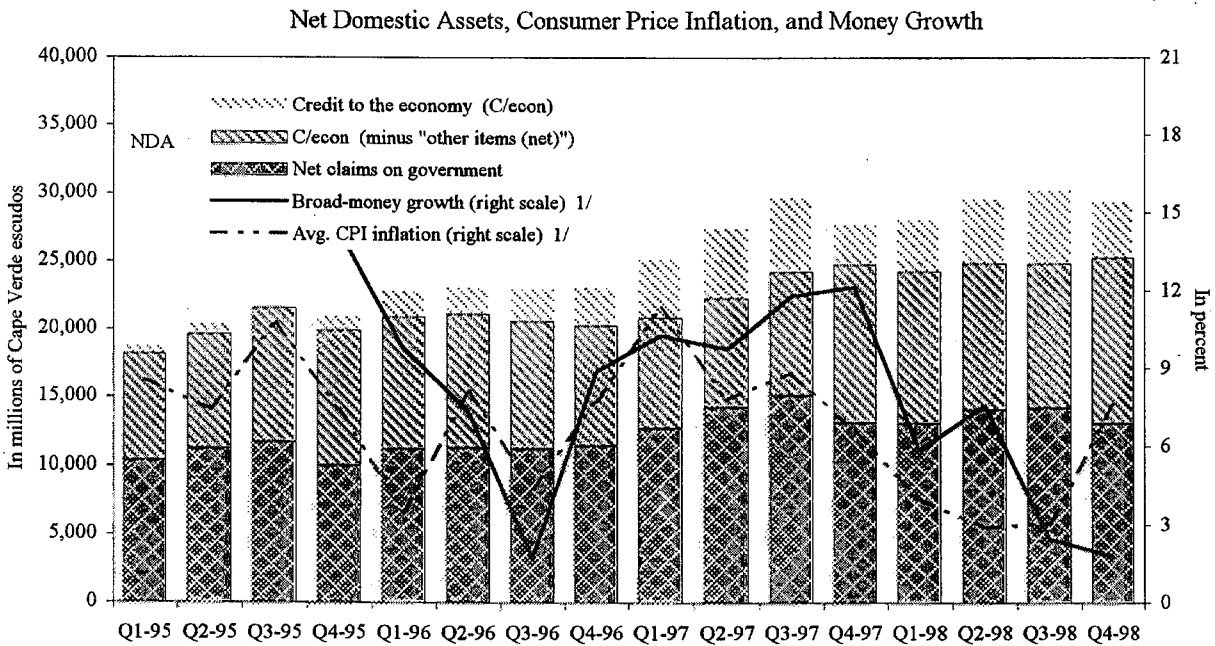
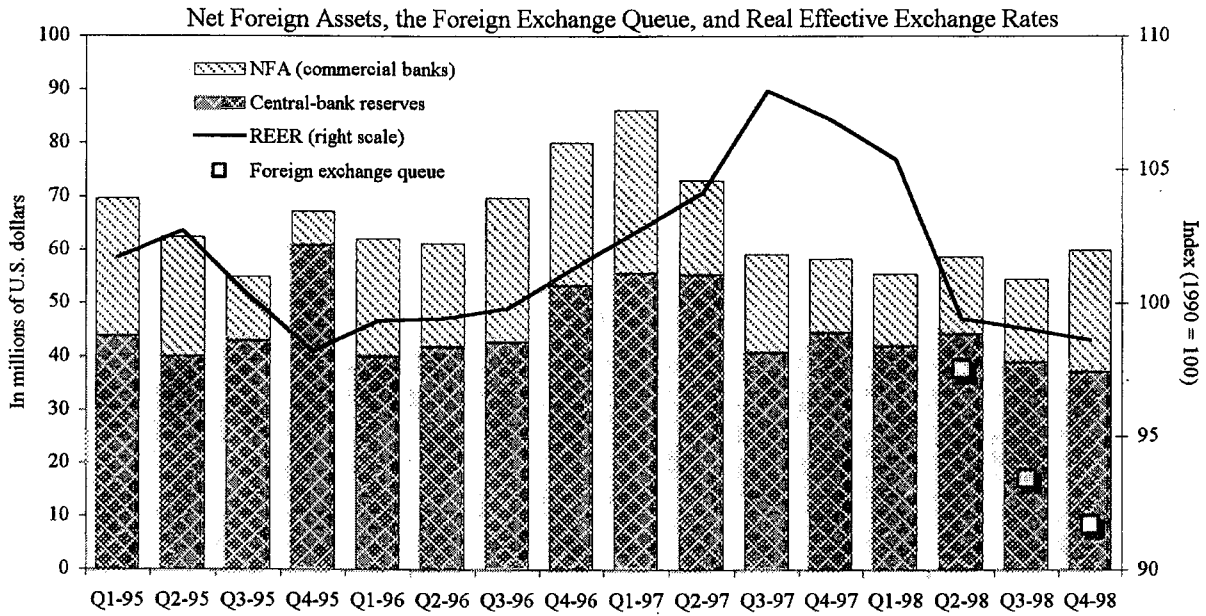
33. The real sector's dynamism during 1998 was reflected in the considerable 12 percent increase of the "credit to the economy" item; see Table 22. This rise was, however, offset by reduced net claims to both the central and local governments and a lower "other items (net)" figure, which reflects the increased profitability of the commercial banks; see Table 21. As a result, net domestic assets rose by the modest amount of 2.1 percent (or 1.7 percent in terms of beginning-of-period money stock). The resultant slowdown in broad money growth—from 12.1 percent in 1997 to 1.8 percent in 1998—led to a situation, in which inflation could decline and the real effective exchange rate depreciate.

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<sup>21</sup> The queue consists of approved, but unmet applications of foreign exchange for current transactions at the commercial banks. The government eliminated it in April 1999, later than as originally envisaged. The delay is partly due to the postponement of a US\$5 million tranche in balance-of-payments aid, initially promised for July 1998.

<sup>22</sup> In order to separate real from fictitious demand, the authorities required importers to leave a sizeable deposit, remunerated at market rates, with the banks during the September–December period. They also made importers supply the remaining domestic-currency equivalent within five working days, once the foreign currencies had been made available.

Figure 6. Cape Verde: Selected Monetary Indicators, 1995:Q1 - 1998:Q4



1/ Four-quarter growth rates.

Sources: Bank of Cape Verde, Ministry of Finance; National Institute of Statistics; IMF's Information Notice Service; and staff estimates.

#### **Box 4. Recent Developments in Cape Verde's Banking Sector**

**The establishment of independent commercial banks.** The development of a modern banking system in Cape Verde took place in two phases. First, in 1993, Cape Verde's monobank—the Banco de Cabo Verde (BCV)—and the national post office transferred their respective commercial-banking activities to new, publicly-owned universal banks—the Banco Comercial do Atlântico (BCA) and the Caixa Económica de Cabo Verde (CECV), respectively. The main constraints at the time were the lack of standardized accounting practices, the absence of an effective supervisory framework, and a heavy dependence on financing from the treasury.

**Competition and privatization.** Second, building on the progress made in solving the aforementioned problems, Cape Verde's banking system has been set on the path towards domestic competition and the privatization of all of its commercial banks. Two foreign banks—the Banco Totta e Açores in 1996 and the Caixa Geral de Depósitos in 1998—opened branches on São Tiago and São Vicente (with plans to expand their activities to Sal and, ultimately, to all the islands). With an already established network of branches abroad, these two banks are in a particularly favorable position to further strengthen the relationship with Cape Verde's extensive émigré community. At the same time, the government passed legislation that has prepared the way for the privatization, supported by the World Bank, of both the BCA and CECV. The transfer of ownership will be concluded by end-1999.

**Reinforcing the regulatory system.** Concomitantly, the authorities stepped up their efforts in reinforcing the regulatory system in order to ensure the adequate supervision of banking activities in the new era of competition and private ownership. In particular, the central bank redefined the risk categories of, and tightened the prudential reserve requirements for, credits provided to households and private enterprises in 1998 (see BCV Regulation 09/98 of 12/28/98). The BCV furthermore demanded that banks clean up their portfolios—e.g., by entering into rescheduling agreements with debtors in default—, leading to a sharp decline in the domestic banks' nonperforming loans, while increasing the resources for on-site bank supervision.

**Electronic network-and-payment systems.** The commercial banks, meanwhile, upgraded their communication networks, permitting transfers between branches and headquarters in real time and providing for the development of reliable, centralized accounting systems. In 1999, a further computerization will allow for the development of real-time interbank transactions and the establishment of an electronic clearing system between the commercial banks and the BCV. Thus, both debit and credit cards will be introduced in Cape Verde throughout the second half of 1999. Already, the banking system has been integrated—as of January 1999—into the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

34. Despite the falling inflation rates, basic lending rates in 1998 remained at their high plateau of between 12 and 14 percent, depending on the credit's maturity (Table 29). At the same time, deposit rates tended to remain constant. The continuously large discrepancy between the lending and deposit rates reflects the banks' unabated risks in recovering loans as well as the inadequate degree of competition among the commercial banks and the limited development of money and financial markets. To correct for these weaknesses, the authorities are strengthening the BCV's supervisory role and are in the process of promoting the formation of an interbank deposit market, with further plans to develop one for short-term central bank deposits.

35. In the wake of Cape Verde's monetary modernization program, two foreign banks have opened branches in recent years, stimulating the competition among the country's commercial banks, notably over emigrant resources (Box 4 and Tables 22–27). The émigré deposits—which are key to reducing the banks' dependence on central bank transfers of foreign exchange—rose by 9.3 percent to CVEsc 8 billion at end-December 1998, thus increasing their shares in relation to the commercial banks' overall domestic liabilities from 24.7 percent in 1996 to 25.5 percent in 1997, and to 27.2 percent in 1998.

## V. EXCHANGE RATE POLICIES AND EXTERNAL SECTOR DEVELOPMENTS

36. *The external sector, while being supported by the liberalization of current account transactions, was being hit by several exogenous shocks affecting trade, leading to considerably lower exports of goods and nonfactor services. The significant increase in private transfers and travel-related service receipts, however, helped to keep the current account (excluding official current transfers) broadly stable at a deficit of about 17 percent of GDP.*

### A. Exchange Rate Policies

37. In regards to exchange rate policies, major reforms were approved and adopted in mid-1998. To facilitate commerce, travel, and the international transfer of funds, the government passed a new foreign exchange law that liberalized current account and capital transactions; this policy was aimed at ensuring the escudo's convertibility.<sup>23</sup> It replaced the basket peg of the Cape Verde escudo with a fixed Esc/CVEsc link<sup>24</sup> in order to signal the

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<sup>23</sup> Decree-Laws 25/98 and 26/98 of June 29, 1998, in conjunction with the central bank's adoption of the regulations 2/1998 and 4/1998. The latter increased individual travel allowances and defined a revised list of capital transactions that continue to require prior authorization and/or verification by the central bank.

<sup>24</sup> Portugal supports Cape Verde's exchange rate regime with a precautionary US\$50 million credit facility, jointly managed by both governments through the Comissão do Accordo de Cooperação Cambial (COMACC). As of January 1, 1999, the Cape Verde escudo has been pegged to the Portuguese escudo's successor currency, the euro. In late 1998, the European continued

Cape Verdean authorities' determination to bring inflation under control. And finally, the BCV completed this process of structural trade regularization through its increased willingness to transfer exchange reserves to the commercial banks in order to allow them—as discussed above—to pay off the queue of approved (but unmet) applications for foreign currencies.

38. The foreign exchange law of June 29, 1998 removed all restrictions to both capital and current account transactions<sup>25</sup> and permitted residents to open accounts in foreign currency. These new guidelines require that international transfer of funds actions be channelled through financial institutions explicitly authorized to trade in titles denominated in foreign currencies. They also reclassified violations as “infractions” and thus effectively decriminalized the infringement of the exchange law’s legal requirements.

39. The shift in the foreign exchange regime removed an instrument periodically applied by the BCV—the changing of currency weights within the basket, against which the escudo was pegged. The analysis of the appropriateness of the peg at any point in time has thus been facilitated, with net foreign assets being the crucial variable. By increasing the transparency of Cape Verde’s exchange rate regime, this switch—while reflecting the increasing importance of Western Europe as trading partner—was designed to bolster confidence.

#### **B. External Sector Developments**

40. One crucially important confidence indicator in Cape Verde—next to the country’s reserve position, which slightly improved—is the amount of remittances sent by the country’s extensive emigrant community. After they had considerably dropped in 1996, 1997, and early 1998,<sup>26</sup> they recuperated significantly during the final months of the year. The end-of-year figure for 1998 actually showed a 17 percent increase over 1997. At the same time, however, Cape Verde received fewer export and service receipts (mainly for exogenous reasons), which—overall—resulted in a modest deterioration in the current account. The capital and financial account remained in a surplus position. External debt increased, both in absolute terms and relative to GDP; this trend stemmed, in part, from the rescheduling arrangements of a large part of Cape Verde’s external arrears (Tables 30–31).

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Commission had accepted the supporting Portuguese–Cape Verdean exchange rate arrangement. Thus, after the euro was launched, the Esc 1 = CVEsc 0.55 peg was replaced by the corresponding €1 = CVEsc 110.27 rate.

<sup>25</sup> With the notable exception of travel-related transactions: upon presentation of the required travel documents, Cape Verdeans may now exchange CVEsc 1,000,000 per person per trip—irrespective of the number of trips made (until then, the ceiling had been fixed at CVEsc 100,000). Only a very small number of travellers has requested an amount in the vicinity of this limit, with the average application being about one-fifth of it.

<sup>26</sup> Data compiled by the Bank of Cape Verde for the first and second quarters of 1998 seemed to indicate in mid-1998 that workers’ remittances would decrease by as much as 18 percent.

### C. Merchandise Trade

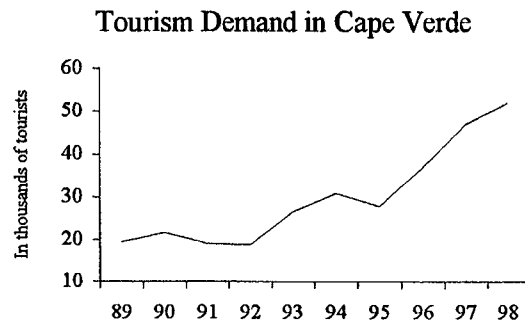
41. After several years of steady export growth, sales of goods and nonfactor services decreased moderately, by about 1 percent, mainly as a result of significantly declining sales of fish, crustaceans, shoes, and fuel. The 28 percent decline in the export of goods, however, was significant and caused, for the most part, by exogenous shocks, all of which are likely to be temporary. In particular, sales were hampered by (1) the absence of valuable fish stocks in Cape Verdean waters, (2) the expansion of productive capacities by several major export-oriented enterprises (which required the interruption of production), and (3) the cancellation of flights to and from Sal by one important airline, and (4) the truncation of shipping routes from Europe via Cape Verde to war-torn Guinea-Bissau. The latter two events adversely affected fuel reexports, which represent approximately two-thirds of overall exports (Table 32).

42. Despite rapid growth rates in the import-intensive sectors tourism and construction, these remained broadly stable in 1998; see Table 33. This follows not only the decline in prices of several important products but also the decrease in the volume of petroleum product imports (for the reasons given in the preceding paragraph). Imports of consumption and equipment goods, on the other hand, increased in line with the economic growth, while foodstuff imports—following the severe autumn drought—rose faster than economic output.

43. While Cape Verde's overall trade deficit increased by almost a nominal 9 percent in 1998, its importance relative to GDP—which had declined from 42 percent in 1994–95 to about 35½ percent in 1996–97—remained on the level that had been established during the two preceding years. Adjusting for the adverse shocks to Cape Verde's, this result represents a considerable structural improvement in its—still delicate—external trade position.

### D. Services and Transfers

44. The adverse developments in the aerial and maritime transport sectors discussed above are clearly mirrored in the service account (Table 34), with declining receipts for passenger, port, and airport services. This deterioration on the credit side, however, is more than offset by the 55 percent increase in travel-related receipts (see figure to the right), reflecting the ongoing investment in—and the resultant expansion of—this sector, which has been observed since 1996. At the same time, Cape Verdeans took advantage of the liberalized travel allowances, and the changes in exchange rate policies have instigated a noticeable rise in domestic travel expenditures. Moreover, the temporary truncation of the maritime Europe–Cape Verde–Guinea-Bissau route

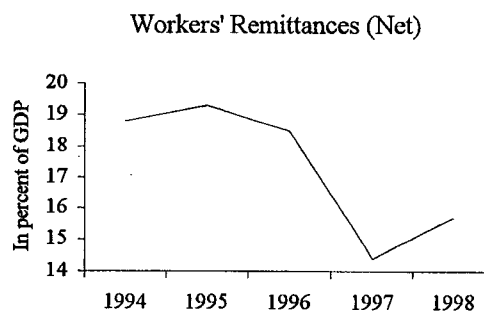


Sources: National Institute of Statistics; and staff estimates.

required Cape Verdean importers to pay higher ship-chartering and freight fees. Both events led to a 17 percent deterioration of net services, equivalent to approximately one percent of GDP.

45. The year 1998 did not see any significant to the overall factor income balance (Table 36), which remained at its relatively constant deficit of around one percent of GDP. The income streams on both on the credit and debit sides declined moderately. The main receipt items continued to be the interest earned on time deposits at foreign banks and the compensation of employees by foreign firms. On the debit side, there has been a strong growth of dividend payments—reflecting increased foreign investments—and of interests on the external debt.

46. With the exception of the economically difficult year 1997, net transfers remained at a broadly constant level of CVEsc 13–14 billion. If expressed in terms of GDP, this represents a gradual decline in their importance. Private transfers, which are more closely correlated with the country's monetary soundness, responded in a particularly elastic manner to the economic uncertainty (in the government's exchange-rate policy) in 1997 and early 1998



Sources: Bank of Cape Verde; and staff estimates.

(Table 37). Once the official rate of the Portuguese escudo was finally confirmed in early July 1998, workers' remittances—which had been less than CVEsc 2.7 billion in end-June 1998—recovered to CVEsc 7.6 billion by year's end; see also figure to the right. Food aid—worth slightly more than 2 percent of GDP in 1996–98—remained an important source of income in Cape Verde (Table 38).

### E. Capital and Financial Account

47. Throughout the period 1994–98, the capital and financial account balance displayed large surpluses of—on average, and with a considerable degree of variability—CVEsc 6.8 billion (or 16.4 percent of GDP). Direct and portfolio investment flows rose sharply during the period 1994–96, favorably responding to the enactment of a new legislation aimed at attracting foreign capital and promoting export diversification.<sup>27</sup> Those flows amounted to CVEsc 2.3 billion (US\$28 million or close to 6 percent of GDP) in 1996. The subsequent decline in 1997–98 reflects, to a significant degree, the initial delays of the implementation of the country's comprehensive privatization program (see below).

48. Central government and public enterprise borrowing (Table 40) showed a rising trend during the 1994–98, peaking at CVEsc 2.3 billion (US\$23.5 million or 4.8 percent of GDP)

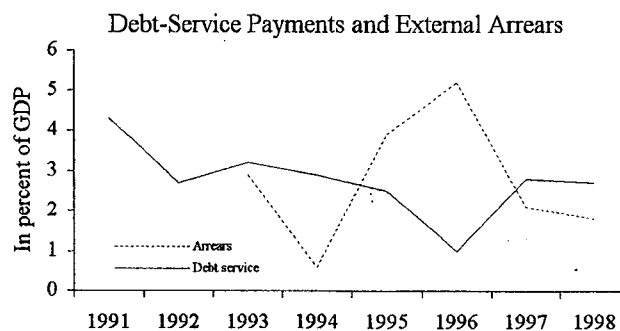
<sup>27</sup> The high direct investment and portfolio flows in 1996 partly reflect foreign investors purchase of shares (US\$6 million) in the privatized national telecommunication company.

in 1998, owing, in part, to Cape Verde's drawing on a new World Bank credit facility (Economic Reforms Support Operation, ERSO). Amortization has risen correspondingly, as the stock of debt has increased. Also, several important loans' grace periods expired.

### F. External Debt

49. Cape Verde's increasing reliance on externally financed deficits stems from the trend increase of total outstanding external debt (Tables 39, 42, and Figure 5), from CVEsc 11.5 billion (US\$143.5 million or 39.5 percent of GDP) in 1993 to CVEsc 22.5 billion (US\$23 million or 46.2 percent) in 1998—with the relatively lowest amount of outstanding debt being recorded in 1995. The increase is, in part, the consequence of the government's efforts made to reschedule external arrears. Last year's figure is roughly in line with the one recorded in 1992 (46.5 percent of GDP). Most of the external debt was contracted on concessional terms—all of the new loans in 1998 were—and incurred primarily with multilateral institutions, the debt to whom accounts for more than three-fourths of the total.

50. Of the 1998 amount of external debt, CVEsc 855 million (US\$9 million or 1.8 percent of GDP) represented arrears on principal and interests (Table 41)—compared to CVEsc 955 million (US\$ 10 million or 2.1 percent of GDP) at end-1997 and CVEsc 2.1 billion (US\$ 25 million or 5.2 percent of GDP) at end-1996. By 1996, the arrears situation—as depicted in the figure to the right—had deteriorated to a point that made the major debt-rescheduling operation 1997–99 a policy of paramount importance. With an increasing stock of debt after 1995, debt-service payments increased accordingly, with a one-year delay. The concessional nature of the new external debt, which was incurred in 1997 and 1998, is reflected in the declining ratio of debt-service payments to GDP: it fell from 2.8 percent of GDP in 1997 to 2.7 percent in 1998, despite the increase the external debt-to-GDP ratio.



Sources: Cape Verdean authorities; and staff estimates.

## VI. STRUCTURAL REFORMS

51. *The government continued its comprehensive program of structural adjustments. In 1998, it launched its World Bank-supported privatization program that aims at transferring the ownership of 27 state-owned enterprises. Concomitantly, all remaining quantitative import restrictions were removed and a social emergency fund created.*

### A. The National Development Plan 1997–2000

52. With the conclusion of the initial transition phase during the mid-1990s, the government outlined its fundamental medium-term goals in an ambitious national



development plan for the 1997–2000 period. The policies outlined in this plan are designed to achieve and maintain internal and external equilibria in the economy and to support and strengthen the private sector—in both a socially and environmentally sustainable manner. To that end, the government endeavored to pursue comprehensive reform programs to (1) modernize public administration, (2) develop land and natural resources, (3) improve economic and transportation infrastructure, (4) promote human and social development, and (5) strengthen and consolidate democracy in Cape Verde.<sup>28</sup>

### **B. The Privatization Program**

53. Within this broader framework, Cape Verde's economy currently finds itself in the midst of a comprehensive privatization program. The transfer of ownership of its publicly-held enterprises (see Box 5)—implemented in close coordination with the World Bank—is to provide about 45 percent of the contributions to the trust fund.<sup>29</sup> But this program is also a vehicle for the government to demonstrate, both to Cape Verdeans and the international donor community, its commitment to give up the direct control over most economic activities. Following the completion of the privatization process, which is expected to raise annual revenues averaging approximately 3½ percent of GDP during the 1998–2002 period; the government will control only the post office and the social security agency. It will, however, retain a minority shares in the public utilities and the banks.

### **C. Trade Liberalization**

54. The government continues to open the domestic market, exposing it to both internal and external competition. The encouragement of internal competition is, for instance, symbolized by the reforms to the procurement company EMPA,<sup>30</sup> which is not only being privatized but also—effective January 1, 1999—disposed of its remaining import monopolies of sugar, oils, corn, and rice. These changes were introduced in the context of a broader trade liberalization program, centered around a new trade law that replaced all remaining

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<sup>28</sup> See Ministry of Economic Coordination, *The National Development Plan 1997–2000: Dynamic Integration of Cape Verde into the World Economy* (Praia: Republic of Cape Verde), 1997.

<sup>29</sup> Both domestic and external disbursements to the trust fund were delayed for mainly administrative reasons, both largely beyond the control of the government. The US\$29 million contributions in 1998 were thus below the initial expectations of US\$95 million. This obliged the authorities to postpone the debt-conversion operation until 1999.

<sup>30</sup> EMPA, which is being transformed into an—ultimately private—import-and-distribution company, enjoyed the monopoly over the import of a—gradually declining—number of key commodities, mainly food items. Moreover, EMPA had been selling the staple commodities obtained through food grants at international prices, the profits of which were transferred to the treasury for the purpose of financing the government's labor-intensive public works programs.

### Box 5. Cape Verde's Accelerated Privatization Program 1998-2002

With the timely implementation of its privatization program, the government is pursuing two overriding goals, viz., (1) to increase the role of the private sector in the Cape Verdean economy, and (2) to be able to provide the committed US\$80 million in domestic financial resources to the trust fund, which supports the country's large domestic debt-reduction operation. The offer for sale of all the enterprises listed below has either occurred or is scheduled to start during the course of 1999 and 2000. The full proceeds of these transactions, however, are expected to be received over the five-year period between 1998 and 2002, averaging about 3½ percent of GDP per annum throughout this period—with the largest revenues projected for 1999 (about 7 percent of GDP) and 2000 (about 8 percent of GDP).

| Cash Flow <sup>1</sup><br>(1998-2002)              | Enterprise     | Sector                | Sales <sup>2</sup><br>(In 1997) | Wages <sup>2</sup><br>(In 1997) |
|--|----------------|-----------------------|---------------------------------|---------------------------------|
| (In millions of Cape Verde escudos)                |                |                       |                                 |                                 |
| <i>I. Companies privatized in 1998</i>             |                |                       |                                 |                                 |
| ●○○○○  | FAMA           | Pasta                 | 97                              | 13                              |
| ●○○○○  | MOAVE          | Flour                 | 447                             | 39                              |
| ●○○○○  | SONACOR        | Maintenance           | 31                              | 38                              |
| <i>II. Companies to be privatized in 1999-2000</i> |                |                       |                                 |                                 |
| ●●○○○  | ANV            | Travel                | 33                              | 32                              |
| ○●○○○  | ARCA VERDE     | Maritime              | 215                             | 94                              |
| ○●●○○  | BCA            | Bank                  | ...                             | ...                             |
| ○●●○○  | CABNAVE/CABMAR | Shipyard              | 286                             | 158                             |
| ○●●○○  | CECV           | Bank                  | ...                             | ...                             |
| ○○●○○  | CERIS          | Beverage              | 933                             | 125                             |
| ○○●○○  | CORREIOS       | Post                  | 174                             | 162                             |
| ○○●○○  | CSLINE         | Shipping              | ...                             | ...                             |
| ○●○○○  | CVC            | Construction          | 298                             | 76                              |
| ●●●○○  | CVTELECOM      | Telecom               | 2,456                           | 421                             |
| ○●●○○  | ELECTRA        | Electricity           | 1,187                           | 290                             |
| ○●●○○  | EMPA           | Procurement           | 4,983                           | 467                             |
| ○○●○○  | EMPROFAC       | Pharmaceutical        | 556                             | 41                              |
| ○●○○○  | ENACOL         | Petroleum             | 1,236                           | 152                             |
| ○○●○○  | ENAPOR         | Port administration   | 946                             | 41                              |
| ○●○○○  | GARANTIA       | Insurance             | 352                             | 58                              |
| ○●○○○  | INERF          | Rural works           | ...                             | ...                             |
| ○○●○○  | INTERBASE      | Fish marketing        | 55                              | 42                              |
| ●●○○○  | INTERBETAO     | Construction          | ...                             | ...                             |
| ●●●○○  | OFICINAS       | Repair shop           | ...                             | ...                             |
| ○●●○○  | PROMOTORA      | Venture capital       | ...                             | ...                             |
| ○○●○○  | SEA INVEST     | Shipping              | ...                             | ...                             |
| ○●●○○  | TACV           | Airline               | 4,152                           | 848                             |
| ○●○○○  | TRANSCOR       | Public transportation | 300                             | 150                             |

1. Expected privatization revenues, net of retrenchment costs, for the entire 1998-2002 period. ● refers to years with expected cash flows to the government, ○ for years with none. Revenue estimates were made by the privatization agency, GARSEE (Gabinete de Apoio à Reestruturação do Sector Empresarial do Estado).

2. For SONACOR, sales and wage figures are for 1996.

quantitative export restrictions with revised customs duties.<sup>31</sup> These changes became effective on January 1, 1999, including new duties that, temporarily, provide significant protection for certain domestically produced goods. The average (unweighted) tariff rate of the 5,701 products listed under the new customs regime—with now only a few different rates—is close to 20 percent. This represents an increase in tariff protection by an average of about 5 percentage points.

#### **D. Social Policies**

55. Antipoverty policies and the building of social infrastructure occupy a central place within the government's overall program of economic liberalization. The national development plan includes as a pivotal component a Poverty Alleviation Program (PAP) primarily targeted towards (1) women heading households, (2) young unemployed, (3) "disadvantaged groups" as specified in the PAP and (4) workers that have become dependent on the government's food-for-work programs. Community-based and organizationally inclusive, the antipoverty policies, as documented in several World Bank documents, aim at fighting the causes (rather than the symptoms) of poverty, thereby attempting to show the participants and their children a possible way out of their destitute situations. Food-for-work programs continue to complement the PAP and represent an indispensable safety net of last resort for the poor.

56. As the country is particularly exposed to climatic vicissitudes and natural disasters—the latest example being the severe autumn drought of 1998, which has all but destroyed agricultural production on several islands—the government responded by establishing a special emergency fund, the Fundo Especial de Estabilização e Desenvolvimento (FEED), from which to draw on in cases of droughts, floods, volcanic eruptions, or epidemics. The FEED, legally established in August 1998, will be financed through privatization revenues and from a 5 percent share of trust fund earnings. Its initial operation will be an emergency public works program in 1999, targeted at alleviating the socioeconomic impact of the previous year's drought on some of the most disadvantaged members of Cape Verdean society.

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<sup>31</sup> Products affected by this law include meat, yogurt, tomatoes, onions, bread, beer, paint, soap and detergents, and furniture.

## HAS CAPE VERDE'S STRUCTURAL ADJUSTMENT PROGRAM LED TO AN INCREASE IN INTERNATIONAL COMPETITIVENESS?

57. *The Cape Verdean authorities have placed particular emphasis on promoting the country's economic and social development through the expansion of its traditionally very narrow export base. In order to succeed in selling goods and services "made in Cape Verde" on foreign markets and, subsequently, in increasing the country's prosperity over the longer term, a large fraction of the export growth needed to be quality rather than price driven. The study of several international competitiveness indicators—real exchange rates, wage-price developments, international market shares—appears to reinforce the appropriateness of the government's development approach. While the international price competitiveness indicators showed some deterioration in 1996 and 1997, they have receded to their long-run averages in 1998. Furthermore, Cape Verdean exporters, with diversified products, managed to double their world market share during the period 1993–97.*

### I. INTRODUCTION

58. With the adoption of the National Development Plan 1997–2000 (NDP), the authorities in Praia have sought to overcome their country's structural weaknesses by means of liberalizing its trade to accomplish—as the document's subtitle insinuates—"Cape Verde's dynamic insertion into the world economy." The economic reforms delineated in this policy blueprint were designed to raise Cape Verdeans' standards of living within the constraints of maintaining both the economy's internal and external balances. Subsequently (to secure increases in productivity and, ultimately, prosperity), the government placed considerable importance on reform policies that would broaden the country's traditionally narrow export base. This emphasis was crucial, given the authorities' decision to impose the rigidities and discipline of a nominal, single-currency exchange rate peg on their economy. Hence, the ultimate success of the government's comprehensive reform program hinges on the consistent improvement of Cape Verde's international competitiveness. This chapter will review the indicators and assess whether some progress has been made in achieving this goal.

59. Several authors—most notably Krugman (1994 and 1996)—have stressed the complexity, if not impossibility, of applying the competitiveness concept to countries as a whole, a viewpoint that has been justified mainly by the argument that countries have no independent utility functions of their own. Firms' objectives, by contrast, are easily quantifiable, and an ensuing, but misplaced analogy of the competition among firms and nations has, according to this argument, led to inappropriate policies. However, approaching the competitiveness concept—analogue to the utility axiom—as the analysis of the factors that (1) are amenable to being influenced by economic policy and (2) affect the economic performance of export-oriented businesses, it is possible to—at least—qualitatively argue whether an economic environment, in which these firms operate, has become more favorable for the purpose of generating export revenues. The problems of absolute competitiveness comparisons among nations could thus be circumvented. And, depending on whether the

changes in the underlying factors are price or quality driven, some indications can be derived as to the temporary or permanent nature of the changes to a country's competitive environment.

60. Notwithstanding the fact that there is no generally accepted definition (never mind a single indicator), which would capture the very essence of "international competitiveness," this chapter tries to obtain some insights into the development of Cape Verde's ability to generate earnings from the export of goods and nonfactor services to foreign markets by analysing several definitions of complementary variables affecting the country's external competitiveness. The structure, in which the forthcoming argument will be presented, is influenced by the NDP's introductory statement, according to which the plan's economic policies are driven by the long-run objective of ensuring the "self-sustained economic and social development" of Cape Verde. As a result, the evaluation of Cape Verde's evolving competitiveness will be decomposed into the study of variables affecting (1) the internal balance (i.e., minimal unemployment at a given level of inflation), (2) the external one (i.e., the realization of a sustainable current account balance), and (3) the gains in productivity and international market shares.

## II. THE ANALYTICAL FRAMEWORK

61. As has been argued on various occasions (see, for instance, Corden (1994) and Boltho (1996)), the economic variables subsumed under (1) and (2) could stand in a relationship of tension with those in (3). An "overly competitive" situation stemming from advantages in terms of declining unit labor costs—in itself or relative to countries with "competing" industries—or depreciating real effective exchange rates can usually only be maintained in the short term. The continuous pursuit of labor cost- and/or exchange rate-suppressing policies is hampered by their declining marginal benefits and increasing marginal costs (both in terms of domestic purchasing power and inflationary pressures). Moreover, if these policies are employed repeatedly, they become detrimental to the long-run goal of rising living standards. Inversely, policies aimed at protecting an "uncompetitive" environment are counter-productive as well. These exist, either if a full-employment economy runs unsustainably large current-account deficits (which, eventually, would lead to situations requiring the devaluation of the local currency and the concomitant pursuit of tighter monetary and/or fiscal policies) or if governments continue to defend an "overvalued" exchange rate. The latter policies would lead, if ineffective, to financial crises or, if sustained, to the permanent loss of markets, declining international market shares, and rising unemployment rates.

62. Consequently, as a first step into the analysis of Cape Verde's evolving competitiveness, the study will touch on the discussion of the adequacy of the country's exchange rate peg. While being a useful tool, international price competitiveness indicators—as has been argued, for instance, by Turner and Golub (1997)—are insufficient for a concluding assessment of the appropriate exchange rate level, mainly because of the

statistics' a priori abstraction from any nonprice (i.e., productivity or quality) aspects, which also affect a country's ability to sell its products in foreign markets.<sup>32</sup> However, as a "preliminary" step and complementary tool, the analysis of the relative price changes is meaningful and will be undertaken in Section III. It considers both the real exchange rates and the wage-price developments characterizing Cape Verde's labor market. Its results will form the basis for the subsequent discussion of the possible productivity gains measured in terms of the country's capacity to produce higher-quality products (Section IV). This had been an explicit goal set out in the NDP when promoting policies aimed at fostering Cape Verde's "self-sustained economic and social development."<sup>33</sup> For more specialized, higher-quality products, the pertinent price elasticities of demand decrease, thus leading to a reduced variability in export volumes in times of rising relative prices and, consequently, to an overall terms-of-trade improvement. Such a development is pivotally important for any country that attempts to escape the need for continuously declining real wage and exchange rates. To account for quality driven improvements in competitiveness, international trade patterns and long-term shifts in market shares will be included in the competitiveness analysis. Concluding comments will be made in Section V.

### III. MEASURES OF INTERNATIONAL PRICE AND RELATIVE COST COMPETITIVENESS

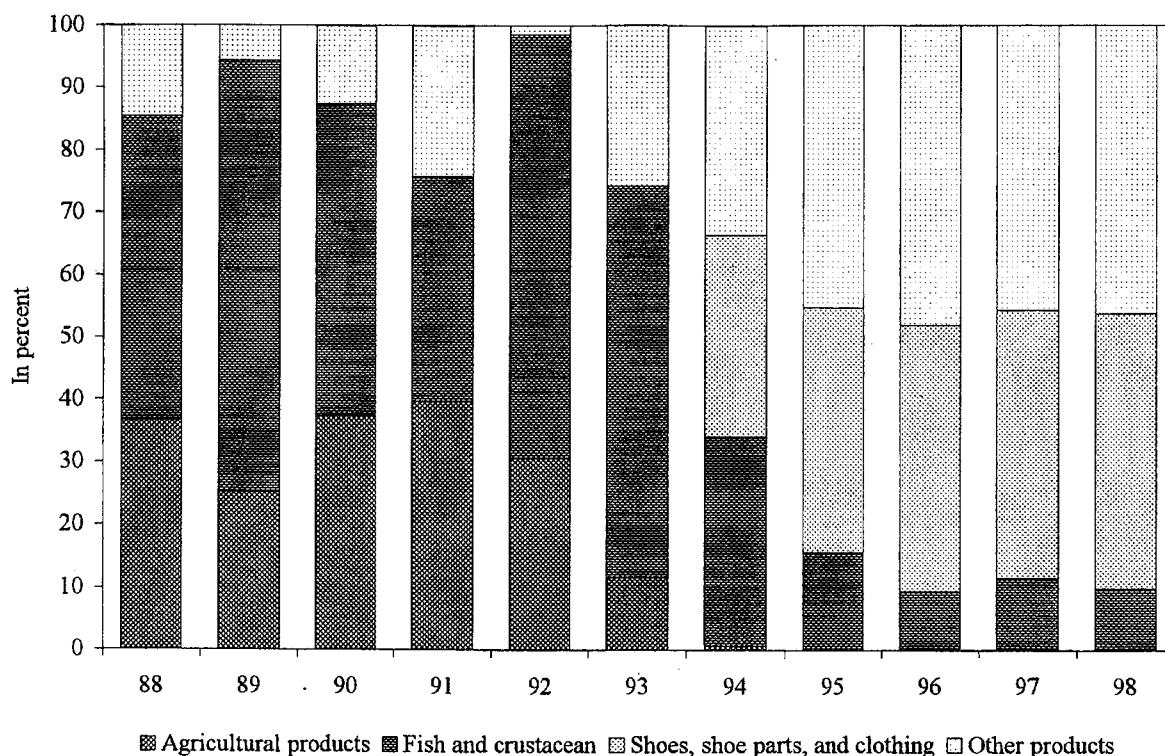
63. The dramatic changes to the global trade regime that have occurred during the 1990s have led to an increase of "competition" among countries seeking the establishment of trade relations and foreign direct investment. The extraordinary innovations in the information technology sector that enabled firms to instantaneously transmit data and documents very inexpensively have accelerated the degree of business mobility, which had already been expedited by the emergence of large free-trade zones, the deregulation of air travel, and the low-wage competition from recently industrialized economies. In the wake of corporations' supranational approaches to production and distribution, global business and investment opportunities have become a function of exchange rates, wage levels, taxes, regulations, and other non-economic factors. Given the considerable improvements to Cape Verde's structural

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<sup>32</sup> A real appreciation could stem from a relative increase in the demand for domestic goods, reflecting, for instance, an improvement of the products' quality, or simply point towards an overvaluation of a country's currency. For a comprehensive discussion of competitiveness indicators as a tool for the assessment of the appropriateness of exchange rate levels, see also Artus and Knight (1984).

<sup>33</sup> In a recent publication, the Organization of Economic Development and Cooperation has—in an attempt to capture both the price and productivity elements—proposed a "working definition of national competitiveness" that appears particularly applicable for the present purpose. "Competitiveness for a nation," according to this definition, "is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining and expanding the real income of its people" (OECD, 1992, p. 242).

Figure 7. Cape Verde: Composition of Exports, 1988-98



Sources: Cape Verdean authorities; and staff estimates.

superstructure—in terms of property rights, tax incentives, and exchange rate policies—price considerations have marginally gained in the importance as key parameters deciding on Cape Verde as a country of business and investment.

### A. The Composition and Destination of Exports

64. Figure 7 shows the degree to which the structural reforms that substantiated the process of trade liberalization have already led to a fundamental change in Cape Verdean sales to foreign markets, both in terms of composition and destination. Its firms managed to increasingly sell goods produced in the secondary sector—particularly shoes, shoe parts, and clothes. Correspondingly, the exports of fish, crustaceans, and agricultural products have—both in relative and absolute terms—decreased. At the beginning of the decade, the primary sector exports represented close to nine-tenth of overall shipments abroad (excluding fuel reexports), at the end of it, they shrunk to about one-tenth. The process of export diversification—also reflected in the evolving composition of the countries of export destination—signifies the progress that has already been made by the authorities in expanding its economy’s productive base. Both Tables 1 (with data originating from the statistical bureaus of the respective export-destination countries) and 35 (with data provided by the Cape Verdean authorities) and show relatively stable trade relations with developing

Table 1. Cape Verde: Destination of Exports, 1988-97

|                               | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|
| (In millions of U.S. dollars) |      |      |      |      |      |      |      |      |      |      |
| World                         | 7    | 7    | 7    | 6    | 13   | 13   | 7    | 15   | 19   | 21   |
| Industrial countries          | 3    | 6    | 7    | 5    | 6    | 9    | 6    | 10   | 15   | 17   |
| European Union                | 3    | 4    | 7    | 5    | 6    | 3    | 5    | 10   | 15   | 17   |
| <i>Of which: Portugal</i>     | 2    | 2    | 2    | 3    | 3    | 2    | 3    | 7    | 10   | 10   |
| Others                        | 0    | 2    | 0    | 0    | 1    | 6    | 1    | 1    | 1    | 1    |
| Developing countries          | 4    | 1    | 0    | 1    | 6    | 4    | 1    | 4    | 3    | 3    |
| (In percent)                  |      |      |      |      |      |      |      |      |      |      |
| World                         | 100  | 100  | 100  | 100  | 100  | 100  | 100  | 100  | 100  | 100  |
| Industrial countries          | 43   | 86   | 100  | 83   | 46   | 69   | 86   | 67   | 79   | 81   |
| European Union                | 43   | 57   | 100  | 83   | 46   | 23   | 71   | 67   | 79   | 81   |
| <i>Of which: Portugal</i>     | 29   | 29   | 29   | 50   | 23   | 15   | 43   | 47   | 53   | 48   |
| Others                        | 0    | 29   | 0    | 0    | 8    | 46   | 14   | 7    | 5    | 5    |
| Developing countries          | 57   | 14   | 0    | 17   | 46   | 31   | 14   | 27   | 16   | 14   |

Source: IMF's *Direction of Trade Statistics*.

countries and an expanding trend towards exporting goods to industrial countries (and among them, particularly, to Portugal and the other members of the European Union).<sup>34</sup>

### B. Estimates of the Real Exchange Rate

65. The particularity in Cape Verde's trade pattern makes the analysis of two definitions of international price competitiveness especially interesting—the traditional trade-weighted real effective exchange rate as well as the development of the real exchange rate vis-à-vis the Portuguese escudo.<sup>35</sup> While the former relationship reflects overall changes in relative prices,

<sup>34</sup> The difference in export values is largely the result of the different treatment by the Cape Verdean and foreign statistical bureaus of the fuel reexports to foreign ships and aircraft.

<sup>35</sup> The real exchange rate,  $\epsilon$ , is defined as  $(e/p)^f p^{-1}$ , where  $e$  is the nominal exchange rate (measured as foreign currency per unit of domestic currency), and  $p$  and  $^f p$  the domestic and foreign price levels, respectively. In the case of the real effective exchange rate,  $e$  and  $^f p$  are the weighted averages of bilateral nominal exchange rates and the foreign trading partners' prices, respectively. Since competitiveness is thus defined in terms of the relative price of continued



the latter one signifies the development of Cape Verde's price (dis-)advantages vis-à-vis its main market and allows for some preliminary conclusions about the current exchange rate peg.

66. Figure 8 shows that the real effective exchange rate, between 1990 and 1996, was relatively constant, with very rare oscillations beyond a  $\pm 5$  percent range from its 1990 average. In 1997, however, it deteriorated considerably, partly in reaction to the government's difficulty in controlling fiscal spending (with the corresponding consequences on prices, reserves, and investors' confidence; see main text). By mid-1997, the real exchange rate had appreciated far beyond the band within which it had previously fluctuated. Fiscal and monetary tightening in 1998, the nominal devaluation of 6 percent vis-à-vis a currency basket in end-March 1998, and the switch to a single-currency peg with the Portuguese escudo in early July 1998 seem to have proven sufficient to bring the real exchange rate back towards its long-run average. In more recent developments, the inflationary blip in the final quarter of 1998 (see Chapter II, Section C in the main text)—as well as its receding in early 1999—are clearly visible in the real exchange rate charts, signifying an overall return to its long-run trend.

67. Despite some variability in the bilateral rates, Cape Verde's international price competitiveness vis-à-vis its main trading partner showed an improving trend during the 1990–96 period. Apart from the reasons given above, the relatively more pronounced deterioration of Cape Verde's bilateral price competitiveness in 1997 largely reflected Portugal's fiscal pre-Maastricht adjustment program.<sup>36</sup> While the one-year lag between Cape Verde's fiscal consolidation (which started in 1998) and the one pursued by all the future member countries of the euro zone<sup>37</sup> represents the most important explanation behind the considerable real exchange rate deterioration in 1997, but it also serves as an important

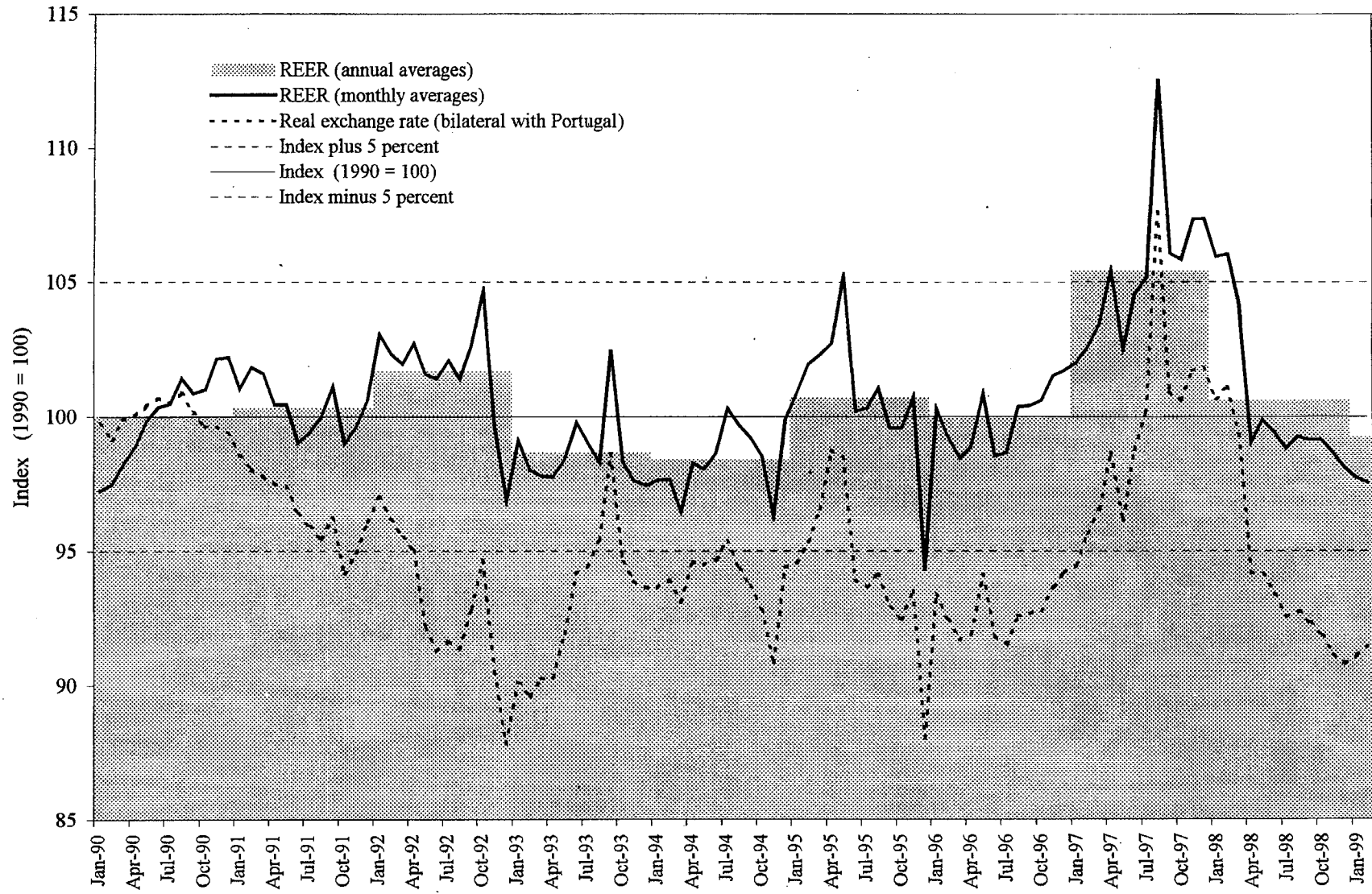
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foreign goods in terms of domestic goods, a decrease in the indicator represents an improvement in competitiveness.

<sup>36</sup> Portugal, which supports Cape Verde's exchange-rate peg with the Portuguese escudo (and its successor currency) through a precautionary credit facility—jointly managed by both governments through the Comissão do Accordo de Cooperação Cambial (COMACC)—has accordingly requested that Cape Verde adhere to the so-called Maastricht criteria.

<sup>37</sup> The currency basket determining the real effective exchange rate is, to almost 78 percent, comprised of euro predecessor currencies. The Portuguese escudo represents 41 percent, the French franc 9.4 percent, the Dutch guilder 7.6 percent, the Deutsche mark 7.3 percent, the Spanish peseta 6.2 percent, the Italian lira 3.6 percent, and the Belgian franc 2.8 percent. The remaining currencies are the ones of the United States (5.8 percent), Japan (5.1 percent), the United Kingdom (5 percent), Sweden (2.8 percent), Canada (1.9 percent), and China (1.5 percent).

Figure 8. Cape Verde: Real Effective Exchange Rates, January 1990 - February 1999



reminder that the Cape Verdeans' fiscal space of manoeuvre has shrunk as a result of the currency peg with the Portuguese escudo (and its successor currency) in mid-1998.

### C. Recent Wage Developments in Cape Verde

68. The main economic among the various other factors inducing foreign companies to invest in Cape Verde are—next to the country's political stability and its comparatively large degree of social tranquility—the relatively low labor costs. Still, these typically represent the largest domestic cost component of inward investments and thus are closely observed by potential investors, even more so in view of the advanced stage of the country's accelerated privatization program (see Box 5 in the main text). As shown in both Figure 9 and Table 2, wage levels have fluctuated considerably during the seven-year transition period from the central plan to its current market-based framework. The initial volatility in the real wages determined by the new free market environment has started to subside (in about 1997)—with a far greater degree of uniformity across the various professions and more gradual adjustments in remuneration. The instability of relative wages during 1991–96 mirrors the evolution of the economy's stagnant and dynamic sectors described in the main text's Chapter II. The real wages in the expanding sectors (construction and services) have experienced significant rises—during the period 1990–98, they about doubled for bricklayers, master carpenters, painters as well as for servants and store manager— while those in stagnant sectors and among low-skill occupations tended to decline (e.g., diggers, workers, clerks, and car drivers).

69. During the latter half of the 1990s, average real wages have, however, increased steadily, in 1996 and 1997 even considerably, resulting in a modest erosion of Cape Verde's price competitiveness.<sup>38</sup> By contrast, real wages stagnated or even declined in 1998 (with the notable exceptions of those paid to bricklayers, mechanics, painters, and pavers), indicating that the decline of Cape Verde's wage price competitiveness has, at least, been stopped, if not reversed. The countercyclical wage price movements of the aforementioned “boom” professions reflect the high demand for construction-related personnel. Given that these are part of the nontradable sectors of the economy, their influence on Cape Verde's relative price competitiveness remained limited.

## IV. MEASURES OF RELATIVE PRODUCTIVITY AND INTERNATIONAL MARKET SHARES

70. Notwithstanding the absence of large advantages in price competitiveness, Cape Verde's exports showed a remarkable trend increase, both in absolute and relative terms. As described in the main text's Chapter V, the export realizations in 1998 were impeded by an unfortunate series of exogenous—and likely temporary—shocks such as (1) the unusually cold waters reducing the stock of fish and crustaceans in its fishing grounds, (2) expansion

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<sup>38</sup> Increases of wages paid in the public sector, adjusted for consumer prices, have steadily declined after 1994 (Table 13)

Table 2. Level of Monthly Wages by Occupation, 1990-98

|                                | 1990   | 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (In U.S. dollars)              |        |        |        |        |        |        |        |        |        |
| Baker                          | 108.2  | 174.7  | 281.9  | 100.5  | 98.7   | 110.0  | 139.8  | 126.4  | 120.0  |
| Bricklayer                     | 120.7  | 133.6  | 220.8  | 146.2  | 143.6  | 142.8  | 205.0  | 247.9  | 313.6  |
| Car driver                     | 153.7  | 174.7  | 211.2  | 198.2  | 194.6  | 200.2  | 186.3  | 189.9  | 188.2  |
| Carpenter                      | 131.0  | 162.1  | 220.8  | 183.5  | 180.3  | 200.2  | 186.3  | 173.8  | 169.6  |
| Carpenter's assistant          | 70.9   | 69.6   | 81.5   | 82.7   | 97.3   | 105.2  | 111.9  | 111.6  | 110.6  |
| Cashier (commerce)             | 199.9  | 275.0  | 324.3  | 274.3  | 269.4  | 250.4  | 251.7  | 306.2  | 297.8  |
| Clerk                          | 299.5  | 355.8  | 435.7  | ...    | ...    | 360.7  | 247.0  | 225.6  | 214.1  |
| Digger                         | 89.1   | 87.3   | 107.3  | 90.8   | 89.1   | 105.2  | 111.9  | 116.5  | 118.1  |
| Foreman                        | 124.7  | 122.3  | 166.4  | 140.7  | 138.2  | 240.5  | 279.7  | 272.7  | 270.5  |
| Kneader                        | 64.3   | 67.9   | 71.3   | 72.4   | 93.1   | 105.2  | 134.8  | 124.0  | 124.7  |
| Locksmith                      | 171.5  | 168.2  | 184.4  | 156.0  | 163.0  | 285.5  | 195.8  | 185.9  | 188.7  |
| Master carpenter               | 131.0  | 143.6  | 173.2  | ...    | ...    | 225.4  | 223.8  | 285.1  | 352.9  |
| Master mason                   | 161.6  | 197.3  | 350.8  | ...    | ...    | 240.5  | 326.1  | 357.0  | 338.7  |
| Mechanic                       | 219.7  | 228.7  | 284.6  | 240.7  | 239.2  | 285.5  | 223.8  | 224.6  | 250.8  |
| Painter                        | 90.0   | 124.5  | 242.1  | 215.4  | 225.9  | 180.3  | 186.3  | 198.3  | 215.5  |
| Paver                          | 64.3   | 63.1   | 93.7   | 85.6   | 93.4   | 110.0  | 111.9  | 124.7  | 142.8  |
| Porter                         | ...    | ...    | ...    | 70.9   | 77.9   | 0.0    | 111.9  | 124.5  | 124.7  |
| Sales clerk (commerce)         | 157.3  | 178.9  | 214.0  | 180.9  | 177.7  | 200.5  | 195.8  | 181.0  | 175.2  |
| Servant                        | 33.0   | 48.5   | 50.9   | 57.4   | 65.7   | 90.2   | 139.8  | 128.9  | 129.4  |
| Store assistant (commerce)     | 87.1   | 131.3  | 189.8  | ...    | ...    | 250.4  | 234.9  | 210.0  | 199.9  |
| Store head (commerce)          | 155.0  | 280.1  | 326.0  | 275.7  | 270.8  | 300.6  | 512.7  | 471.0  | 465.8  |
| Street sweeper                 | 46.2   | 58.2   | 61.1   | 57.4   | 60.9   | ...    | ...    | ...    | ...    |
| Worker                         | 92.7   | 125.2  | 131.4  | ...    | ...    | 135.3  | 139.8  | 124.0  | 124.7  |
| (In 1990's Cape Verde escudos) |        |        |        |        |        |        |        |        |        |
| Baker                          | 7,577  | 11,594 | 15,709 | 6,260  | 6,055  | 5,840  | 7,529  | 7,074  | 6,777  |
| Bricklayer                     | 8,455  | 8,867  | 12,302 | 9,104  | 8,805  | 7,579  | 11,038 | 13,870 | 17,713 |
| Car driver                     | 10,765 | 11,594 | 11,772 | 12,342 | 11,936 | 10,627 | 10,029 | 10,625 | 10,630 |
| Carpenter                      | 9,171  | 10,757 | 12,302 | 11,429 | 11,054 | 10,627 | 10,029 | 9,723  | 9,581  |
| Carpenter's assistant          | 4,967  | 4,616  | 4,542  | 5,151  | 5,968  | 5,585  | 6,023  | 6,242  | 6,245  |
| Cashier (commerce)             | 13,999 | 18,250 | 18,075 | 17,082 | 16,520 | 13,292 | 13,553 | 17,130 | 16,823 |
| Clerk                          | 20,975 | 23,618 | 24,283 | ...    | ...    | 19,148 | 13,297 | 12,622 | 12,092 |
| Digger                         | 6,237  | 5,797  | 5,981  | 5,652  | 5,466  | 5,585  | 6,023  | 6,519  | 6,671  |
| Foreman                        | 8,732  | 8,116  | 9,274  | 8,764  | 8,476  | 12,765 | 15,059 | 15,257 | 15,281 |
| Kneader                        | 4,505  | 4,509  | 3,975  | 4,507  | 5,709  | 5,585  | 7,258  | 6,935  | 7,043  |
| Locksmith                      | 12,012 | 11,165 | 10,277 | 9,712  | 9,999  | 15,159 | 10,541 | 10,403 | 10,657 |
| Master carpenter               | 9,171  | 9,533  | 9,653  | ...    | ...    | 11,968 | 12,047 | 15,951 | 19,932 |
| Master mason                   | 11,319 | 13,097 | 19,551 | ...    | ...    | 12,765 | 17,558 | 19,973 | 19,135 |
| Mechanic                       | 15,385 | 15,180 | 15,860 | 14,989 | 14,670 | 15,159 | 12,047 | 12,567 | 14,165 |
| Painter                        | 6,306  | 8,266  | 13,495 | 13,415 | 13,856 | 9,574  | 10,029 | 11,096 | 12,172 |
| Paver                          | 4,505  | 4,187  | 5,224  | 5,330  | 5,726  | 5,840  | 6,023  | 6,977  | 8,066  |
| Porter                         | ...    | ...    | ...    | 4,418  | 4,775  | ...    | 6,023  | 6,963  | 7,043  |
| Sales clerk (commerce)         | 11,019 | 11,873 | 11,924 | 11,269 | 10,898 | 10,643 | 10,541 | 10,125 | 9,900  |
| Servant                        | 2,310  | 3,221  | 2,839  | 3,577  | 4,031  | 4,787  | 7,529  | 7,213  | 7,308  |
| Store assistant (commerce)     | 6,098  | 8,717  | 10,580 | ...    | ...    | 13,292 | 12,649 | 11,748 | 11,295 |
| Store head (commerce)          | 10,857 | 18,594 | 18,169 | 17,171 | 16,607 | 15,957 | 27,603 | 26,354 | 26,310 |
| Street sweeper                 | 3,234  | 3,865  | 3,407  | 3,577  | 3,737  | ...    | ...    | ...    | ...    |
| Worker                         | 6,491  | 8,309  | 7,325  | ...    | ...    | 7,181  | 7,529  | 6,935  | 7,043  |
| (Real-wage index: 1990 = 100)  |        |        |        |        |        |        |        |        |        |
| Baker                          | 100.0  | 153.0  | 207.3  | 82.6   | 79.9   | 77.1   | 99.4   | 93.4   | 89.4   |
| Bricklayer                     | 100.0  | 104.9  | 145.5  | 107.7  | 104.1  | 89.6   | 130.6  | 164.1  | 209.5  |
| Car driver                     | 100.0  | 107.7  | 109.4  | 114.7  | 110.9  | 98.7   | 93.2   | 98.7   | 98.8   |
| Carpenter                      | 100.0  | 117.3  | 134.1  | 124.6  | 120.5  | 115.9  | 109.4  | 106.0  | 104.5  |
| Carpenter's assistant          | 100.0  | 92.9   | 91.5   | 103.7  | 120.2  | 112.5  | 121.3  | 125.7  | 125.7  |
| Cashier (commerce)             | 100.0  | 130.4  | 129.1  | 122.0  | 118.0  | 95.0   | 96.8   | 122.4  | 120.2  |
| Clerk                          | 100.0  | 112.6  | 115.8  | ...    | ...    | 91.3   | 63.4   | 60.2   | 57.7   |
| Digger                         | 100.0  | 92.9   | 95.9   | 90.6   | 87.6   | 89.5   | 96.6   | 104.5  | 107.0  |
| Foreman                        | 100.0  | 92.9   | 106.2  | 100.4  | 97.1   | 146.2  | 172.5  | 174.7  | 175.0  |
| Kneader                        | 100.0  | 100.1  | 88.2   | 100.1  | 126.7  | 124.0  | 161.1  | 154.0  | 156.3  |
| Locksmith                      | 100.0  | 92.9   | 85.6   | 80.9   | 83.2   | 126.2  | 87.8   | 86.6   | 88.7   |
| Master carpenter               | 100.0  | 104.0  | 105.3  | ...    | ...    | 130.5  | 131.4  | 173.9  | 217.3  |
| Master mason                   | 100.0  | 115.7  | 172.7  | ...    | ...    | 112.8  | 155.1  | 176.5  | 169.0  |
| Mechanic                       | 100.0  | 98.7   | 103.1  | 97.4   | 95.4   | 98.5   | 78.3   | 81.7   | 92.1   |
| Painter                        | 100.0  | 131.1  | 214.0  | 212.7  | 219.7  | 151.8  | 159.0  | 176.0  | 193.0  |
| Paver                          | 100.0  | 92.9   | 116.0  | 118.3  | 127.1  | 129.7  | 133.7  | 154.9  | 179.1  |
| Porter                         | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Sales clerk (commerce)         | 100.0  | 107.8  | 108.2  | 102.3  | 98.9   | 96.6   | 95.7   | 91.9   | 89.8   |
| Servant                        | 100.0  | 139.4  | 122.9  | 154.9  | 174.5  | 207.2  | 325.9  | 312.2  | 316.4  |
| Store assistant (commerce)     | 100.0  | 142.9  | 173.5  | 0.0    | 0.0    | 218.0  | 207.4  | 192.6  | 185.2  |
| Store head (commerce)          | 100.0  | 171.3  | 167.4  | 158.2  | 153.0  | 147.0  | 254.2  | 242.7  | 242.3  |
| Worker                         | 100.0  | 128.0  | 112.8  | ...    | ...    | 110.6  | 116.0  | 106.8  | 108.5  |

Sources: Cape Verdean authorities; and staff estimates.

Figure 9. Cape Verde: Real Annual Wage Increase by Profession, 1991-98

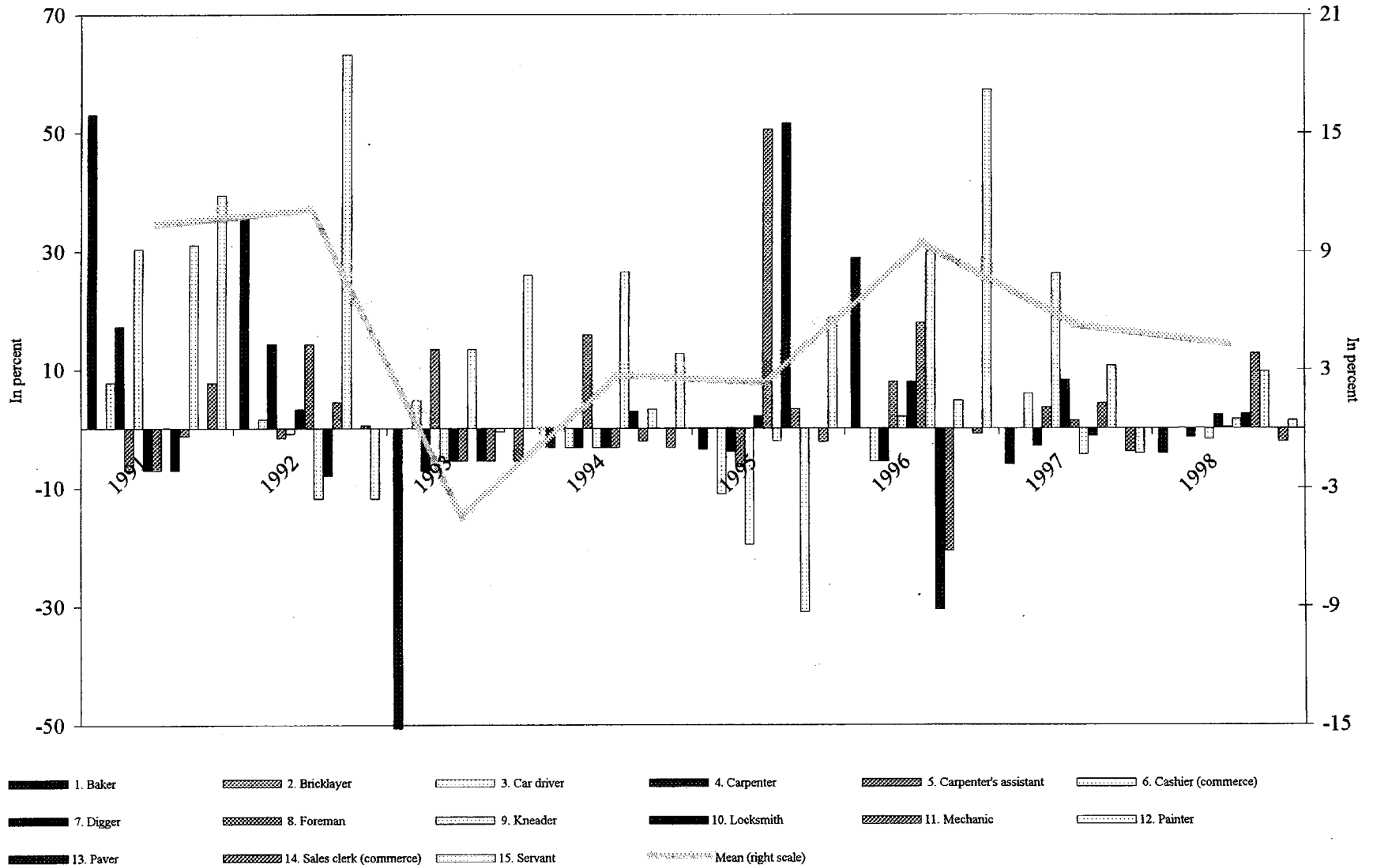
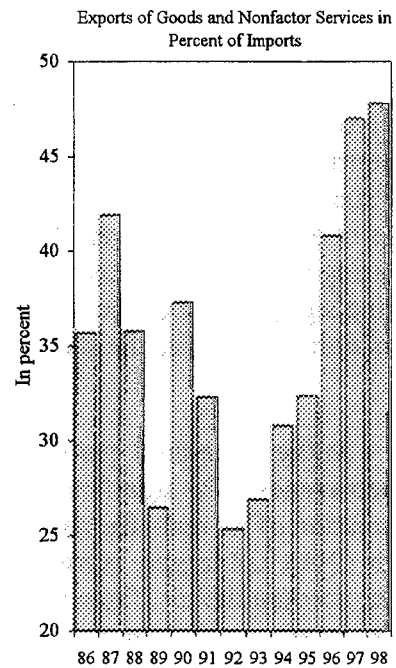
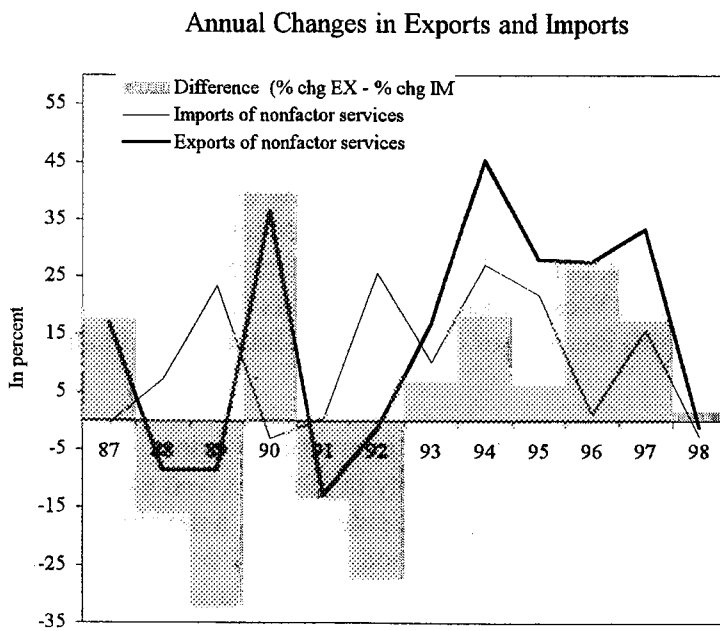
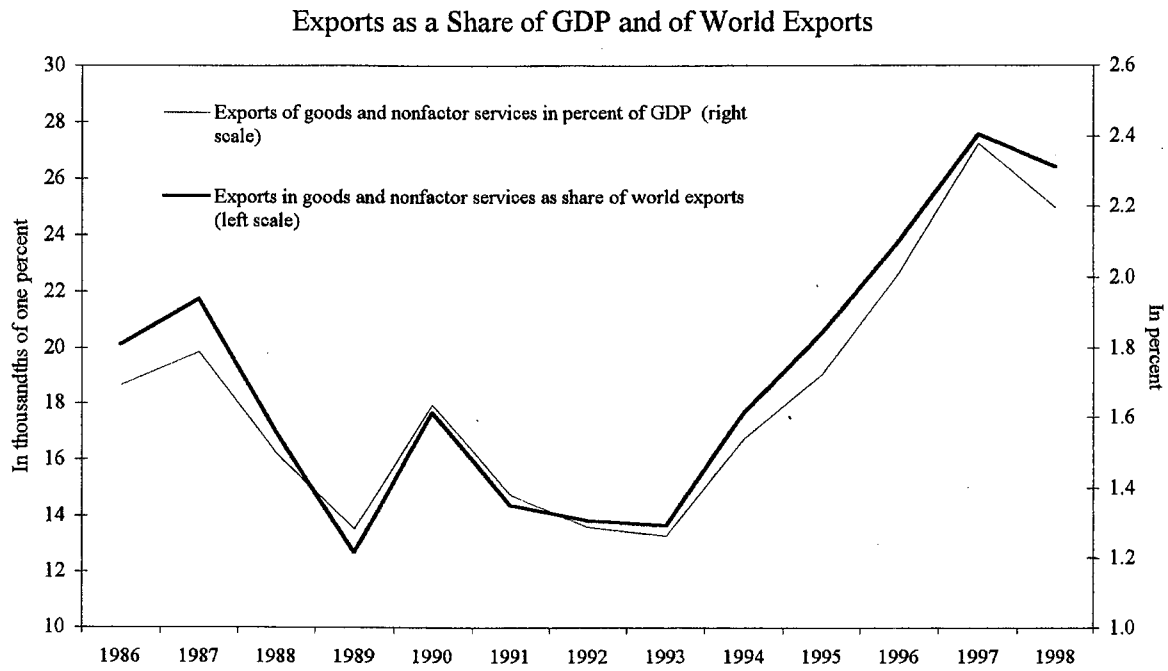


Figure 10. Cape Verde: Relative Export Performance, 1986-98



Sources: Cape Verdean authorities; IMF's *Direction of Trade Statistics*; and staff estimates.

related interruptions in the production export-oriented goods, (3) declining fuel reexports following a neighboring country's civil war, (4) an important airline's cancellation of flights to and from Sal, and (5) a severe drought destroying a large part of its agricultural harvest.

71. Figure 10 shows that in every years since 1991, the growth rates in the export of goods and nonfactor services exceeded the corresponding figure for imports (see also Tables 30-34). Consequently, the sales of goods and services consistently pay for a larger fraction of imports, with its value having increased from about a quarter in 1992 to almost one half in 1997 and 1998—despite the uniquely difficult situation in 1998.

72. The clearest indication of the increasing quality of Cape Verdean products is its performance relative to other countries. Between 1993 and 1997, its firms doubled the international market share, from about 14 one-thousandth of one percent to 28 one-thousandth of one percent of world exports. The country's share of world exports, therefore, not only exceeds its share of world population (about 8 one-thousandth of one percent), but it also highlights the dynamism in the development of viable private sector production in Cape Verde. Exports of goods and nonfactor services as a fraction of GDP has almost doubled as well, growing from about 1.2 percent in 1993 to close to 2.4 percent in 1997.

#### **V. CHANGES IN CAPE VERDE'S INTERNATIONAL COMPETITIVENESS: A PRELIMINARY RÉSUMÉ**

73. Cape Verde finds itself in the midst of a comprehensive program of economic decentralization, liberalization, and modernization. Despite the many changes that have occurred and the many difficulties that the authorities encountered en route, the various competitiveness indicators analysed above appear to indicate that Cape Verde has indeed some success in promoting the expansion of its traditionally very narrow export base by means of export diversification and quality increases. This success is reflected in the increasing importance of secondary sector and, particularly, tertiary sector exports, the growing significance of the heavily competed Western European markets as export destinations, as well as the steady (and rapid) increase of Cape Verde's international market share.

74. At the same time, the negative shocks to Cape Verde's international price competitiveness (the significant real wage increases, particularly in 1996, as well as the large appreciation of its real effective exchange rate until the Cape Verde escudo's devaluation in March 1998) had largely subsided by the end of 1998. In addition, the trend decrease in its current account deficit (financed by workers' remittances), decelerating inflation rates, and the increase in net foreign assets of the banking system in 1998—a period, in which the banks paid down about eight-tenths of the foreign exchange queue—indicate that the economy has started to settle into an external equilibrium. Without large additional improvements in relative prices, neither in terms of the real exchange rate nor as a result of declining labor costs, the improvement in Cape Verde's international competitiveness appears to stem from the structural adjustments and the resultant advancements in quality and

productivity. If substantiated in the coming years, the NDP's goal of securing economic and social development through the promotion of international competitiveness appears attainable, indeed promising for a country long inhibited by substantial structural weaknesses.



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Table 3. Cape Verde: Sources and Uses of Resources, 1991-98

|   | 1991   | 1992   | 1993    | 1994    | 1995    | 1996    | 1997    | 1998    |
|---|--------|--------|---------|---------|---------|---------|---------|---------|
| (In millions of Cape Verde escudos; unless otherwise indicated) |        |        |         |         |         |         |         |         |
| Gross domestic product  | 22,806 | 24,353 | 29,215  | 33,641  | 37,864  | 40,638  | 45,101  | 48,667  |
| Percentage change   | 5.8    | 6.8    | 20.0    | 15.2    | 12.6    | 7.3     | 11.0    | 7.9     |
| Current account   | -623   | -971   | -3,888  | -2,392  | -6,360  | -5,244  | -6,411  | -8,122  |
| Resource balance  | ...    | ...    | -10,521 | -13,628 | -15,081 | -13,343 | -13,842 | -15,557 |
| Exports of goods and NFS 1/                                     | ...    | ...    | 3,878   | 4,976   | 7,218   | 9,211   | 12,286  | 12,139  |
| Imports of goods and NFS 1/                                     | ...    | ...    | -14,399 | 18,604  | 22,299  | 22,554  | 26,128  | 27,696  |
| Net factor income   | 30     | 73     | -300    | -289    | -408    | -557    | -648    | -611    |
| Public sector   | -252   | -232   | -240    | ...     | ...     | ...     | ...     | ...     |
| Private sector  | 282    | 305    | -60     | ...     | ...     | ...     | ...     | ...     |
| Unrequited transfers  | 5,832  | 8,090  | 6,932   | 11,526  | 9,129   | 8,656   | 8,079   | 8,046   |
| Public sector   | 1,706  | 3,338  | 1,245   | 4,911   | 1,476   | 738     | 1,496   | -32     |
| Private sector  | 4,126  | 4,752  | 5,687   | 6,614   | 7,653   | 7,918   | 6,584   | 8,078   |
| Gross national product  | 22,836 | 24,426 | 28,915  | 33,352  | 37,455  | 40,081  | 44,453  | 48,056  |
| Gross national income   | 28,667 | 32,517 | 35,847  | 44,878  | 46,584  | 48,737  | 52,532  | 56,102  |
| Public sector   |        |        |         |         |         |         |         |         |
| Current revenue   | 4,025  | 5,010  | 6,307   | 7,099   | 8,405   | 8,575   | 8,773   | 11,656  |
| Current expenditure (treasury def.)                             | 4,461  | 4,806  | 5,787   | 6,582   | 8,079   | 7,788   | 8,697   | 8,815   |
| Current expenditure (INE def.)                                  | ...    | ...    | 9,721   | 11,922  | 13,456  | 12,939  | 11,407  | 11,317  |
| Capital expenditure (treasury def.)                             | 3,137  | 7,026  | 8,241   | 10,776  | 10,222  | 10,375  | 8,507   | 8,319   |
| Capital expenditure (INE def.)                                  | ...    | ...    | 4,307   | 5,436   | 4,845   | 5,224   | 5,797   | 5,818   |
| Grants  | 2,490  | 4,694  | 4,473   | 5,120   | 5,602   | 5,411   | 4,750   | 5,241   |
| Loans   | 628    | 1,218  | 1,584   | 1,529   | 1,117   | 1,742   | 650     | 2,086   |
| Domestic  | 19     | 1,114  | 2,184   | 2,921   | 2,187   | 1,612   | 2,439   | 0       |
| Of which: privatization   | ...    | ...    | ...     | 69      | 1,575   | 2,316   | 1,618   | 0       |
| Gross domestic investment                                       | 6,591  | 9,230  | 11,611  | 14,584  | 14,583  | 15,750  | 17,640  | 19,580  |
| Fixed capital formation   | 6,650  | 9,209  | 11,611  | 14,584  | 14,583  | 15,750  | 17,640  | 19,580  |
| Public sector   | 3,137  | 7,026  | 4,307   | 5,436   | 4,845   | 5,224   | 5,797   | 5,818   |
| Private sector  | 3,513  | 2,183  | 7,303   | 9,149   | 9,738   | 10,526  | 11,842  | 13,762  |
| Change in stocks  | -59    | 21     | ...     | ...     | ...     | ...     | ...     | ...     |
| Domestic consumption  | 16,215 | 15,124 | 28,125  | 32,685  | 38,361  | 38,231  | 41,303  | 44,644  |
| Public sector   | 4,461  | 4,806  | 9,721   | 11,922  | 13,456  | 12,939  | 11,407  | 11,317  |
| Private sector  | 11,753 | 10,317 | 18,404  | 20,763  | 24,905  | 25,292  | 29,896  | 33,327  |
| Domestic saving   | 6,591  | 9,230  | 1,090   | 956     | -498    | 2,407   | 3,798   | 4,023   |
| Public sector   | -436   | 204    | -3,414  | -4,824  | -5,051  | -4,364  | -2,634  | 339     |
| Private sector  | 7,027  | 9,026  | 4,504   | 5,780   | 4,554   | 6,771   | 6,432   | 3,684   |
| National saving   | 12,453 | 17,393 | 7,722   | 12,193  | 8,223   | 10,506  | 11,229  | 11,458  |
| Public sector   | 1,018  | 3,310  | -2,408  | ...     | ...     | ...     | ...     | ...     |
| Private sector  | 11,435 | 14,083 | 10,131  | ...     | ...     | ...     | ...     | ...     |

Table 3. Cape Verde: Sources and Uses of Resources, 1991-98 (concluded)

|                                     | 1991                | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  |
|-------------------------------------|---------------------|-------|-------|-------|-------|-------|-------|-------|
|                                     | (In percent of GDP) |       |       |       |       |       |       |       |
| Current account                     | -2.7                | -4.0  | -13.3 | -7.1  | -16.8 | -12.9 | -14.2 | -16.7 |
| Resource balance                    | ...                 | ...   | -36.0 | -40.5 | -39.8 | -32.8 | -30.7 | -32.0 |
| Exports of goods and NFS 1/         | ...                 | ...   | 13.3  | 14.8  | 19.1  | 22.7  | 27.2  | 24.9  |
| Imports of goods and NFS 1/         | ...                 | ...   | -49.3 | 55.3  | 58.9  | 55.5  | 57.9  | 56.9  |
| Net factor income                   | 0.1                 | 0.3   | -1.0  | -0.9  | -1.1  | -1.4  | -1.4  | -1.3  |
| Public sector                       | -1.1                | -1.0  | -0.8  | ...   | ...   | ...   | ...   | ...   |
| Private sector                      | 1.2                 | 1.3   | -0.2  | ...   | ...   | ...   | ...   | ...   |
| Unrequited transfers                | 25.6                | 33.2  | 23.7  | 34.3  | 24.1  | 21.3  | 17.9  | 16.5  |
| Public sector                       | 7.5                 | 13.7  | 4.3   | 14.6  | 3.9   | 1.8   | 3.3   | -0.1  |
| Private sector                      | 18.1                | 19.5  | 19.5  | 19.7  | 20.2  | 19.5  | 14.6  | 16.6  |
| Gross national product              | 100.1               | 100.3 | 99.0  | 99.1  | 98.9  | 98.6  | 98.6  | 98.7  |
| Gross national income               | 125.7               | 133.5 | 122.7 | 133.4 | 123.0 | 119.9 | 116.5 | 115.3 |
| Public sector                       |                     |       |       |       |       |       |       |       |
| Current revenue                     | 17.6                | 20.6  | 21.6  | 21.1  | 22.2  | 21.1  | 19.5  | 24.0  |
| Current expenditure (treasury def.) | 19.6                | 19.7  | 19.8  | 19.6  | 21.3  | 19.2  | 19.3  | 18.1  |
| Current expenditure (INE def.)      | ...                 | ...   | 33.3  | 35.4  | 35.5  | 31.8  | 25.3  | 23.3  |
| Capital expenditure (treasury def.) | 13.8                | 28.9  | 28.2  | 32.0  | 27.0  | 25.5  | 18.9  | 17.1  |
| Capital expenditure (INE def.)      | ...                 | ...   | 14.7  | 16.2  | 12.8  | 12.9  | 12.9  | 12.0  |
| Grants                              | 10.9                | 19.3  | 15.3  | 15.2  | 14.8  | 13.3  | 10.5  | 10.8  |
| Loans                               | 2.8                 | 5.0   | 5.4   | 4.5   | 3.0   | 4.3   | 1.4   | 4.3   |
| Domestic                            | 0.1                 | 4.6   | 7.5   | 8.7   | 5.8   | 4.0   | 5.4   | 0.0   |
| <i>Of which</i> : privatization     | ...                 | ...   | ...   | 0.2   | 4.2   | 5.7   | 3.6   | 0.0   |
| Gross domestic investment           | 28.9                | 37.9  | 39.7  | 43.4  | 38.5  | 38.8  | 39.1  | 40.2  |
| Fixed capital formation             | 29.2                | 37.8  | 39.7  | 43.4  | 38.5  | 38.8  | 39.1  | 40.2  |
| Public sector                       | 13.8                | 28.9  | 14.7  | 16.2  | 12.8  | 12.9  | 12.9  | 12.0  |
| Private sector                      | 15.4                | 9.0   | 25.0  | 27.2  | 25.7  | 25.9  | 26.3  | 28.3  |
| Change in stocks                    | -0.3                | 0.1   | ...   | ...   | ...   | ...   | ...   | ...   |
| Domestic consumption                | 71.1                | 62.1  | 96.3  | 97.2  | 101.3 | 94.1  | 91.6  | 91.7  |
| Public sector                       | 19.6                | 19.7  | 33.3  | 35.4  | 35.5  | 31.8  | 25.3  | 23.3  |
| Private sector                      | 51.5                | 42.4  | 63.0  | 61.7  | 65.8  | 62.2  | 66.3  | 68.5  |
| Domestic saving                     | 28.9                | 37.9  | 3.7   | 2.8   | -1.3  | 5.9   | 8.4   | 8.3   |
| Public sector                       | -1.9                | 0.8   | -11.7 | -14.3 | -13.3 | -10.7 | -5.8  | 0.7   |
| Private sector                      | 30.8                | 37.1  | 15.4  | 17.2  | 12.0  | 16.7  | 14.3  | 7.6   |
| National saving                     | 54.6                | 71.4  | 26.4  | 36.2  | 21.7  | 25.9  | 24.9  | 23.5  |
| Public sector                       | 4.5                 | 13.6  | -8.2  | ...   | ...   | ...   | ...   | ...   |
| Private sector                      | 50.1                | 57.8  | 34.7  | ...   | ...   | ...   | ...   | ...   |

Sources: National Institute of Statistics (INE); and staff estimates.

1/ NFS stands for "nonfactor services."

Table 4. Cape Verde: Gross Domestic Product at Current Prices, 1991-98

|  | 1991                                | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   |
|--|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
|  |                                     |        |        |        |        | Prov.  | Prov.  | Est.   |
|  | (In millions of Cape Verde escudos) |        |        |        |        |        |        |        |
| Agriculture, forestry, and livestock   | 2,592                               | 2,508  | 3,462  | 3,646  | 4,469  | 4,547  | 5,160  | 5,212  |
| Fishing                                | 474                                 | 363    | 545    | 645    | 663    | 735    | 736    | 740    |
| Industry and energy                    | 2,197                               | 2,400  | 2,699  | 3,049  | 3,585  | 4,173  | 4,444  | 4,711  |
| Construction                           | 2,688                               | 2,925  | 3,165  | 3,476  | 3,566  | 3,825  | 3,938  | 4,304  |
| Commerce                               | 3,923                               | 4,070  | 4,446  | 5,429  | 6,074  | 6,363  | 6,975  | 7,571  |
| Hotels                                 | 318                                 | 319    | 423    | 455    | 456    | 625    | 1,464  | 1,669  |
| Transport and communications           | 3,766                               | 4,333  | 5,162  | 6,292  | 6,363  | 6,839  | 7,589  | 8,575  |
| Banks and insurance                    | 359                                 | 312    | 755    | 747    | 1,394  | 1,774  | 2,414  | 2,605  |
| Housing                                | 1,745                               | 1,907  | 1,939  | 2,087  | 2,431  | 2,527  | 2,896  | 3,099  |
| Public service                         | 2,981                               | 3,226  | 4,100  | 4,685  | 5,412  | 5,473  | 6,264  | 6,577  |
| Other services                         | 1,763                               | 1,991  | 2,405  | 2,991  | 3,280  | 3,569  | 2,960  | 3,315  |
| New industries                         | 0                                   | 0      | 115    | 138    | 171    | 190    | 261    | 289    |
| Gross domestic product (market prices) | 22,806                              | 24,353 | 29,215 | 33,641 | 37,864 | 40,638 | 45,101 | 48,667 |
|  | (In percent of GDP)                 |        |        |        |        |        |        |        |
| Agriculture, forestry, and livestock   | 11.4                                | 10.3   | 11.8   | 10.8   | 11.8   | 11.2   | 11.4   | 10.7   |
| Fishing                                | 2.1                                 | 1.5    | 1.9    | 1.9    | 1.8    | 1.8    | 1.6    | 1.5    |
| Industry and energy                    | 9.6                                 | 9.9    | 9.2    | 9.1    | 9.5    | 10.3   | 9.9    | 9.7    |
| Construction                           | 11.8                                | 12.0   | 10.8   | 10.3   | 9.4    | 9.4    | 8.7    | 8.8    |
| Commerce                               | 17.2                                | 16.7   | 15.2   | 16.1   | 16.0   | 15.7   | 15.5   | 15.6   |
| Hotels                                 | 1.4                                 | 1.3    | 1.4    | 1.4    | 1.2    | 1.5    | 3.2    | 3.4    |
| Transport and communications           | 16.5                                | 17.8   | 17.7   | 18.7   | 16.8   | 16.8   | 16.8   | 17.6   |
| Banks and insurance                    | 1.6                                 | 1.3    | 2.6    | 2.2    | 3.7    | 4.4    | 5.4    | 5.4    |
| Housing                                | 7.7                                 | 7.8    | 6.6    | 6.2    | 6.4    | 6.2    | 6.4    | 6.4    |
| Public service                         | 13.1                                | 13.2   | 14.0   | 13.9   | 14.3   | 13.5   | 13.9   | 13.5   |
| Other services                         | 7.7                                 | 8.2    | 8.2    | 8.9    | 8.7    | 8.8    | 6.6    | 6.8    |
| New industries                         | 0.0                                 | 0.0    | 0.4    | 0.4    | 0.5    | 0.5    | 0.6    | 0.6    |
| Gross domestic product                 | 100.0                               | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  |
|  | (Annual percentage change)          |        |        |        |        |        |        |        |
| Agriculture, forestry, and livestock   | -6.6                                | -3.2   | 38.0   | 5.3    | 22.6   | 1.7    | 13.5   | 1.0    |
| Fishing                                | 47.1                                | -23.4  | 50.1   | 18.4   | 2.8    | 10.8   | 0.2    | 0.5    |
| Industry and energy                    | 7.9                                 | 9.3    | 12.4   | 13.0   | 17.6   | 16.4   | 6.5    | 6.0    |
| Construction                           | 4.6                                 | 8.8    | 8.2    | 9.8    | 2.6    | 7.3    | 2.9    | 9.3    |
| Commerce                               | -6.5                                | 3.7    | 9.2    | 22.1   | 11.9   | 4.7    | 9.6    | 8.5    |
| Hotels                                 | -14.0                               | 0.5    | 32.7   | 7.4    | 0.3    | 37.0   | 134.3  | 14.0   |
| Transport and communications           | 15.3                                | 15.1   | 19.1   | 21.9   | 1.1    | 7.5    | 11.0   | 13.0   |
| Banks and insurance                    | 8.7                                 | -13.1  | 142.1  | -1.0   | 86.5   | 27.3   | 36.1   | 7.9    |
| Housing                                | 5.0                                 | 9.3    | 1.7    | 7.6    | 16.5   | 4.0    | 14.6   | 7.0    |
| Public service                         | 5.8                                 | 8.2    | 27.1   | 14.3   | 15.5   | 1.1    | 14.5   | 5.0    |
| Other services                         | 45.1                                | 12.9   | 20.8   | 24.4   | 9.6    | 8.8    | -17.1  | 12.0   |
| New industries                         | ...                                 | ...    | ...    | 20.3   | 23.5   | 11.1   | 37.7   | 10.7   |
| Gross domestic product                 | 5.8                                 | 6.8    | 20.0   | 15.2   | 12.6   | 7.3    | 11.0   | 7.9    |

Sources: National Institute of Statistics; and staff estimates.

Table 5. Cape Verde: Gross Domestic Product at Constant 1980 Prices, 1991-98

|                                      | 1991  | 1992  | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   |
|--------------------------------------|-------|-------|--------|--------|--------|--------|--------|--------|
|                                      |       |       |        |        |        | Prov.  |        | Est.   |
| (In millions of Cape Verde escudos)  |       |       |        |        |        |        |        |        |
| Agriculture, forestry, and livestock | 1,081 | 1,013 | 1,079  | 1,014  | 1,077  | ...    | ...    | ...    |
| Fishing                              | 129   | 99    | 125    | 151    | 165    | ...    | ...    | ...    |
| Industry and energy                  | 648   | 676   | 518    | 558    | 673    | ...    | ...    | ...    |
| Construction                         | 1,341 | 1,389 | 1,458  | 1,486  | 1,541  | ...    | ...    | ...    |
| Commerce                             | 2,094 | 2,062 | 2,113  | 2,258  | 2,460  | ...    | ...    | ...    |
| Hotels                               | 119   | 123   | 160    | 169    | 152    | ...    | ...    | ...    |
| Transport and communications         | 1,348 | 1,512 | 1,890  | 2,185  | 2,241  | ...    | ...    | ...    |
| Banks and insurance                  | 152   | 128   | 207    | 202    | 362    | ...    | ...    | ...    |
| Housing                              | 739   | 781   | 821    | 852    | 898    | ...    | ...    | ...    |
| Public service                       | 1,263 | 1,322 | 1,511  | 1,513  | 1,670  | ...    | ...    | ...    |
| Other services                       | 750   | 873   | 801    | 1,034  | 1,039  | ...    | ...    | ...    |
| Gross domestic product               | 9,662 | 9,977 | 10,681 | 11,422 | 12,278 | 12,707 | 13,368 | 14,037 |
| (In percent of GDP)                  |       |       |        |        |        |        |        |        |
| Agriculture, forestry, and livestock | 11.2  | 10.2  | 10.1   | 8.9    | 8.8    | ...    | ...    | ...    |
| Fishing                              | 1.3   | 1.0   | 1.2    | 1.3    | 1.3    | ...    | ...    | ...    |
| Industry and energy                  | 6.7   | 6.8   | 4.8    | 4.9    | 5.5    | ...    | ...    | ...    |
| Construction                         | 13.9  | 13.9  | 13.6   | 13.0   | 12.6   | ...    | ...    | ...    |
| Commerce                             | 21.7  | 20.7  | 19.8   | 19.8   | 20.0   | ...    | ...    | ...    |
| Hotels                               | 1.2   | 1.2   | 1.5    | 1.5    | 1.2    | ...    | ...    | ...    |
| Transport and communications         | 13.9  | 15.2  | 17.7   | 19.1   | 18.3   | ...    | ...    | ...    |
| Banks and insurance                  | 1.6   | 1.3   | 1.9    | 1.8    | 3.0    | ...    | ...    | ...    |
| Housing                              | 7.7   | 7.8   | 7.7    | 7.5    | 7.3    | ...    | ...    | ...    |
| Public service                       | 13.1  | 13.2  | 14.1   | 13.2   | 13.6   | ...    | ...    | ...    |
| Other services                       | 7.8   | 8.7   | 7.5    | 9.0    | 8.5    | ...    | ...    | ...    |
| Gross domestic product               | 100.0 | 100.0 | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  |
| (Annual percentage change)           |       |       |        |        |        |        |        |        |
| Agriculture, forestry, and livestock | -8.7  | -6.2  | 6.5    | -6.0   | 6.2    | ...    | ...    | ...    |
| Fishing                              | 8.5   | -23.0 | 26.2   | 21.2   | 9.4    | ...    | ...    | ...    |
| Industry and energy                  | 6.2   | 4.3   | -23.5  | 7.9    | 20.5   | ...    | ...    | ...    |
| Construction                         | 1.4   | 3.6   | 4.9    | 1.9    | 3.7    | ...    | ...    | ...    |
| Commerce                             | -5.9  | -1.5  | 2.5    | 6.9    | 8.9    | ...    | ...    | ...    |
| Hotels                               | -13.0 | 3.7   | 30.4   | 5.4    | -10.1  | ...    | ...    | ...    |
| Transport and communications         | 15.6  | 12.2  | 25.0   | 15.6   | 2.6    | ...    | ...    | ...    |
| Banks and insurance                  | 4.2   | -15.9 | 62.1   | -2.2   | 79.1   | ...    | ...    | ...    |
| Housing                              | 0.7   | 5.7   | 5.1    | 3.7    | 5.4    | ...    | ...    | ...    |
| Public service                       | 1.5   | 4.6   | 14.3   | 0.2    | 10.4   | ...    | ...    | ...    |
| Other services                       | 17.1  | 16.3  | -8.2   | 29.0   | 0.5    | ...    | ...    | ...    |
| Gross domestic product               | 1.4   | 3.3   | 7.1    | 6.9    | 7.5    | 3.5    | 5.2    | 5.0    |

Source: National Institute of Statistics; and staff estimates.

Table 6. Cape Verde: Production in Agriculture, Livestock, and Fishing, 1991-98  
(In metric tons)

|                    | 1991   | 1992   | 1993   | 1994  | 1995  | 1996   | 1997 | 1998 |
|--------------------|--------|--------|--------|-------|-------|--------|------|------|
| <b>Agriculture</b> |        |        |        |       |       |        |      |      |
| Bananas            | 6,000  | 6,600  | 6,600  | 5,200 | ...   | ...    | ...  | ...  |
| Potatoes           | 2,660  | 2,750  | 2,672  | 1,800 | 2,160 | 2,090  | ...  | ...  |
| Sweet potatoes     | 6,800  | 3,360  | 10,240 | 7,800 | 3,164 | 3,910  | ...  | ...  |
| Coffee             | 10     | ...    | 10     | 10    | ...   | ...    | ...  | ...  |
| Sugarcane          | 18,000 | 18,000 | 18,860 | ...   | ...   | ...    | ...  | ...  |
| Beans              | 2,217  | 3,182  | 1,796  | 1,500 | 3,200 | 3,060  | ...  | ...  |
| Manioc             | 3,400  | 1,500  | 1,900  | ...   | ...   | ...    | ...  | ...  |
| Maize              | 8,258  | 10,265 | 11,888 | 3,163 | 8,166 | 1,304  | ...  | ...  |
| Vegetables         | 5,695  | 6,530  | 8,132  | 8,060 | 8,725 | 17,492 | ...  | ...  |
| <b>Livestock</b>   |        |        |        |       |       |        |      |      |
| Beef               | 366    | 380    | 395    | ...   | 694   | ...    | ...  | ...  |
| Chicken            | 488    | 675    | 629    | ...   | 1,882 | ...    | ...  | ...  |
| Goat               | 398    | 346    | 689    | ...   | 445   | ...    | ...  | ...  |
| Lamb               | 21     | 23     | 25     | ...   | 64    | ...    | ...  | ...  |
| Pork               | 3,360  | 4,296  | 5,494  | ...   | 3,006 | ...    | ...  | ...  |
| <b>Fishing</b>     |        |        |        |       |       |        |      |      |
| Fish               | 6,839  | 6,571  | 7,000  | 8,256 | 8,242 | 9,725  | ...  | ...  |
| Shellfish          | 60     | 108    | 106    | ...   | ...   | ...    | ...  | ...  |

Sources: National Commission for the Assessment of the Agricultural Year (INDP); and staff estimates.

Table 7. Cape Verde: Industrial Production, 1991-98

|  | 1991      | 1992      | 1993      | 1994      | 1995      | 1996      | 1997      | 1998      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (In metric tons)                           |           |           |           |           |           |           |           |           |
| Food                                       |           |           |           |           |           |           |           |           |
| Bread                                      | 3,926     | ...       | ...       | ...       | 5,628     | ...       | ...       | ...       |
| Canned tuna                                | 337       | 246       | 277       | 273       | 337       | ...       | ...       | ...       |
| Coffee                                     | ...       | 6         | 194       | 177       | 136       | 88        | ...       | ...       |
| Flour                                      | 10,958    | 13,721    | 13,874    | 13,756    | 14,173    | 14,172    | 68,751    | 65,916    |
| <i>Of which: wheat flour</i>               | 2,988     | 3,095     | 4,022     | ...       | ...       | ...       | ...       | ...       |
| (In liters)                                |           |           |           |           |           |           |           |           |
| Beverage                                   |           |           |           |           |           |           |           |           |
| Beer                                       | 3,190,146 | 3,507,263 | 3,686,214 | 4,162,033 | 4,829,200 | 5,561,378 | 5,790,793 | 4,234,560 |
| Rum  | 238,682   | ...       | ...       | ...       | ...       | ...       | ...       | ...       |
| Soft drinks                                | 796,999   | 894,921   | 948,370   | 932,154   | 874,468   | 922,714   | ...       | ...       |
| (In kilograms, unless otherwise specified) |           |           |           |           |           |           |           |           |
| Drugs                                      |           |           |           |           |           |           |           |           |
| Pills                                      | 5,872     | 8,889     | 4,500     | 5,521     | 6,558     | 7,812     | ...       | ...       |
| Solutions (liters)                         | 23,811    | 41,420    | 18,018    | 29,651    | 29,515    | 26,760    | ...       | ...       |
| Creams                                     | 1,506     | 1,425     | 809       | 2,418     | 3,931     | 3,764     | ...       | ...       |
| Other                                      |           |           |           |           |           |           |           |           |
| Cigarettes and tobacco                     | 94        | 94        | 90        | 52        | 50        | 43        | ...       | ...       |
| Paint                                      | 233,175   | 372,167   | 459,513   | 492,025   | 605,827   | 628,243   | ...       | ...       |
| Shoes (pairs)                              | ...       | ...       | ...       | 120,524   | 332,537   | 670,676   | ...       | ...       |
| Soap                                       | ...       | 678,510   | 1,021,920 | 1,387,531 | 1,605,576 | 1,722,114 | ...       | ...       |

Sources: *Boletim Trimestral de Estatística*; General Directorate of Statistics (DGE), Ministry of Economic Coordination, and General Directorate of Fishing (DGP), Ministry of Fisheries, Agriculture, and Rural Development; and staff estimates.

Table 8. Cape Verde: Production and Consumption of Electricity and Water, 1991-98

|   | 1991                | 1992    | 1993    | 1994      | 1995      | 1996      | 1997      | 1998      |
|---|---------------------|---------|---------|-----------|-----------|-----------|-----------|-----------|
|   | (In megawatts/hour) |         |         |           |           |           |           |           |
| <b>Electricity</b>                          |                     |         |         |           |           |           |           |           |
| Production                                  | 43,409              | 49,083  | 57,146  | 64,245    | 72,786    | 85,387    | 93,553    | 100,764   |
| São Vicente                                 | 17,276              | 19,765  | 22,068  | 27,633    | 30,765    | 33,065    | 34,709    | 36,576    |
| Praia                                       | 19,570              | 22,756  | 24,755  | 28,207    | 32,865    | 40,912    | 45,880    | 49,898    |
| Sal   | 6,563               | 6,879   | 7,308   | 7,697     | 8,240     | 10,090    | 11,714    | 12,720    |
| Boavista                                    | ...                 | ...     | ...     | 708       | 916       | 1,321     | 1,250     | 1,571     |
| Consumption                                 | 33,799              | 38,470  | 45,912  | 52,620    | 68,514    | 69,159    | 80,039    | ...       |
| Meat cold storage                           | 1,184               | 1,285   | 1,364   | 1,602     | 1,778     | 1,784     | ...       | ...       |
| São Vicente                                 | 945                 | 1,046   | 988     | 1,198     | 1,276     | 1,375     | ...       | ...       |
| Sal   | 239                 | 233     | 376     | 404       | 502       | 409       | ...       | ...       |
| Other industries                            | 5,443               | 5,896   | 6,011   | 6,119     | 6,705     | 8,587     | ...       | ...       |
| São Vicente                                 | 3,030               | 3,110   | 3,162   | 3,040     | 3,328     | 4,752     | ...       | ...       |
| Praia                                       | 2,384               | 2,721   | 2,788   | 3,020     | 3,282     | 3,664     | ...       | ...       |
| Sal   | 29                  | 65      | 61      | 59        | 78        | 142       | ...       | ...       |
| Boavista                                    | 0                   | 0       | 0       | 0         | 18        | 29        | ...       | ...       |
| Public lighting                             | 1,074               | 1,270   | 1,360   | 1,552     | 2,661     | 1,967     | 2,097     | 2,332     |
| São Vicente                                 | 530                 | 478     | 502     | 793       | 828       | 953       | 997       | 1,210     |
| Praia                                       | 448                 | 683     | 743     | 621       | 1,661     | 839       | 902       | 914       |
| Sal   | 95                  | 110     | 115     | 116       | 135       | 138       | 145       | 160       |
| Boavista                                    | 0                   | 0       | 0       | 23        | 37        | 37        | 53        | 49        |
| Desalination                                | 2,863               | 3,463   | 7,936   | 8,596     | 8,196     | 13,697    | 14,489    | 14,941    |
| São Vicente                                 | 745                 | 1,264   | 5,459   | 5,908     | 5,435     | 5,314     | 4,736     | 5,018     |
| Praia                                       | 0                   | 0       | 0       | 0         | 0         | 4,311     | 5,363     | 5,325     |
| Sal   | 2,118               | 2,199   | 2,477   | 2,424     | 2,425     | 3,222     | 3,910     | 4,035     |
| Boavista                                    | 0                   | 0       | 0       | 265       | 336       | 851       | 480       | 563       |
| Domestic and government                     | 14,703              | 17,704  | 20,056  | 23,682    | 26,354    | 29,014    | ...       | ...       |
| São Vicente                                 | 5,457               | 6,794   | 8,017   | 8,871     | 10,157    | 11,010    | ...       | ...       |
| Praia                                       | 7,979               | 9,505   | 10,355  | 12,598    | 13,671    | 15,286    | ...       | ...       |
| Sal   | 1,267               | 1,405   | 1,684   | 1,867     | 2,197     | 2,366     | ...       | ...       |
| Boavista                                    | 0                   | 0       | 0       | 347       | 329       | 352       | ...       | ...       |
| Commerce, social services,<br>and embassies | 8,533               | 8,853   | 9,185   | 11,068    | 12,819    | 14,311    | ...       | ...       |
|   | (In cubic meters)   |         |         |           |           |           |           |           |
| <b>Water</b>                                |                     |         |         |           |           |           |           |           |
| Production                                  | 851,298             | 876,362 | 972,624 | 1,043,445 | 1,214,268 | 1,683,820 | 1,668,205 | 1,784,998 |
| São Vicente                                 | 661,972             | 676,133 | 750,955 | 808,019   | 983,812   | 1,016,562 | 875,316   | 981,068   |
| Praia                                       | 0                   | 0       | 0       | 0         | 0         | 370,522   | 441,134   | 434,096   |
| Sal   | 189,326             | 200,229 | 221,669 | 214,001   | 205,224   | 269,270   | 328,392   | 344,130   |
| Boavista                                    | 0                   | 0       | 0       | 21,425    | 25,232    | 27,466    | 23,363    | 25,704    |
| Consumption                                 | 630,176             | 650,714 | 730,081 | 785,264   | 877,970   | 1,377,545 | 1,461,590 | ...       |
| São Vicente                                 | 488,040             | 489,781 | 537,435 | 576,826   | 669,903   | 752,358   | 697,732   | ...       |
| Praia                                       | 0                   | 0       | 0       | 0         | 0         | 370,522   | 441,134   | ...       |
| Sal   | 142,136             | 160,933 | 192,656 | 190,218   | 188,439   | 230,463   | 300,094   | ...       |
| Boavista                                    | 0                   | 0       | 0       | 18,220    | 19,628    | 24,202    | 22,630    | ...       |

Sources: Electricity company (ELECTRA); and staff estimates.



Table 9. Cape Verde: Consumption of Petroleum Products, 1991-98  
(In metric tons)

|                      | 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997    | 1998   |
|----------------------|--------|--------|--------|--------|--------|--------|---------|--------|
| Domestic consumption | 40,417 | 43,749 | 65,383 | 68,145 | 70,329 | 79,741 | 96,136  | 98,392 |
| Fuel                 | 8,527  | 7,859  | 11,323 | 8,379  | 11,213 | 9,063  | 12,066  | 17,888 |
| Gas oil              | 12,106 | 14,860 | 32,193 | 38,397 | 39,366 | 46,209 | 51,225  | 50,053 |
| Jet fuel             | 6,898  | 7,122  | 7,739  | 8,014  | 5,500  | 8,581  | 15,387  | 12,469 |
| Kerosene             | 2,129  | 2,028  | 1,804  | ...    | ...    | 1,418  | 1,642   | 1,610  |
| Gasoline             | 4,660  | 5,150  | 5,338  | 5,803  | 6,080  | 6,185  | 7,458   | 7,660  |
| Butane               | 6,097  | 6,730  | 6,986  | 7,552  | 8,170  | 8,285  | 8,358   | 8,712  |
| Reexports            | 49,997 | 56,038 | 43,028 | 66,525 | 75,452 | 70,036 | 103,347 | 90,209 |
| Fuel                 | 401    | 189    | ...    | ...    | ...    | 1,182  | 3,387   | 1,961  |
| Gas oil              | 2,121  | 3,890  | 603    | 5,665  | 5,373  | 6,362  | 8,311   | 11,032 |
| Jet fuel             | 47,475 | 51,959 | 42,425 | 60,860 | 70,079 | 62,492 | 91,649  | 77,216 |

Sources: Cape Verdean authorities; petroleum companies (ENACOL, Shell Oil Company of Cape Verde); and staff estimates.

Table 10. Cape Verde: Public Investment Expenditure, 1991-98  
(In millions of Cape Verde escudos)

|                             | 1991  | 1992  | 1993  | 1994   | 1995   | 1996   | 1997  | 1998<br>Budget |
|-----------------------------|-------|-------|-------|--------|--------|--------|-------|----------------|
| Total expenditure           | 5,091 | 7,026 | 8,241 | 10,054 | 9,394  | 10,219 | 8,507 | 10,630         |
| Primary sector              | 1,710 | 2,202 | 2,423 | 2,238  | 2,256  | 2,531  | 1,473 | 2,861          |
| Fisheries                   | 227   | 780   | 807   | 480    | 192    | 231    | 188   | 1,645          |
| Rural                       | 1,483 | 1,422 | 1,616 | 1,758  | 2,064  | 2,300  | 1,285 | 1,216          |
| Secondary sector            | 1,030 | 1,382 | 1,440 | 1,506  | 1,560  | 2,070  | 864   | 1,061          |
| Industry                    | 70    | 149   | 259   | 222    | 266    | 245    | 60    | 310            |
| Construction                | 320   | 178   | 524   | 864    | 1,022  | 1,300  | 594   | 620            |
| Commerce                    | 57    | 143   | 113   | 32     | 14     | 150    | 25    | 41             |
| Housing                     | 583   | 912   | 544   | 388    | 258    | 375    | 185   | 90             |
| Tertiary sector             | 2,351 | 3,442 | 4,378 | 6,310  | 5,578  | 5,618  | 6,170 | 6,708          |
| Tourism                     | 83    | 15    | 49    | 48     | 29     | 45     | 164   | 80             |
| Transport and communication | 613   | 1,404 | 1,344 | 2,403  | 903    | 1,874  | 1,688 | 1,732          |
| Energy, water, and sewage   | 424   | 278   | 771   | 949    | 1,753  | 1,519  | 718   | 1,176          |
| Public administration       | 523   | 553   | 929   | 1,278  | 1,464  | ...    | 1,000 | 1,165          |
| Health                      | 263   | 200   | 277   | 237    | 293    | 350    | 249   | 651            |
| Social promotion            | ...   | ...   | ...   | 0      | 227    | 300    | 152   | 34             |
| Education                   | 436   | 954   | 1,008 | 1,395  | 909    | 1,530  | 1,514 | 1,304          |
| Poverty alleviation         | 0     | 0     | 0     | 0      | 0      | 0      | 685   | 566            |
| Other                       | 9     | 38    | 0     | 0      | 0      | 0      | 0     | 0              |
| Financing                   | 5,091 | 7,026 | 8,241 | 10,054 | 9,394  | 10,219 | 8,507 | 10,630         |
| Budgetary financing         | 4,091 | 7,026 | 8,241 | 10,776 | 10,221 | 10,375 | 8,997 | 5,666          |
| Foreign                     | 3,256 | 5,912 | 6,057 | 6,982  | 6,952  | 7,029  | 7,109 | 4,702          |
| Grants                      | 2,861 | 4,694 | 4,473 | 5,120  | 5,602  | 5,139  | 4,975 | 3,499          |
| Loans                       | 395   | 1,218 | 1,584 | 1,862  | 1,350  | 1,890  | 2,134 | 1,203          |
| Domestic                    | 835   | 1,114 | 2,184 | 3,794  | 3,269  | 3,346  | 1,888 | 964            |
| Nonbudgetary financing      | 1,000 | .0    | 0     | -722   | -827   | -156   | -490  | 4,964          |

Sources: General Directorate of Planning (DGP), Ministry of Economic Coordination; and staff estimates.

Table 11. Cape Verde: Consumer Prices, 1991-98

|                              | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| (Index: 1990 = 100)          |       |       |       |       |       |       |       |       |
| January                      | ...   | 119.4 | 124.2 | 131.0 | 140.8 | 144.6 | 159.6 | 169.5 |
| February                     | 103.2 | 121.1 | 124.9 | 129.5 | 140.8 | 145.5 | 163.4 | 169.4 |
| March                        | ...   | 120.5 | 125.7 | 129.5 | 141.3 | 147.7 | 164.2 | 167.8 |
| April                        | ...   | 122.0 | 126.3 | 131.4 | 140.8 | 149.4 | 165.7 | 168.9 |
| May                          | 105.2 | 121.8 | 126.8 | 133.2 | 143.6 | 160.5 | 165.2 | 172.0 |
| June                         | ...   | 121.5 | 129.3 | 133.8 | 143.0 | 152.2 | 167.1 | 171.5 |
| July                         | ...   | 122.1 | 131.5 | 134.8 | 149.7 | 152.4 | 168.8 | 172.1 |
| August                       | 111.4 | 121.5 | 135.4 | 136.5 | 150.7 | 157.7 | 170.8 | 175.8 |
| September                    | ...   | 122.3 | 135.6 | 135.7 | 149.2 | 159.3 | 171.3 | 178.6 |
| October                      | ...   | 123.6 | 129.5 | 135.6 | 147.1 | 157.1 | 166.5 | 179.1 |
| November                     | 110.6 | 122.9 | 129.2 | 135.6 | 145.6 | 156.7 | 167.6 | 179.1 |
| December                     | ...   | 126.0 | 131.5 | 135.8 | 144.6 | 157.7 | 168.3 | 182.3 |
| Average                      | 107.6 | 122.1 | 129.1 | 133.5 | 144.8 | 153.4 | 166.5 | 173.8 |
| (Monthly percentage changes) |       |       |       |       |       |       |       |       |
| January                      | ...   | ...   | -1.5  | -0.4  | 3.7   | 0.0   | 1.2   | 0.7   |
| February                     | -0.2  | 2.9   | 0.6   | -1.2  | 0.0   | 0.6   | 2.4   | -0.1  |
| March                        | ...   | ...   | 0.6   | 0.0   | 0.4   | 1.5   | 0.5   | -0.9  |
| April                        | ...   | 1.2   | 0.5   | 1.5   | -0.4  | 1.2   | 0.9   | 0.7   |
| May                          | 0.6   | -0.2  | 0.4   | 1.4   | 2.0   | 7.4   | -0.3  | 1.8   |
| June                         | ...   | -0.2  | 2.0   | 0.4   | -0.4  | -5.2  | 1.2   | -0.3  |
| July                         | ...   | 0.5   | 1.6   | 0.8   | 4.7   | 0.1   | 1.0   | 0.3   |
| August                       | 2.0   | -0.5  | 3.0   | 1.3   | 0.7   | 3.5   | 1.2   | 2.1   |
| September                    | ...   | 0.6   | 0.1   | -0.6  | -1.0  | 1.0   | 0.3   | 1.6   |
| October                      | ...   | 1.1   | -4.5  | -0.1  | -1.4  | -1.4  | -2.8  | 0.3   |
| November                     | -0.2  | -0.6  | -0.2  | 0.0   | -1.0  | -0.3  | 0.7   | 0.0   |
| December                     | ...   | 2.5   | 1.8   | 0.1   | -0.7  | 0.6   | 0.4   | 1.8   |
| Average                      | 0.5   | 1.1   | 0.4   | 0.3   | 0.5   | 0.8   | 0.6   | 0.7   |
| (Annual percentage changes)  |       |       |       |       |       |       |       |       |
| January                      | ...   | ...   | 4.0   | 5.5   | 7.5   | 2.7   | 10.4  | 6.2   |
| February                     | 2.5   | 16.6  | 3.1   | 3.7   | 8.8   | 3.3   | 12.3  | 3.7   |
| March                        | ...   | ...   | 4.3   | 3.1   | 9.1   | 4.5   | 11.2  | 2.2   |
| April                        | ...   | ...   | 3.6   | 4.0   | 7.1   | 6.1   | 10.9  | 1.9   |
| May                          | 2.5   | 15.8  | 4.1   | 5.1   | 7.8   | 11.8  | 2.9   | 4.1   |
| June                         | ...   | ...   | 6.5   | 3.4   | 6.9   | 6.4   | 9.8   | 2.6   |
| July                         | ...   | ...   | 7.7   | 2.5   | 11.1  | 1.8   | 10.8  | 2.0   |
| August                       | 3.0   | 9.5   | 11.5  | 0.8   | 10.4  | 4.6   | 8.3   | 2.9   |
| September                    | ...   | ...   | 10.9  | 0.1   | 9.9   | 6.8   | 7.5   | 4.3   |
| October                      | ...   | ...   | 4.7   | 4.7   | 8.5   | 6.8   | 6.0   | 7.6   |
| November                     | 2.2   | 12.3  | 5.1   | 5.0   | 7.4   | 7.6   | 7.0   | 6.9   |
| December                     | ...   | ...   | 4.4   | 3.3   | 6.5   | 9.1   | 6.7   | 8.3   |
| Average                      | 2.5   | 13.5  | 5.8   | 3.4   | 8.4   | 6.0   | 8.6   | 4.3   |

Sources: National Institute of Statistics (INE); and staff estimates.

Table 12. Cape Verde: Average Daily Salary by Occupation, 1991-98

(In Cape Verde escudos)

|                            | 1991  | 1992  | 1993 | 1994 | 1995  | 1996  | 1997  | 1998  |
|----------------------------|-------|-------|------|------|-------|-------|-------|-------|
| Baker                      | 540   | 830   | 350  | 350  | 366   | 500   | 510   | 510   |
| Bricklayer                 | 413   | 650   | 509  | 509  | 475   | 733   | 1,000 | 1,333 |
| Car driver                 | 540   | 622   | 690  | 690  | 666   | 666   | 766   | 800   |
| Carpenter                  | 501   | 650   | 639  | 639  | 666   | 666   | 701   | 721   |
| Carpenter's assistant      | 215   | 240   | 288  | 345  | 350   | 400   | 450   | 470   |
| Cashier (commerce)         | 850   | 955   | 955  | 955  | 833   | 900   | 1,235 | 1,266 |
| Clerk                      | 1,100 | 1,283 | ...  | ...  | 1,200 | 883   | 910   | 910   |
| Digger                     | 270   | 316   | 316  | 316  | 350   | 400   | 470   | 502   |
| Foreman                    | ...   | ...   | ...  | ...  | 460   | ...   | 1,440 | 1,440 |
| Forgeman                   | 378   | 490   | 490  | 490  | 800   | 1,000 | 1,100 | 1,150 |
| Kneader                    | 210   | 210   | 252  | 330  | 350   | 482   | 500   | 530   |
| Locksmith                  | 520   | 543   | 543  | 578  | 950   | 700   | 750   | 802   |
| Master carpenter           | 444   | 510   | ...  | ...  | 750   | 800   | 1,150 | 1,500 |
| Master mason               | 610   | 1,033 | ...  | ...  | 800   | 1,166 | 1,440 | 1,440 |
| Mechanic                   | 707   | 838   | 838  | 848  | 950   | 800   | 906   | 1,066 |
| Painter                    | 385   | 713   | 750  | 801  | 600   | 666   | 800   | 916   |
| Paver                      | 195   | 276   | 298  | 331  | 366   | 400   | 503   | 607   |
| Porter                     | ...   | ...   | 247  | 276  | ...   | 400   | 502   | 530   |
| Sales clerk (commerce)     | 553   | 630   | 630  | 630  | 667   | 700   | 730   | 745   |
| Servant                    | 150   | 150   | 200  | 233  | 700   | 500   | 520   | 550   |
| Store assistant (commerce) | 406   | 559   | ...  | ...  | 833   | 840   | 847   | 850   |
| Store head (commerce)      | 866   | 960   | 960  | 960  | 1,000 | 1,833 | 1,900 | 1,980 |
| Worker                     | 387   | 387   | ...  | ...  | 450   | 500   | 500   | 530   |

Sources: General Directorate of Labor and Employment (DGTE), Ministry of Justice and Labor; and staff estimates.

Table 13. Cape Verde: Basic Monthly Civil Service Salaries by Grade, 1991-98  
(In Cape Verde escudos)

| Employment Grade                                     | 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>High-level managers<br/>(Grades A and D)</b>      |        |        |        |        |        |        |        |        |
| Grade A  | 37,800 | 56,320 | 67,600 | 70,980 | 73,465 | 73,465 | 77,138 | 79,838 |
| Grade D  | 31,200 | 40,480 | 45,700 | 47,985 | 49,665 | 49,665 | 52,148 | 53,973 |
| <b>Highly qualified workers<br/>(Grades E and H)</b> |        |        |        |        |        |        |        |        |
| Grade E  | 29,500 | 36,960 | 41,800 | 43,890 | 45,400 | 45,400 | 47,670 | 49,338 |
| Grade H  | 22,800 | 26,400 | 29,800 | 31,290 | 32,385 | 32,385 | 34,004 | 35,194 |
| <b>Qualified workers<br/>(Grades I and N)</b>        |        |        |        |        |        |        |        |        |
| Grade I  | 21,200 | 22,880 | 25,900 | 27,195 | 28,345 | 28,345 | 29,762 | 30,804 |
| Grade N  | 15,300 | 16,280 | 17,300 | 18,165 | 19,755 | 19,755 | 20,743 | 21,469 |
| <b>Semiskilled workers<br/>(Grades O and R)</b>      |        |        |        |        |        |        |        |        |
| Grade O  | 14,200 | 15,400 | 16,300 | 17,115 | 18,615 | 18,615 | 19,546 | 20,230 |
| Grade R  | 11,100 | 11,880 | 12,500 | 13,230 | 14,390 | 14,390 | 15,110 | 15,638 |
| <b>Unskilled workers<br/>(Grades S and U)</b>        |        |        |        |        |        |        |        |        |
| Grade S  | 10,400 | 11,000 | 11,700 | 12,285 | 13,360 | 13,360 | 14,028 | 14,519 |
| Grade U  | 8,300  | 8,800  | 9,000  | 9,450  | 9,925  | 9,925  | 10,421 | 10,786 |

Source: Cape Verdean authorities.

Table 14. Cape Verde: Civil Service Employment by Administrative Unit, 1992-98

|                                    | 1992   | 1993 | 1994   | 1995   | 1996 | 1997 | 1998   |
|------------------------------------|--------|------|--------|--------|------|------|--------|
| Permanent staff                    | 3,025  | ...  | 4,167  | 3,980  | ...  | ...  | ...    |
| National Assembly                  | 8      | ...  | 0      | 0      | ...  | ...  | ...    |
| Presidency                         | 8      | ...  | 0      | 0      | ...  | ...  | ...    |
| Office of the Prime Minister       | 93     | ...  | 27     | 28     | ...  | ...  | ...    |
| Ministries                         | 1,323  | ...  | 2,070  | 1,976  | ...  | ...  | ...    |
| Presidency of the Ministry Council | 0      | ...  | 0      | 0      | ...  | ...  | ...    |
| Assistant to the Prime Minister    | 0      | ...  | 0      | 0      | ...  | ...  | ...    |
| Agriculture and Rural Development  | 101    | ...  | 0      | 0      | ...  | ...  | ...    |
| Defense                            | 7      | ...  | 1,454  | 1,454  | ...  | ...  | ...    |
| Economic Coordination/Finance      | 231    | ...  | 0      | 0      | ...  | ...  | ...    |
| Education                          | 371    | ...  | 0      | 0      | ...  | ...  | ...    |
| Foreign Affairs                    | 43     | ...  | 0      | 0      | ...  | ...  | ...    |
| Health                             | 248    | ...  | 264    | 264    | ...  | ...  | ...    |
| Infrastructure and Transportation  | 167    | ...  | 352    | 258    | ...  | ...  | ...    |
| Justice and Labor                  | 69     | ...  | 0      | 0      | ...  | ...  | ...    |
| Sea 1/                             | 0      | ...  | 0      | 0      | ...  | ...  | ...    |
| Other                              | 86     | ...  | 0      | 0      | ...  | ...  | ...    |
| Other                              | 270    | ...  | 0      | 0      | ...  | ...  | ...    |
| Total staff                        | 19,579 | ...  | 17,139 | 21,037 | ...  | ...  | 23,875 |
| National Assembly                  | 78     | ...  | 0      | 81     | ...  | ...  | 120    |
| Presidency                         | 55     | ...  | 0      | 60     | ...  | ...  | 60     |
| Office of the Prime Minister       | 347    | ...  | 42     | 60     | ...  | ...  | 41     |
| Ministries                         | 8,379  | ...  | 5,375  | 9,153  | ...  | ...  | 11,827 |
| Presidency of the Ministry Council | 0      | ...  | 0      | 179    | ...  | ...  | 39     |
| Assistant to the Prime Minister    | 0      | ...  | 0      | 0      | ...  | ...  | 122    |
| Agriculture and Rural Development  | 755    | ...  | 0      | 772    | ...  | ...  | 393    |
| Defense                            | 121    | ...  | 0      | 153    | ...  | ...  | 37     |
| Economic Coordination/Finance      | 566    | ...  | 0      | 637    | ...  | ...  | 2,697  |
| Education                          | 4,254  | ...  | 4,790  | 4,759  | ...  | ...  | 6,272  |
| Foreign Affairs                    | 213    | ...  | 186    | 215    | ...  | ...  | 179    |
| Health                             | 1,264  | ...  | 0      | 1,335  | ...  | ...  | 1,287  |
| Infrastructure and Transportation  | 522    | ...  | 399    | 620    | ...  | ...  | 190    |
| Justice and Labor                  | 326    | ...  | 0      | 483    | ...  | ...  | 552    |
| Sea 1/                             | 0      | ...  | 0      | 0      | ...  | ...  | 59     |
| Other                              | 358    | ...  | 0      | 0      | ...  | ...  | 0      |
| Other                              | 2,341  | ...  | 6,347  | 2,530  | ...  | ...  | 0      |

Sources: General Directorate of Public Administration, Ministry of Civil Service and Parliamentary Affairs; Ministry of Finance; and staff estimates.

1/ Until 1993, rural development was part of the Ministry of Sea.

Table 15. Cape Verde: Fiscal Operations of the Central Government, 1994-98

|  | 1994   | 1995    | 1996    | 1997   | 1998   |        |            |        |            |        |
|--|--------|---------|---------|--------|--------|--------|------------|--------|------------|--------|
|  |        |         |         |        | Jun.   |        | Sep.       |        | Dec.       |        |
|  |        |         |         |        | Prog.  | Est.   | Rev. Prog. | Est.   | Rev. Prog. | Est.   |
| (In millions of Cape Verde escudos)              |        |         |         |        |        |        |            |        |            |        |
| Total revenue, grants, and capital participation | 12,992 | 14,630  | 13,986  | 14,328 | 7,677  | 7,356  | 12,155     | 11,628 | 17,652     | 16,961 |
| Total revenue                                    | 7,098  | 8,405   | 8,575   | 8,773  | 4,955  | 5,256  | 7,835      | 7,797  | 11,528     | 11,656 |
| Tax revenue 1/                                   | 5,590  | 6,408   | 6,961   | 7,479  | 3,780  | 3,973  | 5,850      | 5,933  | 8,081      | 8,409  |
| Nontax revenue 2/                                | 1,509  | 1,997   | 1,615   | 1,294  | 1,174  | 1,283  | 1,985      | 1,864  | 3,447      | 3,247  |
| External grants                                  | 5,120  | 5,602   | 5,411   | 4,750  | 2,674  | 2,100  | 4,248      | 3,767  | 6,028      | 5,241  |
| Domestic capital participation 3/                | 774    | 623     | 0       | 805    | 48     | 0      | 72         | 64     | 96         | 64     |
| Total expenditure                                | 17,699 | 19,508  | 19,647  | 19,036 | 10,461 | 9,273  | 15,764     | 14,556 | 21,215     | 19,037 |
| Recurrent expenditure 2/                         | 6,923  | 9,287   | 9,272   | 10,529 | 5,371  | 5,613  | 8,239      | 7,686  | 10,886     | 10,718 |
| Primary current expenditure                      | 6,582  | 8,079   | 7,779   | 8,697  | 4,760  | ...    | 7,246      | 6,635  | 9,100      | 8,825  |
| Wage bill  | 3,396  | 3,949   | 4,284   | 4,529  | 2,373  | ...    | 3,659      | 3,875  | 4,745      | 4,894  |
| Goods and services                               | 281    | 285     | 284     | 619    | ...    | ...    | 410        | 303    | 417        | 350    |
| Transfers and subsidies                          | 1,169  | 1,667   | 1,535   | 2,893  | ...    | ...    | 2,534      | 1,810  | 2,672      | 2,672  |
| Other current expenditure                        | 1,736  | 2,178   | 1,676   | 656    | ...    | ...    | 643        | 646    | 1,266      | 910    |
| Domestic interest accrual 4/                     | 68     | 938     | 1,233   | 1,402  | 427    | 593    | 730        | 855    | 1,392      | 1,543  |
| Of which: Trust Fund interest residual 4/        | ...    | ...     | ...     | ...    | 427    | ...    | 721        | 0      | 1,383      | ...    |
| External interest accrual                        | 273    | 270     | 260     | 430    | 184    | 121    | 263        | 197    | 394        | 350    |
| Extraordinary social expenditure                 | ...    | ...     | ...     | ...    | ...    | ...    | ...        | ...    | ...        | ...    |
| Capital expenditure                              | 10,776 | 10,221  | 10,375  | 8,507  | 5,091  | 3,660  | 7,525      | 6,870  | 10,329     | 8,319  |
| Foreign financed                                 | 6,982  | 6,952   | 7,301   | 6,594  | 4,479  | ...    | 6,716      | 5,772  | 9,520      | 7,355  |
| Domestically financed                            | 3,794  | 3,269   | 3,074   | 1,913  | 612    | ...    | 809        | 1,098  | 809        | 964    |
| Current balance                                  | 175    | -883    | -697    | -1,756 | -416   | -357   | -404       | 111    | 641        | 938    |
| Primary balance                                  | -9,486 | -9,273  | -9,579  | -7,626 | -4,847 | -3,303 | -6,864     | -5,644 | -7,806     | -5,425 |
| Overall balance (commitment basis), incl. grants | -4,707 | -4,879  | -5,661  | -4,708 | -2,784 | -1,917 | -3,609     | -2,928 | -3,564     | -2,077 |
| Overall balance (commitment basis), excl. grants | -9,827 | -10,481 | -11,072 | -9,458 | -5,458 | -4,017 | -7,857     | -6,695 | -9,592     | -7,318 |
| Financing  | 4,707  | 4,878   | 5,670   | 4,707  | 2,784  | 1,916  | 3,609      | 2,927  | 3,564      | 2,086  |
| Foreign (net)                                    | 1,654  | 1,117   | 1,742   | 649    | 1,786  | 434    | 2,568      | 2,051  | 3,564      | 2,086  |
| Drawings 4/                                      | 1,862  | 1,350   | 1,890   | 1,844  | 2,232  | 750    | 3,075      | 2,582  | 4,568      | 2,967  |
| Of which: bridge loan                            | ...    | ...     | ...     | ...    | 1,020  | ...    | 867        | 562    | 867        | 853    |
| Amortization                                     | -614   | -580    | -523    | -882   | -746   | -362   | -1,003     | -577   | -1,601     | -965   |
| Change in arrears                                | 406    | 347     | 375     | -1,777 | 0      | 46     | 46         | 46     | -3         | 65     |
| Interest   | 72     | 68      | 95      | -546   | 0      | 41     | 41         | 41     | 0          | 0      |
| Principal  | 334    | 279     | 280     | -1,231 | 0      | 5      | 5          | 5      | -3         | 65     |
| Of which: repayments of previous arrears         | -159   | -21     | 0       | -186   | 0      | -3     | -3         | -3     | -3         | -3     |
| Refinancing and rescheduling of arrears 5/       | 0      | 0       | 0       | 1,464  | 300    | 0      | 450        | 0      | 600        | 19     |
| Cancellation                                     | ...    | ...     | ...     | ...    | ...    | 0      | ...        | 0      | 0          | 0      |
| Rescheduling                                     | ...    | ...     | ...     | ...    | ...    | 0      | ...        | 0      | 600        | 19     |
| Domestic (net)                                   | 3,053  | 3,761   | 3,928   | 4,058  | 998    | 1,482  | 1,041      | 876    | 0          | 0      |
| Banking system 6/                                | 2,133  | 1,975   | 971     | 2,173  | 998    | 1,482  | 1,041      | 876    | 0          | 0      |
| New loans (net) 7/                               | 2,133  | 1,975   | 971     | 2,173  | 998    | 1,124  | 1,041      | 876    | 0          | 0      |
| Of which: bonds sold to banks                    | 1,000  | 665     | 0       | 0      | 0      | ...    | 0          | 0      | 0          | ...    |
| Change in arrears                                | 0      | 0       | 0       | 0      | 0      | 358    | 0          | 0      | 0          | 0      |
| Other (net)                                      | 920    | 1,786   | 2,957   | 1,885  | 0      | 0      | 0          | 0      | 0          | 0      |
| Of which: bonds sold to nonbanks                 | 900    | 578     | 0       | 0      | 0      | ...    | 0          | 0      | 0          | 0      |
| Privatization revenues                           | 69     | 1,575   | 2,316   | 1,885  | 0      | ...    | 0          | 0      | 0          | ...    |
| Financing gap                                    | 0      | 1       | -9      | 1      | 0      | 1      | 0          | 1      | 0          | -9     |
| In percent of GDP)                               |        |         |         |        |        |        |            |        |            |        |
| Total revenue, grants, and capital participation | 38.6   | 38.6    | 34.4    | 31.8   | ...    | ...    | ...        | ...    | 36.3       | 34.9   |
| Total revenue                                    | 21.1   | 22.2    | 21.1    | 19.5   | ...    | ...    | ...        | ...    | 23.7       | 24.0   |
| Tax revenue                                      | 16.6   | 16.9    | 17.1    | 16.6   | ...    | ...    | ...        | ...    | 16.6       | 17.3   |
| Nontax revenue                                   | 4.5    | 5.3     | 4.0     | 2.9    | ...    | ...    | ...        | ...    | 7.1        | 6.7    |
| External grants                                  | 15.2   | 14.8    | 13.3    | 10.5   | ...    | ...    | ...        | ...    | 12.4       | 10.8   |
| Domestic capital participation                   | 2.3    | 1.6     | 0.0     | 1.8    | ...    | ...    | ...        | ...    | 0.2        | 0.1    |
| Total expenditure                                | 52.6   | 51.5    | 48.3    | 42.2   | ...    | ...    | ...        | ...    | 43.6       | 39.1   |
| Recurrent expenditure                            | 20.6   | 24.5    | 22.8    | 23.3   | ...    | ...    | ...        | ...    | 22.4       | 22.0   |
| Recurrent primary expenditure                    | 19.6   | 21.3    | 19.1    | 19.3   | ...    | ...    | ...        | ...    | 18.7       | 18.1   |
| Of which: wage bill                              | 10.1   | 10.4    | 10.5    | 10.0   | ...    | ...    | ...        | ...    | 9.7        | 10.1   |
| Capital expenditure                              | 32.0   | 27.0    | 25.5    | 18.9   | ...    | ...    | ...        | ...    | 21.2       | 17.1   |
| Current balance                                  | 0.5    | -2.3    | -1.7    | -3.9   | ...    | ...    | ...        | ...    | 1.3        | 1.9    |
| Primary balance                                  | -28.2  | -24.5   | -23.6   | -16.9  | ...    | ...    | ...        | ...    | -16.0      | -11.1  |
| Overall balance (commitment basis), incl. grants | -14.0  | -12.9   | -13.9   | -10.4  | ...    | ...    | ...        | ...    | -7.3       | -4.3   |
| Overall balance (commitment basis), excl. grants | -29.2  | -27.7   | -27.2   | -21.0  | ...    | ...    | ...        | ...    | -19.7      | -15.0  |
| Foreign financing (net)                          | 4.9    | 3.0     | 4.3     | 1.4    | ...    | ...    | ...        | ...    | 7.3        | 4.3    |
| Domestic financing (net)                         | 9.1    | 9.9     | 9.7     | 9.0    | ...    | ...    | ...        | ...    | 0.0        | 0.0    |
| Banking system financing                         | 6.3    | 5.2     | 2.4     | 4.8    | ...    | ...    | ...        | ...    | 0.0        | 0.0    |
| Financing gap                                    | 0.0    | 0.0     | 0.0     | 0.0    | ...    | ...    | ...        | ...    | 0.0        | 0.0    |

Sources: Ministry of Finance; Bank of Cape Verde; and staff estimates.

1/ Since 1998, tax revenue excludes taxes collected on behalf of the municipalities and the TPC (Economic Community of West African States).

2/ Includes the so-called *contas de ordem*, which are budgeted revenues from direct provision of services by government agencies offset by the same amounts under current expenditure for each of these agencies.

3/ These are enterprises' shares of government investment costs, usually in infrastructure directly related to the activity of these enterprises.

4/ For 1998, include the drawings expected from the concessional line of credit to cover domestic interest payments.

5/ In 1999, Cape Verde is in the process of rescheduling its US\$6.49-million arrears with Spain and its US\$7.29-million obligations with Brazil. While negotiations with Spain are still ongoing, Brazil cancelled 60 percent and arranged a ten-year repayment schedule with the Cape Verdean authorities.

6/ Net credit to government adjusted for public enterprise debt (CVEsc 3.1 and 0.3 billion, respectively in 1994 and 1995), and reclassification of expenditure executed in 1996 on account of 1995 (CVEsc 0.6 billion).

7/ Net of current amortization.

Table 16. Cape Verde: Central Government Revenue, 1994-98  
(In millions of Cape Verde escudos, unless otherwise indicated)

|  | 1994  | 1995  | 1996  | 1997  | 1998   |
|--|-------|-------|-------|-------|--------|
| Tax revenue  | 5,590 | 6,408 | 6,961 | 7,479 | 8,409  |
| Taxes on income and profits                              | 1,978 | 2,201 | 2,521 | 2,844 | 3,068  |
| Tax on business profits                                  | 1,015 | 1,080 | 0     | 0     | 0      |
| Unified tax  | 0     | 0     | 2,314 | 2,571 | 2,836  |
| Tax on salaries and self-employment income               | 518   | 609   | 0     | 0     | 0      |
| Tax on rentals   | 68    | 70    | 80    | 91    | 33     |
| Complementary tax  | 289   | 347   | 0     | 0     | 0      |
| Tax on the fuel distributors' profits and capital distri | 0     | 0     | 0     | 0     | 0      |
| Tax on petroleum products 1/                             | 88    | 96    | 127   | 182   | 161    |
| Other taxes  | 0     | 0     | 0     | 0     | 38     |
| <i>Of which: municipal and TPC taxes</i>                 | 0     | 0     | 0     | 0     | 0      |
| Municipal taxes 2/                                       | 59    | 33    | 49    | 62    | 68     |
| Estate and gift tax 2/                                   | 5     | 6     | 6     | 8     | 6      |
| Tax on real estate transfers 2/                          | 37    | 10    | 22    | 33    | 41     |
| Motor-vehicle tax 2/                                     | 17    | 18    | 21    | 21    | 21     |
| Taxes on international trade                             | 3,187 | 3,758 | 3,922 | 4,148 | 4,906  |
| Taxes on imports   | 3,175 | 3,714 | 3,869 | 4,085 | 4,866  |
| Import duties  | 1,377 | 1,717 | 1,787 | 1,874 | 2,306  |
| Consumption taxes 3/                                     | 1,026 | 1,057 | 1,176 | 1,242 | 1,415  |
| Customs services tax                                     | 772   | 940   | 906   | 969   | 1,145  |
| Other  | 12    | 44    | 53    | 63    | 40     |
| Other taxes  | 366   | 416   | 468   | 425   | 435    |
| Stamp tax  | 303   | 332   | 375   | 394   | 345    |
| Liquor tax   | 63    | 84    | 93    | 31    | 90     |
| Nontax revenue   | 1,509 | 1,997 | 1,615 | 1,294 | 3,247  |
| Licenses and miscellaneous fees                          | 177   | 256   | 213   | 268   | 382    |
| Property income  | 208   | 487   | 594   | 367   | 428    |
| Transfers  | 420   | 425   | 543   | 257   | 256    |
| Reimbursement of principal by public enterprises 3/      | 0     | 101   | 0     | 0     | 1,292  |
| Sales of fixed assets and services                       | 215   | 190   | 264   | 288   | 264    |
| Autonomous revenues 5/                                   | 489   | 530   | 0     | 0     | 495    |
| Other revenues   | 0     | 8     | 0     | 114   | 130    |
| Total budgetary revenue                                  | 7,098 | 8,405 | 8,575 | 8,773 | 11,656 |
| Annual percent change                                    | 12.5  | 18.4  | 2.0   | 2.3   | 32.9   |

Sources: Ministry of Finance; and staff estimates.

1/ In 1993 the tax on the fuel distributors' profits and capital distributions was replaced by the tax on petroleum products.

2/ As of 1998, municipal taxes were collected by the central government and directly passed on to the municipalities.

Therefore, they are no longer considered to be "Tax revenue".

3/ Collected by the customs department on imports.

4/ On government-guaranteed external borrowing.

5/ These are the so called *contas de ordem*, which are revenue as budgeted from the direct provision of services by government agencies offset by the same amounts of current expenditure for each of these agencies



Table 17. Cape Verde: Selected Indicators of Central Government Revenue, 1994-99

|  | 1994  | 1995  | 1996  | 1997  | 1998  |
|--|-------|-------|-------|-------|-------|
| (In millions of Cape Verde escudos)              |       |       |       |       |       |
| Tax revenue                                      | 5,590 | 6,408 | 6,961 | 7,479 | 8,409 |
| <i>Of which:</i> taxes on income and profits     | 1,978 | 2,201 | 2,521 | 2,844 | 3,068 |
| taxes on international trade                     | 3,187 | 3,758 | 3,922 | 4,148 | 4,906 |
| Nontax revenue                                   | 1,509 | 1,997 | 1,615 | 1,294 | 3,247 |
| <i>Of which:</i> property income                 | 208   | 487   | 594   | 367   | 428   |
| transfers  | 420   | 425   | 543   | 257   | 256   |
| reimbursement of principal by public enterprises | 0     | 101   | 0     | 0     | 1,292 |
| (In millions of 1990 Cape Verde escudos)         |       |       |       |       |       |
| Tax revenue                                      | 4,187 | 4,425 | 4,537 | 4,492 | 4,838 |
| <i>Of which:</i> taxes on income and profits     | 1,482 | 1,520 | 1,644 | 1,708 | 1,765 |
| taxes on international trade                     | 2,387 | 2,595 | 2,557 | 2,492 | 2,823 |
| Nontax revenue                                   | 1,130 | 1,379 | 1,052 | 777   | 1,868 |
| <i>Of which:</i> property income                 | 155   | 336   | 387   | 220   | 246   |
| transfers  | 314   | 293   | 354   | 154   | 147   |
| reimbursement of principal by public enterprises | 0     | 70    | 0     | 0     | 743   |
| (As percent of budgetary revenue)                |       |       |       |       |       |
| Tax revenue                                      | 78.7  | 76.2  | 81.2  | 85.3  | 72.1  |
| <i>Of which:</i> taxes on income and profits     | 27.9  | 26.2  | 29.4  | 32.4  | 26.3  |
| taxes on international trade                     | 44.9  | 44.7  | 45.7  | 47.3  | 42.1  |
| Nontax revenue                                   | 21.3  | 23.8  | 18.8  | 14.7  | 27.9  |
| <i>Of which:</i> property income                 | 2.9   | 5.8   | 6.9   | 4.2   | 3.7   |
| transfers  | 5.9   | 5.1   | 6.3   | 2.9   | 2.2   |
| reimbursement of principal by public enterprises | 0.0   | 1.2   | 0.0   | 0.0   | 11.1  |
| (Annual percentage change)                       |       |       |       |       |       |
| Tax revenue                                      | 17.2  | 14.6  | 8.6   | 7.5   | 1.1   |
| <i>Of which:</i> taxes on income and profits     | 29.9  | 11.3  | 14.6  | 12.8  | -4.6  |
| taxes on international trade                     | 12.6  | 17.9  | 4.4   | 5.8   | 5.4   |
| Nontax revenue                                   | -1.8  | 32.4  | -19.2 | -19.9 | -5.8  |
| <i>Of which:</i> property income                 | -43.0 | 134.7 | 22.0  | -38.2 | -38.6 |
| transfers  | 29.0  | 1.2   | 27.9  | -52.7 | -52.4 |
| reimbursement of principal by public enterprises | ...   | ...   | ...   | ...   | 29.1  |
| (In percent of GDP)                              |       |       |       |       |       |
| Tax revenue                                      | 16.6  | 16.9  | 17.1  | 16.6  | 17.3  |
| <i>Of which:</i> taxes on income and profits     | 5.9   | 5.8   | 6.2   | 6.3   | 6.3   |
| taxes on international trade                     | 9.5   | 9.9   | 9.7   | 9.2   | 10.1  |
| Nontax revenue                                   | 4.5   | 5.3   | 4.0   | 2.9   | 6.7   |
| <i>Of which:</i> property income                 | 0.6   | 1.3   | 1.5   | 0.8   | 0.9   |
| transfers  | 1.2   | 1.1   | 1.3   | 0.6   | 0.5   |
| reimbursement of principal by public enterprises | 0.0   | 0.3   | 0.0   | 0.0   | 2.7   |

Sources: Ministry of Finance; and staff estimates.

Table 18. Cape Verde: Economic Classification of Central Government Expenditure, 1994-98

|   | 1994   | 1995   | 1996   | 1997   | 1998   |
|---|--------|--------|--------|--------|--------|
| (In millions of Cape Verde escudos)             |        |        |        |        |        |
| Total expenditure                               | 17,699 | 19,508 | 19,647 | 19,036 | 19,037 |
| Recurrent expenditure                           | 6,923  | 9,287  | 9,272  | 10,529 | 10,718 |
| Wages and salaries                              | 3,396  | 3,949  | 4,284  | 4,529  | 4,894  |
| <i>Of which: voluntary departure program</i>    | 0      | 0      | 0      | 0      | 243    |
| Goods and services                              | 281    | 285    | 284    | 619    | 350    |
| Interest on public debt                         | 341    | 1,208  | 1,493  | 1,832  | 1,893  |
| Domestic 1/                                     | 68     | 938    | 1,233  | 1,402  | 1,543  |
| <i>Of which: residual from trust fund</i>       | ...    | ...    | 0      | 0      | ...    |
| External 2/                                     | 273    | 270    | 260    | 430    | 350    |
| Subsidies and transfers                         | 1,169  | 1,667  | 1,535  | 2,893  | 2,672  |
| Public enterprises                              | 0      | 15     | 0      | 0      | 0      |
| Public sector                                   | 959    | 1,443  | 1,346  | 2,521  | 2,391  |
| Other entities                                  | 210    | 208    | 189    | 372    | 281    |
| Other current expenditure                       | 1,247  | 1,648  | 1,676  | 656    | 710    |
| Capital expenditure                             | 65     | 71     | 109    | 131    | 20     |
| Other expenditure                               | 1,182  | 1,577  | 1,567  | 525    | 690    |
| Autonomous expenditure 3/                       | 489    | 530    | 0      | 0      | 200    |
| Capital expenditure                             | 10,776 | 10,221 | 10,375 | 8,507  | 8,319  |
| Foreign financing                               | 6,982  | 6,952  | 7,301  | 6,594  | 7,355  |
| Grants  | 5,120  | 5,602  | 5,411  | 4,750  | 5,241  |
| Loans   | 1,862  | 1,350  | 1,890  | 1,844  | 2,114  |
| Domestic resources                              | 3,794  | 3,269  | 3,074  | 1,913  | 964    |
| <i>Of which: domestic capital participation</i> | 774    | 623    | 0      | 805    | 64     |
| (In percent of total recurrent expenditure)     |        |        |        |        |        |
| Recurrent expenditure                           | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  |
| Wages and salaries                              | 49.1   | 42.5   | 46.2   | 43.0   | 45.7   |
| <i>Of which: voluntary departure program</i>    | 0.0    | 0.0    | 0.0    | 0.0    | 2.3    |
| Goods and services                              | 4.1    | 3.1    | 3.1    | 5.9    | 3.3    |
| Interest on public debt                         | 4.9    | 13.0   | 16.1   | 17.4   | 17.7   |
| Domestic 1/                                     | 1.0    | 10.1   | 13.3   | 13.3   | 14.4   |
| <i>Of which: residual from trust fund</i>       | ...    | ...    | ...    | ...    | ...    |
| External 2/                                     | 3.9    | 2.9    | 2.8    | 4.1    | 3.3    |
| Subsidies and transfers                         | 16.9   | 17.9   | 16.6   | 27.5   | 24.9   |
| Public enterprises                              | 0.0    | 0.2    | 0.0    | 0.0    | 0.0    |
| Public sector                                   | 13.8   | 15.5   | 14.5   | 23.9   | 22.3   |
| Other entities                                  | 3.0    | 2.2    | 2.0    | 3.5    | 2.6    |
| Other current expenditure                       | 18.0   | 17.7   | 18.1   | 6.2    | 6.6    |
| Capital expenditure                             | 0.9    | 0.8    | 1.2    | 1.2    | 0.2    |
| Other expenditure                               | 17.1   | 17.0   | 16.9   | 5.0    | 6.4    |
| Autonomous expenditure 3/                       | 7.1    | 5.7    | 0.0    | 0.0    | 1.9    |
| (In percent of GDP)                             |        |        |        |        |        |
| Recurrent expenditure                           | 20.6   | 24.5   | 22.8   | 23.3   | 22.0   |
| Wages and salaries                              | 10.1   | 10.4   | 10.5   | 10.0   | 10.1   |
| <i>Of which: voluntary departure program</i>    | 0.0    | 0.0    | 0.0    | 0.0    | 0.5    |
| Goods and services                              | 0.8    | 0.8    | 0.7    | 1.4    | 0.7    |
| Interest on public debt                         | 1.0    | 3.2    | 3.7    | 4.1    | 3.9    |
| Domestic 1/                                     | 0.2    | 2.5    | 3.0    | 3.1    | 3.2    |
| <i>Of which: residual from trust fund</i>       | ...    | ...    | ...    | ...    | ...    |
| External 2/                                     | 0.8    | 0.7    | 0.6    | 1.0    | 0.7    |
| Subsidies and transfers                         | 3.5    | 4.4    | 3.8    | 6.4    | 5.5    |
| Public enterprises                              | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Public sector                                   | 2.8    | 3.8    | 3.3    | 5.6    | 4.9    |
| Other entities                                  | 0.6    | 0.6    | 0.5    | 0.8    | 0.6    |
| Other current expenditure                       | 3.7    | 4.4    | 4.1    | 1.5    | 1.5    |
| Capital expenditure                             | 0.2    | 0.2    | 0.3    | 0.3    | 0.0    |
| Other expenditure                               | 3.5    | 4.2    | 3.9    | 1.2    | 1.4    |
| Autonomous expenditure 3/                       | 1.5    | 1.4    | 0.0    | 0.0    | 0.4    |

Sources: Ministry of Finance; and staff estimates.

1/ Including the debt service to the central bank and the Instituto Nacional de Ppvidencia Social (INPS).

2/ Including central government and public enterprises' debt guaranteed by the central government.

3/ These are the so called *contas de ordem*, which are revenue as budgeted from the direct provision of services by government agencies offset by the same amounts of current expenditure for each of these agencies

Table 19. Cape Verde: Public Debt of Central Government, 1994-98  
(In millions of Cape Verde escudos)

|                                 | 1994   | 1995   | 1996   | 1997   | 1998   |
|---------------------------------|--------|--------|--------|--------|--------|
| Stock of domestic public debt   | 11,656 | 13,859 | 16,618 | 17,689 | 17,689 |
| Banking sector                  | 10,330 | 12,336 | 14,094 | 15,846 | 15,058 |
| Bank of Cape Verde              | 4,363  | 4,856  | 5,149  | 5,758  | 5,524  |
| Banco Comercial do Atlantico    | 5,967  | 6,989  | 7,781  | 8,502  | 7,904  |
| Caixa Economica de Cabo Verde   | 0      | 491    | 1,076  | 1,262  | 1,361  |
| Banco Totta e Acores            | 0      | 0      | 87     | 324    | 270    |
| Non-banking sector              | 1,326  | 1,523  | 2,525  | 1,843  | 2,631  |
| INPS 1/                         | 1,248  | 1,467  | 1,813  | 1,037  | 1,109  |
| Garantia                        | 78     | 56     | 196    | 107    | 192    |
| Other                           | 0      | 0      | 516    | 698    | 1,329  |
| Long-term debt                  | 5,995  | 4,788  | 5,369  | 4,037  | 5,524  |
| Bank of Cape Verde              | 3,729  | 4,359  | 4,210  | 4,037  | 5,524  |
| Banco Comercial do Atlantico    | 940    | 0      | 0      | 0      | 0      |
| Caixa Economica de Cabo Verde   | 0      | 0      | 0      | 0      | 0      |
| Banco Totta e Acores            | 0      | 0      | 0      | 0      | 0      |
| INPS 1/                         | 1,248  | 373    | 1,103  | 0      | 0      |
| Garantia                        | 78     | 56     | 56     | 0      | 0      |
| Other                           | 0      | 0      | 0      | 0      | 0      |
| Medium-term debt                | 5,027  | 7,024  | 7,375  | 8,331  | 8,251  |
| Bank of Cape Verde              | 0      | 0      | 0      | 0      | 0      |
| Banco Comercial do Atlantico 2/ | 5,027  | 6,304  | 7,150  | 7,562  | 7,562  |
| Caixa Economica de Cabo Verde   | 0      | 0      | 135    | 135    | 135    |
| Banco Totta e Acores            | 0      | 0      | 50     | 50     | 0      |
| INPS 1/                         | 0      | 720    | 0      | 235    | 215    |
| Garantia                        | 0      | 0      | 0      | 22     | 22     |
| Other                           | 0      | 0      | 40     | 327    | 317    |
| Short-term debt                 | 634    | 2,048  | 3,874  | 5,321  | 3,914  |
| Bank of Cape Verde              | 634    | 497    | 939    | 1,721  | 0      |
| Banco Comercial do Atlantico    | 0      | 686    | 631    | 940    | 342    |
| Caixa Economica de Cabo Verde   | 0      | 491    | 941    | 1,127  | 1,226  |
| Banco Totta e Acores            | 0      | 0      | 37     | 274    | 270    |
| INPS 1/                         | 0      | 374    | 710    | 802    | 894    |
| Garantia                        | 0      | 0      | 140    | 85     | 170    |
| Other                           | 0      | 0      | 476    | 372    | 1,013  |

Sources: Ministry of Finance; Bank of Cape Verde; and staff estimates.

1/ Instituto Nacional Previdencia Social (INPS).

2/ The debt of 1994 was contracted in connection with the clearing of nonperforming public enterprises' debt held by the Bank of Cape Verde.

Table 20. Cape Verde: Current Expenditures by Administrative Unit, 1994-98

|                                     | 1994  | 1995  | 1996   | 1997   | 1998   |
|-------------------------------------|-------|-------|--------|--------|--------|
| (In millions of Cape Verde escudos) |       |       |        |        |        |
| National Assembly                   | 115   | 121   | 137    | 187    | 276    |
| Presidency                          | 56    | 71    | 81     | 81     | 86     |
| Office of the Prime Minister        | 63    | 63    | 66     | 64     | 88     |
| Ministries                          | 6,592 | 8,383 | 10,906 | 10,879 | 10,259 |
| Presidency of the Ministry Council  | 439   | 449   | 449    | 80     | 61     |
| Assistant to the Prime Minister     | 0     | 0     | 0      | 197    | 218    |
| Agriculture and Rural Development   | 247   | 127   | 127    | 256    | 220    |
| Defense                             | 281   | 477   | 352    | 382    | 443    |
| Economic Coordination/Finance       | 1,485 | 2,949 | 5,370  | 5,093  | 3,954  |
| Education                           | 1,511 | 1,810 | 2,079  | 2,206  | 2,544  |
| Foreign Affairs                     | 495   | 550   | 689    | 708    | 739    |
| Health                              | 721   | 772   | 821    | 943    | 1,074  |
| Infrastructure and Transportation   | 224   | 119   | 120    | 117    | 106    |
| Justice and Labor                   | 943   | 1,005 | 772    | 788    | 803    |
| Sea                                 | 247   | 127   | 128    | 109    | 97     |
| Total                               | 6,826 | 8,637 | 11,190 | 11,211 | 10,709 |
| (In percent of total)               |       |       |        |        |        |
| National Assembly                   | 1.7   | 1.4   | 1.2    | 1.7    | 2.6    |
| Presidency                          | 0.8   | 0.8   | 0.7    | 0.7    | 0.8    |
| Office of the Prime Minister        | 0.9   | 0.7   | 0.6    | 0.6    | 0.8    |
| Ministries                          | 96.6  | 97.1  | 97.5   | 97.0   | 95.8   |
| Presidency of the Ministry Council  | 6.4   | 5.2   | 4.0    | 0.7    | 0.6    |
| Assistant to the Prime Minister     | 0.0   | 0.0   | 0.0    | 1.8    | 2.0    |
| Agriculture and Rural Development   | 3.6   | 1.5   | 1.1    | 2.3    | 2.0    |
| Defense                             | 4.1   | 5.5   | 3.1    | 3.4    | 4.1    |
| Economic Coordination/Finance       | 21.8  | 34.1  | 48.0   | 45.4   | 36.9   |
| Education                           | 22.1  | 21.0  | 18.6   | 19.7   | 23.8   |
| Foreign Affairs                     | 7.2   | 6.4   | 6.2    | 6.3    | 6.9    |
| Health                              | 10.6  | 8.9   | 7.3    | 8.4    | 10.0   |
| Infrastructure and Transportation   | 3.3   | 1.4   | 1.1    | 1.0    | 1.0    |
| Justice and Labor                   | 13.8  | 11.6  | 6.9    | 7.0    | 7.5    |
| Sea                                 | 3.6   | 1.5   | 1.1    | 1.0    | 0.9    |
| Total                               | 100.0 | 100.0 | 100.0  | 100.0  | 100.0  |

Sources: Ministry of Finance; and staff estimates.

Table 21. Cape Verde: Monetary Survey, 1993-98

|   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   |        |        |        |  |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
|   |        |        |        |        |        | Mar.   | Jun.   | Sep.   | Dec.   |  |
| (In millions of Cape Verde escudos)                         |        |        |        |        |        |        |        |        |        |  |
| Net foreign assets  | 6,172  | 5,934  | 5,207  | 6,811  | 5,613  | 5,737  | 5,949  | 5,149  | 5,646  |  |
| Central bank  | 5,140  | 3,644  | 4,718  | 4,540  | 4,272  | 4,331  | 4,472  | 3,667  | 3,496  |  |
| Net foreign assets, excl. medium- and long-term liabilities | 5,353  | 3,778  | 4,783  | 4,590  | 4,304  | 4,363  | 4,504  | 3,700  | 3,529  |  |
| Liquid assets (net)   | 2,533  | 1,168  | 2,421  | 2,099  | 1,642  | 1,773  | 1,835  | 1,297  | 1,253  |  |
| Other   | 2,608  | 2,476  | 2,298  | 2,491  | 2,662  | 2,558  | 2,636  | 2,370  | 2,244  |  |
| Medium- and long-term foreign liabilities                   | -213   | -134   | -65    | -50    | -32    | -32    | -32    | -32    | -32    |  |
| Commercial banks  | 1,032  | 2,290  | 489    | 2,271  | 1,341  | 1,406  | 1,478  | 1,482  | 2,150  |  |
| Net foreign assets, excl. medium- and long-term liabilities | 1,032  | 2,319  | 646    | 2,508  | 1,822  | 1,920  | 1,948  | 1,945  | 2,557  |  |
| Medium- and long-term foreign liabilities                   | 0      | -29    | -157   | -237   | -481   | -513   | -471   | -463   | -407   |  |
| Net domestic assets   | 11,780 | 14,859 | 19,903 | 20,282 | 24,764 | 24,265 | 24,835 | 24,849 | 25,272 |  |
| Domestic credit   | 12,343 | 16,183 | 20,897 | 23,043 | 27,712 | 28,031 | 29,564 | 30,198 | 29,404 |  |
| Net claims on the government                                | 2,262  | 8,046  | 9,978  | 11,447 | 13,126 | 13,084 | 14,056 | 14,229 | 13,079 |  |
| Claims on the central government                            | 4,569  | 8,813  | 11,845 | 14,129 | 15,846 | 16,011 | 16,719 | 16,461 | 15,583 |  |
| Net of deposits other than project deposits                 | 4,282  | 9,540  | 11,599 | 13,342 | 15,515 | 15,933 | 16,631 | 16,384 | 15,500 |  |
| Claims on local government                                  | 35     | 295    | 83     | 109    | 120    | 120    | 131    | 130    | 130    |  |
| Claims on other government agencies                         | 1,939  | 1,082  | 1,258  | 158    | 155    | 155    | 155    | 151    | 151    |  |
| Deposits  | -4,281 | -3,144 | -3,209 | -2,949 | -2,995 | -3,202 | -2,947 | -2,513 | -2,784 |  |
| <i>of which: project deposits</i>                           | -46    | -116   | -281   | -337   | -987   | -894   | -774   | -336   | -345   |  |
| Credit to the economy                                       | 10,081 | 8,137  | 10,919 | 11,596 | 14,587 | 14,947 | 15,507 | 15,969 | 16,325 |  |
| Public enterprises  | 2,571  | 552    | 617    | 433    | 370    | 375    | 405    | 425    | 440    |  |
| Private enterprises   | 7,510  | 7,585  | 10,303 | 11,164 | 14,217 | 14,571 | 15,102 | 15,544 | 15,885 |  |
| Other items (net)   | -563   | -1,324 | -994   | -2,762 | -2,949 | -3,766 | -4,729 | -5,349 | -4,132 |  |
| Broad money   | 17,739 | 20,629 | 24,888 | 27,093 | 30,377 | 30,002 | 30,784 | 29,998 | 30,918 |  |
| Currency in circulation                                     | 3,549  | 3,930  | 4,640  | 4,520  | 4,854  | 4,542  | 4,632  | 4,459  | 5,060  |  |
| Demand deposits   | 5,495  | 6,683  | 8,131  | 8,487  | 10,666 | 10,504 | 11,115 | 10,424 | 10,396 |  |
| Time deposits   | 8,333  | 9,887  | 11,947 | 13,692 | 13,965 | 14,199 | 14,304 | 14,447 | 14,632 |  |
| Foreign exchange deposits (residents)                       | 361    | 130    | 171    | 138    | 526    | 527    | 534    | 424    | 575    |  |
| Repurchase agreements                                       | 0      | 0      | 0      | 256    | 366    | 232    | 200    | 244    | 256    |  |
| (Changes in percent of beginning-of-period money stock)     |        |        |        |        |        |        |        |        |        |  |
| Net foreign assets  | 3.8    | -1.3   | -3.5   | 6.4    | -4.4   | 0.4    | 1.1    | -1.5   | 0.1    |  |
| Net domestic assets   | 12.1   | 17.4   | 24.5   | 1.5    | 16.5   | -1.6   | 0.2    | 0.3    | 1.7    |  |
| Domestic credit   | 9.2    | 21.6   | 22.8   | 8.6    | 17.2   | 1.0    | 6.1    | 8.2    | 5.6    |  |
| Claims on the general government                            | 5.4    | 32.6   | 9.4    | 5.9    | 6.2    | -0.1   | 3.1    | 3.6    | -0.2   |  |
| Claims on the central government                            | ...    | 29.6   | 9.9    | 9.2    | 6.3    | 0.5    | 2.9    | 2.0    | -0.9   |  |
| Credit to the economy                                       | 3.8    | -11.0  | 13.5   | 2.7    | 11.0   | 1.2    | 3.0    | 4.5    | 5.7    |  |
| Broad money   | 15.9   | 16.3   | 20.6   | 8.9    | 12.1   | -1.2   | 1.3    | -1.2   | 1.8    |  |

Sources: Bank of Cape Verde; and staff estimates.

Table 22. Cape Verde: Summary Accounts of the Bank of Cape Verde, 1994-98  
(In millions of Cape Verde escudos; end of period)

|   | 1994   | 1995    | 1996   | 1997    | 1998   |         |        |         |
|---|--------|---------|--------|---------|--------|---------|--------|---------|
|   |        |         |        |         | Mar.   | Jun.    | Sep.   | Dec.    |
| Net foreign assets                          | 3,644  | 4,718   | 4,540  | 4,272   | 4,331  | 4,472   | 3,667  | 3,496   |
| Gross foreign assets                        | 3,693  | 4,765   | 4,641  | 4,362   | 4,422  | 4,563   | 3,756  | 3,585   |
| Short-term assets                           | 1,217  | 2,467   | 2,150  | 1,700   | 1,831  | 1,894   | 1,354  | 1,309   |
| Foreign notes and coins                     | 1      | 5       | 29     | 22      | 21     | 18      | 18     | 39      |
| Funds denominated in foreign currency       | 1,211  | 2,461   | 2,116  | 1,675   | 1,809  | 1,876   | 1,330  | 1,264   |
| Demand deposits                             | 522    | 522     | 522    | 810     | 686    | 329     | 751    | 454     |
| Time deposits                               | 388    | 388     | 388    | 674     | 934    | 1,359   | 391    | 286     |
| Foreign-currency titles                     | 4      | 4       | 4      | 4       | 0      | 0       | 0      | 0       |
| Others                                      | 297    | 1,547   | 1,202  | 188     | 188    | 188     | 188    | 525     |
| SDR holdings                                | 5      | 1       | 6      | 3       | 1      | 0       | 6      | 5       |
| Reserve position with the Fund              | 0      | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Medium- and long-term assets                | 2,476  | 2,298   | 2,491  | 2,662   | 2,590  | 2,669   | 2,402  | 2,276   |
| Investments abroad                          | 1,636  | 1,542   | 1,694  | 1,806   | 1,772  | 1,835   | 1,620  | 1,503   |
| Payments agreements                         | 559    | 479     | 588    | 649     | 606    | 621     | 570    | 561     |
| International organizations                 | 281    | 276     | 208    | 208     | 208    | 208     | 208    | 208     |
| Other                                       | 0      | 0       | 0      | 0       | 4      | 4       | 4      | 4       |
| Short-term foreign liabilities              | -49    | -47     | -51    | -58     | -59    | -59     | -57    | -57     |
| Use of Fund credit                          | 0      | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Other                                       | -49    | -47     | -51    | -58     | -59    | -59     | -57    | -57     |
| Medium- and long-term foreign liabilities   | -134   | -65     | -50    | -32     | -32    | -32     | -32    | -32     |
| Loans                                       | -103   | -33     | -18    | 0       | 0      | 0       | 0      | 0       |
| Deposits of international organizations     | -32    | -32     | -32    | -32     | -32    | -32     | -32    | -32     |
| Net domestic assets                         | 7,428  | 8,371   | 8,121  | 8,713   | 8,556  | 8,771   | 8,991  | 10,450  |
| Domestic credit                             | 5,967  | 6,443   | 6,726  | 6,579   | 6,703  | 7,187   | 7,468  | 6,584   |
| Net claims on general government            | 4,173  | 4,712   | 5,017  | 4,908   | 5,033  | 5,661   | 5,971  | 5,099   |
| Central government (net)                    | 4,342  | 4,857   | 5,149  | 5,758   | 5,886  | 6,506   | 6,539  | 5,524   |
| Claims                                      | 4,363  | 4,857   | 5,149  | 5,758   | 5,886  | 6,506   | 6,539  | 5,524   |
| Advances to the treasury                    | 634    | 497     | 939    | 0       | 0      | 0       | 0      | 0       |
| Public enterprise debt                      | 0      | 3,105   | 4,211  | 5,758   | 5,758  | 5,758   | 5,758  | 5,524   |
| Other claims                                | 3,729  | 1,255   | 0      | 0       | 128    | 747     | 781    | 0       |
| Central government deposits (tre)           | -21    | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Deposits in foreign currency                | 0      | 0       | -2     | -49     | -168   | -180    | -311   | -278    |
| Other government deposits                   | -273   | -246    | -229   | -895    | -780   | -760    | -348   | -239    |
| Project deposits                            | 0      | 0       | 0      | -702    | -591   | -578    | -166   | -64     |
| Other (IDA credit line)                     | -273   | -246    | -229   | -194    | -190   | -182    | -182   | -175    |
| Claims on local government                  | 0      | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Net claims on other government agencies     | 104    | 101     | 98     | 95      | 95     | 95      | 91     | 91      |
| Claims on the Trust fund                    | 0      | 0       | 0      | 0       | 0      | 1,357   | 1,782  | 2,755   |
| Claims on commercial banks 1/               | 583    | 574     | 546    | 520     | 515    | 371     | 362    | 362     |
| Credit to the economy                       | 1,211  | 1,157   | 1,163  | 1,152   | 1,156  | 1,155   | 1,135  | 1,124   |
| Credit to nonfinancial public enterprises   | 120    | 119     | 114    | 0       | 0      | 0       | 0      | 0       |
| Credit to the private sector                | 1,091  | 1,038   | 1,049  | 1,152   | 1,156  | 1,155   | 1,135  | 1,124   |
| Other items                                 | 1,461  | 1,928   | 1,395  | 2,134   | 1,853  | 1,584   | 1,523  | 3,866   |
| Monetary liabilities                        | -8,860 | -10,757 | -9,997 | -10,041 | -9,805 | -10,141 | -9,538 | -10,977 |
| Monetary base                               | -8,686 | -10,656 | -9,983 | -10,035 | -9,802 | -10,141 | -9,536 | -10,971 |
| Currency issued                             | -4,552 | -5,659  | -5,195 | -5,643  | -5,349 | -5,216  | -5,239 | -5,834  |
| Currency in circulation                     | -3,930 | -4,640  | -4,520 | -4,854  | -4,542 | -4,632  | -4,459 | -5,060  |
| Cash held by the treasury                   | 0      | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Cash held by the banks                      | -622   | -1,019  | -675   | -789    | -807   | -584    | -780   | -774    |
| Deposits of monetary institutions (BCV) 1/  | -4,134 | -4,997  | -4,788 | -4,392  | -4,453 | -4,925  | -4,297 | -5,137  |
| Demand deposits                             | 0      | 0       | 0      | 0       | 0      | 0       | 0      | 0       |
| Deposits of nonfinancial public enterprises | -174   | -101    | 0      | 0       | 0      | 0       | 0      | 0       |
| Other liabilities                           | 0      | 0       | -15    | -6      | -3     | 0       | -3     | -6      |
| Capital account                             | 2,078  | 2,268   | 2,663  | 2,945   | 3,082  | 3,102   | 3,120  | 2,969   |
| Capital                                     | 500    | 500     | 200    | 200     | 200    | 200     | 200    | 200     |
| Reserves                                    | 71     | 71      | 71     | 71      | 75     | 75      | 75     | 75      |
| Provisions                                  | 1,640  | 1,931   | 2,303  | 2,650   | 2,783  | 2,802   | 2,820  | 2,601   |
| Gains and losses                            | -133   | -234    | 89     | 25      | 25     | 25      | 25     | 93      |

Sources: Bank of Cape Verde (BCV); and staff estimates.

1/ The banks' figure includes the Banco Comercial do Atlantico, Caixa Economica de Cabo Verde, and Banco Totta e Acores, and Caixa Geral de Depositos.

Table 23. Cape Verde: Summary Accounts of the Commercial Banks, 1996-98  
(In millions of Cape Verde escudos)

|   | 1996    | 1997    | 1998    |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
|   |         |         | Mar.    | Jun.    | Sep.    | Dec.    |
| Net foreign assets                        | 2,271   | 1,341   | 1,406   | 1,478   | 1,482   | 2,150   |
| Gross foreign assets                      | 2,760   | 2,289   | 2,465   | 2,554   | 2,594   | 3,149   |
| Short-term foreign liabilities            | -251    | -468    | -545    | -606    | -649    | -592    |
| Nonresident deposits                      | -251    | -468    | -545    | -595    | -649    | -554    |
| Others                                    | 0       | 0       | 0       | -11     | 0       | -38     |
| Medium- and long-term foreign liabilities | -237    | -481    | -513    | -471    | -463    | -407    |
| Domestic assets                           | 27,769  | 31,787  | 32,113  | 32,367  | 31,780  | 32,632  |
| Bank reserves                             | 5,466   | 5,701   | 5,292   | 5,435   | 5,061   | 5,817   |
| Vault cash                                | 675     | 789     | 807     | 584     | 780     | 774     |
| Deposits with central bank                | 4,791   | 4,912   | 4,485   | 4,851   | 4,282   | 5,043   |
| Interbank deposits                        | 56      | 194     | 212     | 120     | 140     | 102     |
| Domestic credit                           | 19,582  | 23,703  | 24,096  | 24,756  | 24,945  | 25,449  |
| Claims on general government              | 9,149   | 10,268  | 10,305  | 10,404  | 10,112  | 10,248  |
| Claims on central government              | 8,980   | 10,088  | 10,125  | 10,213  | 9,921   | 10,058  |
| Claims on local government                | 109     | 120     | 120     | 131     | 130     | 130     |
| Claims on other government agencies       | 60      | 60      | 60      | 60      | 60      | 60      |
| Claims on the trust fund                  | 0       | 0       | 0       | 0       | 0       | 0       |
| Credit to the economy                     | 10,433  | 13,435  | 13,791  | 14,352  | 14,834  | 15,201  |
| Public enterprises                        | 319     | 370     | 375     | 405     | 425     | 440     |
| Private enterprises                       | 10,114  | 13,065  | 13,416  | 13,947  | 14,409  | 14,761  |
| Other items (net)                         | 2,666   | 2,189   | 2,513   | 2,056   | 1,634   | 1,264   |
| Domestic liabilities                      | -26,678 | -28,701 | -28,768 | -29,058 | -28,311 | -29,417 |
| Interbank deposits                        | -67     | -10     | -12     | -6      | -25     | -41     |
| General government deposits               | -2,718  | -2,013  | -2,179  | -1,933  | -1,741  | -2,155  |
| Central government (treasury)             | -787    | -331    | -79     | -88     | -77     | -83     |
| Foreign-currency deposits                 | -165    | -120    | -110    | -55     | -172    | 0       |
| Project deposits                          | -337    | -285    | -303    | -196    | -170    | -281    |
| Local governments' deposits               | -390    | -176    | -174    | -250    | -171    | -186    |
| Other government agencies                 | -1,040  | -1,101  | -1,514  | -1,344  | -1,151  | -1,605  |
| INPS 1/                                   | -727    | -587    | -675    | -605    | -526    | -733    |
| Other                                     | -314    | -514    | -839    | -739    | -625    | -872    |
| Demand deposits                           | -8,850  | -10,955 | -10,783 | -11,384 | -10,703 | -10,674 |
| Nonmonetary financial institutions        | -1,721  | -1,479  | -1,272  | -1,170  | -866    | -777    |
| Nonfinancial public enterprises           | -91     | -59     | -98     | -156    | -192    | -265    |
| Private sector                            | -6,307  | -8,406  | -8,292  | -8,910  | -8,645  | -8,598  |
| Emigrants                                 | -369    | -722    | -842    | -879    | -721    | -757    |
| Other 2/                                  | -362    | -289    | -280    | -269    | -279    | -278    |
| Time deposits                             | -14,103 | -14,274 | -14,447 | -14,556 | -14,700 | -15,242 |
| Savings deposits                          | -539    | -670    | -711    | -739    | -856    | -907    |
| Nonmonetary financial institutions        | -49     | -46     | -31     | -25     | -30     | -30     |
| Nonfinancial public enterprises           | -64     | -40     | -37     | -36     | -36     | -36     |
| Private sector                            | -6,817  | -6,600  | -6,592  | -6,501  | -6,525  | -6,406  |
| Emigrants                                 | -6,223  | -6,609  | -6,828  | -7,003  | -7,000  | -7,254  |
| Other 2/                                  | -411    | -309    | -248    | -252    | -254    | -610    |
| Foreign exchange deposits (residents)     | -138    | -526    | -527    | -534    | -424    | -575    |
| Bond agreements                           | -256    | -366    | -232    | -200    | -244    | -256    |
| Central bank refinancing                  | -546    | -520    | -515    | -371    | -362    | -362    |
| INPS refinancing                          | 0       | -38     | -75     | -75     | -113    | -113    |
| Capital account                           | 3,363   | 4,426   | 4,751   | 4,787   | 4,951   | 5,366   |
| Capital                                   | 1,648   | 1,648   | 1,948   | 1,948   | 1,948   | 1,948   |
| Reserves and provisions                   | 1,269   | 2,415   | 2,440   | 2,476   | 2,639   | 2,677   |
| Gains and losses                          | 446     | 364     | 364     | 364     | 364     | 741     |

Source: Bank of Cape Verde.

1/ Instituto Nacional de Previdencia Social (INPS).

2/ Deposits outside M2.

Table 24. Cape Verde: Summary Accounts of the Banco Comercial do Atlantico, 1996-98  
(In millions of Cape Verde escudos)

|   | 1996    | 1997    | 1998    |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
|   |         |         | Mar.    | Jun.    | Sep.    | Dec.    |
| Net foreign assets                        | 2,249   | 1,530   | 1,427   | 1,198   | 1,333   | 1,854   |
| Gross foreign assets                      | 2,606   | 2,092   | 2,055   | 1,865   | 2,029   | 2,451   |
| Short-term foreign assets                 | 2,307   | 1,798   | 1,746   | 1,557   | 2,029   | 2,451   |
| Other foreign assets                      | 299     | 294     | 309     | 308     | 0       | 0       |
| Short-term foreign liabilities            | -234    | -439    | -502    | -545    | -577    | -483    |
| Nonresident deposits                      | -234    | -439    | -502    | -545    | -577    | -445    |
| Others                                    | 0       | 0       | 0       | 0       | 0       | -38     |
| Medium- and long-term foreign liabilities | -123    | -123    | -125    | -122    | -118    | -114    |
| Domestic assets                           | 22,721  | 25,058  | 24,783  | 25,020  | 24,109  | 24,236  |
| Bank reserves                             | 4,248   | 4,754   | 3,914   | 4,318   | 3,719   | 4,219   |
| Vault cash                                | 530     | 651     | 614     | 444     | 535     | 430     |
| Deposits with central bank                | 3,718   | 4,103   | 3,300   | 3,874   | 3,184   | 3,790   |
| Deposits with other monetary institutions | 7       | 18      | 69      | 7       | 7       | 7       |
| Domestic credit                           | 16,062  | 18,395  | 18,653  | 18,765  | 19,010  | 19,219  |
| Claims on central government (treasury)   | 7,817   | 8,502   | 8,557   | 8,198   | 8,087   | 7,904   |
| Claims on local government                | 109     | 120     | 120     | 120     | 120     | 120     |
| Claims on other government agencies       | 60      | 60      | 60      | 60      | 60      | 60      |
| Credit to the economy                     | 8,076   | 9,712   | 9,916   | 10,388  | 10,743  | 11,136  |
| Public enterprises                        | 319     | 370     | 375     | 405     | 425     | 440     |
| Private enterprises                       | 7,758   | 9,342   | 9,541   | 9,983   | 10,318  | 10,696  |
| Other items                               | 2,404   | 1,892   | 2,148   | 1,930   | 1,372   | 791     |
| Domestic liabilities                      | -22,706 | -23,644 | -23,255 | -23,254 | -22,346 | -22,688 |
| Other banks' deposits                     | -62     | -4      | -6      | 0       | 0       | 0       |
| General government deposits               | -2,455  | -1,356  | -1,497  | -1,188  | -1,053  | -1,190  |
| Central government (treasury)             | -787    | -250    | -50     | -40     | -30     | -30     |
| Foreign-currency deposits                 | -165    | -118    | -108    | -53     | -172    | 0       |
| Project deposits                          | -337    | -150    | -180    | -128    | -100    | -140    |
| Local governments' deposits               | -368    | -170    | -164    | -240    | -160    | -170    |
| Other government agencies                 | -799    | -668    | -995    | -726    | -590    | -850    |
| INPS 1/                                   | -485    | -298    | -325    | -129    | -65     | -60     |
| Other                                     | -314    | -370    | -670    | -597    | -525    | -790    |
| Demand deposits                           | -7,412  | -9,269  | -8,773  | -9,257  | -8,614  | -8,250  |
| Nonmonetary financial institutions        | -1,713  | -1,400  | -1,200  | -1,160  | -850    | -770    |
| Nonfinancial public enterprises           | 0       | 0       | 0       | 0       | 0       | 0       |
| Private sector                            | -4,998  | -6,896  | -6,496  | -6,992  | -6,819  | -6,506  |
| Emigrants                                 | -359    | -699    | -810    | -843    | -674    | -692    |
| Other 2/                                  | -343    | -274    | -267    | -262    | -271    | -282    |
| Time deposits                             | -12,377 | -12,265 | -12,262 | -12,336 | -12,245 | -12,684 |
| Nonmonetary financial institutions        | 0       | 0       | 0       | 0       | 0       | 0       |
| Nonfinancial public enterprises           | -58     | -30     | -30     | -30     | -30     | -30     |
| Private sector                            | -5,736  | -5,444  | -5,334  | -5,292  | -5,268  | -5,185  |
| Emigrants                                 | -6,172  | -6,482  | -6,650  | -6,766  | -6,705  | -6,863  |
| Other 2/                                  | -411    | -309    | -248    | -249    | -241    | -607    |
| Foreign exchange deposits (residents)     | -115    | -478    | -450    | -336    | -306    | -435    |
| Central bank refinancing                  | -286    | -273    | -267    | -137    | -129    | -129    |
| Capital account                           | 2,264   | 2,944   | 2,955   | 2,964   | 3,097   | 3,402   |
| Capital                                   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   |
| Reserves and provisions                   | 909     | 1,721   | 1,733   | 1,741   | 1,874   | 1,875   |
| Gains and losses                          | 355     | 222     | 222     | 222     | 222     | 527     |

Source: Banco Comercial do Atlantico.

1/ Instituto Nacional de Previdencia Social (INPS).

2/ Deposits outside M2.



Table 25. Cape Verde: Summary Accounts of the Caixa Economica de Cabo Verde, 1996-98  
(In millions of Cape Verdean escudos; end of period)

|   | 1996   | 1997   | 1998   |        |        |        |
|---|--------|--------|--------|--------|--------|--------|
|   |        |        | Mar.   | Jun.   | Sep.   | Dec.   |
| Net foreign assets                        | 37     | -179   | -146   | 16     | -23    | 13     |
| Gross foreign assets                      | 118    | 152    | 208    | 376    | 289    | 305    |
| Short-term foreign liabilities            | 0      | 0      | 0      | -11    | 0      | 0      |
| Nonresident deposits                      | 0      | 0      | 0      | 0      | 0      | 0      |
| Others                                    | 0      | 0      | 0      | -11    | 0      | 0      |
| Medium- and long-term foreign liabilities | -81    | -332   | -354   | -349   | -312   | -292   |
| Domestic assets                           | 4,372  | 5,745  | 5,874  | 5,806  | 5,857  | 6,426  |
| Bank reserves                             | 702    | 718    | 789    | 728    | 733    | 1,005  |
| Vault cash                                | 69     | 102    | 113    | 100    | 175    | 189    |
| Deposits with central bank                | 633    | 617    | 676    | 628    | 558    | 815    |
| Deposits with other monetary institutions | 48     | 172    | 143    | 111    | 125    | 54     |
| Domestic credit                           | 3,419  | 4,675  | 4,641  | 4,831  | 4,811  | 5,034  |
| Claims on central government (treasury)   | 1,076  | 1,262  | 1,149  | 1,251  | 1,123  | 1,361  |
| Claims on local government                | 0      | 0      | 0      | 11     | 10     | 10     |
| Claims on other government agencies       | 0      | 0      | 0      | 0      | 0      | 0      |
| Credit to the economy                     | 2,343  | 3,413  | 3,492  | 3,569  | 3,678  | 3,664  |
| Public enterprises                        | 0      | 0      | 0      | 0      | 0      | 0      |
| Private enterprises                       | 2,343  | 3,413  | 3,492  | 3,569  | 3,678  | 3,664  |
| Other items                               | 202    | 180    | 300    | 136    | 188    | 334    |
| Domestic liabilities                      | -3,590 | -4,373 | -4,518 | -4,587 | -4,572 | -5,107 |
| Other banks' deposits                     | -6     | -6     | -6     | -6     | -25    | -41    |
| General government deposits               | -264   | -657   | -672   | -737   | -681   | -961   |
| Central government deposits (treasury)    | 0      | -81    | -19    | -39    | -39    | -49    |
| Foreign-currency deposits                 | 0      | -2     | -2     | -2     | 0      | 0      |
| Project deposits                          | 0      | -135   | -123   | -68    | -70    | -141   |
| Local governments' deposits               | -22    | -6     | -10    | -10    | -11    | -16    |
| Deposits of other government agencies     | -242   | -433   | -518   | -618   | -561   | -755   |
| INPS 1/                                   | -242   | -289   | -349   | -476   | -461   | -673   |
| Other                                     | 0      | -144   | -169   | -142   | -100   | -82    |
| Demand deposits                           | -1,189 | -1,228 | -1,318 | -1,310 | -1,058 | -1,161 |
| Nonmonetary financial institutions        | -8     | -79    | -72    | -10    | -16    | -7     |
| Nonfinancial public enterprises           | -91    | -59    | -98    | -156   | -192   | -265   |
| Private sector                            | -1,075 | -1,063 | -1,114 | -1,116 | -818   | -864   |
| Emigrants                                 | -6     | -16    | -21    | -23    | -25    | -34    |
| Other 2/                                  | -8     | -11    | -12    | -6     | -7     | 8      |
| Savings deposits                          | -539   | -670   | -711   | -739   | -856   | -907   |
| Time deposits                             | -1,054 | -1,146 | -1,247 | -1,275 | -1,353 | -1,426 |
| Nonmonetary financial institutions        | -49    | -46    | -31    | -25    | -30    | -30    |
| Nonfinancial public enterprises           | -6     | -10    | -7     | -6     | -6     | -6     |
| Private sector                            | -953   | -975   | -1,043 | -1,021 | -1,030 | -1,010 |
| Emigrants                                 | -47    | -115   | -166   | -223   | -288   | -381   |
| Other 2/                                  | 0      | 0      | 0      | 0      | 0      | 0      |
| Foreign exchange deposits (residents)     | -23    | -16    | -12    | -11    | -9     | -10    |
| Bond agreements                           | -256   | -366   | -232   | -200   | -244   | -256   |
| Central bank refinancing                  | -260   | -247   | -247   | -234   | -233   | -233   |
| INPS refinancing                          | 0      | -38    | -75    | -75    | -113   | -113   |
| Capital account                           | 819    | 1,193  | 1,209  | 1,235  | 1,263  | 1,332  |
| Capital                                   | 348    | 348    | 348    | 348    | 348    | 348    |
| Reserves and provisions                   | 360    | 686    | 703    | 729    | 756    | 792    |
| Reserves                                  | 184    | 426    | 426    | 446    | 445    | 481    |
| Provisions                                | 176    | 260    | 276    | 282    | 312    | 311    |
| Gains and losses                          | 111    | 159    | 159    | 159    | 159    | 192    |

Source: Caixa Economica de Cabo Verde (CECV).

1/ Instituto Nacional de Previdencia Social (INPS).

2/ Deposits outside M2.

Table 26. Cape Verde: Summary Accounts of the Banco Totta e Acores, 1996-98  
(In millions of Cape Verde escudos)

|   | 1996 | 1997 | 1998 |      |      |      |
|---|------|------|------|------|------|------|
|   |      |      | Mar. | Jun. | Sep. | Dec. |
| Net foreign assets                        | -14  | -10  | 38   | 228  | 115  | 105  |
| Gross foreign assets                      | 36   | 45   | 111  | 267  | 199  | 187  |
| Short-term foreign liabilities            | -17  | -28  | -38  | -38  | -51  | -82  |
| Nonresident deposits                      | -17  | -28  | -38  | -38  | -51  | -82  |
| Others                                    | 0    | 0    | 0    | 0    | 0    | 0    |
| Medium- and long-term foreign liabilities | -33  | -26  | -34  | 0    | -33  | 0    |
| Domestic assets                           | 676  | 984  | 1060 | 864  | 845  | 863  |
| Bank reserves                             | 515  | 229  | 373  | 132  | 159  | 291  |
| Vault cash                                | 76   | 37   | 63   | 19   | 57   | 69   |
| Deposits with central bank                | 439  | 192  | 310  | 114  | 103  | 222  |
| Deposits with other monetary institutions | 1    | 4    | 1    | 2    | 2    | 1    |
| Domestic credit                           | 100  | 634  | 639  | 735  | 707  | 528  |
| Claims on central government (treasury)   | 87   | 324  | 269  | 385  | 381  | 270  |
| Claims on local government                | 0    | 0    | 0    | 0    | 0    | 0    |
| Claims on other government agencies       | 0    | 0    | 0    | 0    | 0    | 0    |
| Credit to the economy                     | 13   | 310  | 371  | 350  | 326  | 258  |
| Public enterprises                        | 0    | 0    | 0    | 0    | 0    | 0    |
| Private enterprises                       | 13   | 310  | 371  | 350  | 326  | 258  |
| Other items                               | 59   | 117  | 47   | -5   | -23  | 43   |
| Domestic liabilities                      | -382 | -684 | -811 | -804 | -670 | -639 |
| Other banks' deposits                     | 0    | 0    | 0    | 0    | 0    | 0    |
| General government deposits               | 0    | 0    | -10  | -9   | -8   | -4   |
| Central government (treasury)             | 0    | 0    | -10  | -9   | -8   | -4   |
| Foreign-currency deposits                 | 0    | 0    | 0    | 0    | 0    | 0    |
| Project deposits                          | 0    | 0    | 0    | 0    | 0    | 0    |
| Local governments' deposits               | 0    | 0    | 0    | 0    | 0    | 0    |
| Other government agencies                 | 0    | 0    | 0    | 0    | 0    | 0    |
| INPS 1/                                   | 0    | 0    | 0    | 0    | 0    | 0    |
| Other                                     | 0    | 0    | 0    | 0    | 0    | 0    |
| Demand deposits                           | -249 | -459 | -514 | -418 | -384 | -409 |
| Nonmonetary financial institutions        | 0    | 0    | 0    | 0    | 0    | 0    |
| Nonfinancial public enterprises           | 0    | 0    | 0    | 0    | 0    | 0    |
| Private sector                            | -234 | -448 | -504 | -408 | -368 | -386 |
| Emigrants                                 | -4   | -7   | -10  | -9   | -15  | -22  |
| Other                                     | -11  | -3   | -1   | -1   | -1   | -1   |
| Time deposits                             | -133 | -194 | -222 | -192 | -189 | -157 |
| Nonmonetary financial institutions        | 0    | 0    | 0    | 0    | 0    | 0    |
| Nonfinancial public enterprises           | 0    | 0    | 0    | 0    | 0    | 0    |
| Private sector                            | -129 | -182 | -210 | -174 | -169 | -143 |
| Emigrants                                 | -5   | -12  | -12  | -15  | -7   | -11  |
| Other                                     | 0    | 0    | 0    | -3   | -12  | -4   |
| Foreign exchange deposits (residents)     | 0    | -32  | -65  | -186 | -90  | -69  |
| Central bank refinancing                  | 0    | 0    | 0    | 0    | 0    | 0    |
| Capital account                           | 280  | 290  | 287  | 288  | 291  | 330  |
| Capital                                   | 300  | 300  | 300  | 300  | 300  | 300  |
| Reserves and provisions                   | 0    | 7    | 4    | 5    | 8    | 9    |
| Gains and losses                          | -20  | -17  | -17  | -17  | -17  | 21   |

Source: Banco Totta e Acores.

1/ Instituto Nacional de Previdencia Social (INPS).

Table 27. Cape Verde: Summary Accounts of the Caixa Geral de Depositos, 1996-98  
(In millions of Cape Verde escudos)

|   | 1996 | 1997 | 1998 |      |      |       |
|---|------|------|------|------|------|-------|
|   |      |      | Mar. | Jun. | Sep. | Dec.  |
| Net foreign assets                        | ...  | ...  | 87   | 36   | 56   | 179   |
| Gross foreign assets                      | ...  | ...  | 91   | 47   | 77   | 206   |
| Short-term foreign liabilities            | ...  | ...  | -4   | -11  | -21  | -27   |
| Nonresident deposits                      | ...  | ...  | -4   | -11  | -21  | -27   |
| Others                                    | ...  | ...  | 0    | 0    | 0    | 0     |
| Medium- and long-term foreign liabilities | ...  | ...  | 0    | 0    | 0    | 0     |
| Domestic assets                           | ...  | ...  | 397  | 677  | 969  | 1,106 |
| Bank reserves                             | ...  | ...  | 216  | 257  | 450  | 302   |
| Vault cash                                | ...  | ...  | 17   | 22   | 13   | 86    |
| Deposits with central bank                | ...  | ...  | 200  | 235  | 437  | 216   |
| Deposits with other monetary institutions | ...  | ...  | 0    | 0    | 7    | 41    |
| Domestic credit                           | ...  | ...  | 162  | 425  | 417  | 667   |
| Claims on central government (treasury)   | ...  | ...  | 150  | 380  | 330  | 525   |
| Claims on local government                | ...  | ...  | 0    | 0    | 0    | 0     |
| Claims on other government agencies       | ...  | ...  | 0    | 0    | 0    | 0     |
| Credit to the economy                     | ...  | ...  | 12   | 45   | 87   | 143   |
| Public enterprises                        | ...  | ...  | 0    | 0    | 0    | 0     |
| Private enterprises                       | ...  | ...  | 12   | 45   | 87   | 143   |
| Other items                               | ...  | ...  | 18   | -5   | 96   | 96    |
| Domestic liabilities                      | ...  | ...  | -184 | -413 | -724 | -983  |
| Other banks' deposits                     | ...  | ...  | 0    | 0    | 0    | 0     |
| General government deposits               | ...  | ...  | 0    | 0    | 0    | 0     |
| Central government deposits (treasury)    | ...  | ...  | 0    | 0    | 0    | 0     |
| Foreign-currency deposits                 | ...  | ...  | 0    | 0    | 0    | 0     |
| Project deposits                          | ...  | ...  | 0    | 0    | 0    | 0     |
| Local governments' deposits               | ...  | ...  | 0    | 0    | 0    | 0     |
| Deposits of other government agencies     | ...  | ...  | 0    | 0    | 0    | 0     |
| INPS 1/                                   | ...  | ...  | 0    | 0    | 0    | 0     |
| Other                                     | ...  | ...  | 0    | 0    | 0    | 0     |
| Demand deposits                           | ...  | ...  | -178 | -399 | -648 | -853  |
| Nonmonetary financial institutions        | ...  | ...  | 0    | 0    | 0    | 0     |
| Nonfinancial public enterprises           | ...  | ...  | 0    | 0    | 0    | 0     |
| Private sector                            | ...  | ...  | -178 | -395 | -640 | -841  |
| Emigrants                                 | ...  | ...  | -1   | -4   | -7   | -10   |
| Other 2/                                  | ...  | ...  | 0    | 0    | 0    | -3    |
| Time deposits                             | ...  | ...  | -5   | -14  | -57  | -69   |
| Nonmonetary financial institutions        | ...  | ...  | 0    | 0    | 0    | 0     |
| Nonfinancial public enterprises           | ...  | ...  | 0    | 0    | 0    | 0     |
| Private sector                            | ...  | ...  | -5   | -14  | -57  | -69   |
| Emigrants                                 | ...  | ...  | 0    | 0    | 0    | 0     |
| Other 2/                                  | ...  | ...  | 0    | 0    | 0    | 0     |
| Foreign exchange deposits (residents)     | ...  | ...  | 0    | 0    | -19  | -61   |
| Central bank refinancing                  | ...  | ...  | 0    | 0    | 0    | 0     |
| Capital account                           | ...  | ...  | 300  | 300  | 301  | 302   |
| Capital                                   | ...  | ...  | 300  | 300  | 300  | 300   |
| Reserves and provisions                   | ...  | ...  | 0    | 0    | 1    | 2     |
| Gains and losses                          | ...  | ...  | 0    | 0    | 0    | 0     |

Source: Caixa Geral de Depositos.

1/ Instituto Nacional de Previdencia Social (INPS).

2/ Deposits outside M2.

Table 28. Cape Verde: Net Claims on Government, 1994-98  
(In millions of Cape Verde escudos)

|   | 1994   | 1995   | 1996   | 1997   | 1998   |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
|   |        |        |        |        | Mar.   | Jun.   | Sep.   | Dec.   |
| <b>Central bank</b>                     |        |        |        |        |        |        |        |        |
| Claims on general government            | 4,468  | 4,958  | 5,247  | 5,853  | 5,981  | 7,957  | 8,413  | 8,370  |
| Claims on central government            | 4,363  | 4,856  | 5,149  | 5,758  | 5,886  | 6,506  | 6,539  | 5,524  |
| Advances to the treasury                | 634    | 497    | 939    | 0      | 0      | 0      | 0      | 0      |
| Public enterprise debt                  | 0      | 3,105  | 4,211  | 5,758  | 5,758  | 5,758  | 5,758  | 5,524  |
| Other claims                            | 3,729  | 1,255  | 0      | 0      | 128    | 747    | 781    | 0      |
| Claims on the Trust Fund                | 0      | 0      | 0      | 0      | 0      | 1,357  | 1,782  | 2,755  |
| Claims on local government              | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Claims on other government agencies     | 104    | 101    | 98     | 95     | 95     | 95     | 91     | 91     |
| General government deposits             | -294   | -246   | -133   | -850   | -853   | -845   | -569   | -426   |
| Central government deposits             | -21    | 0      | -2     | -49    | -168   | -180   | -311   | -278   |
| Deposits in local currency              | ...    | ...    | 0      | 0      | 0      | 0      | 0      | 0      |
| Deposits in foreign currency            | ...    | ...    | -2     | -49    | -168   | -180   | -311   | -278   |
| Project deposits                        | 0      | 0      | 0      | -702   | -591   | -578   | -166   | -64    |
| Other government deposits (IDA loan)    | -273   | -246   | -229   | -194   | -190   | -182   | -182   | -175   |
| Deposits of other government agencies   | 0      | 0      | 98     | 95     | 95     | 95     | 91     | 91     |
| Use of Fund resources                   | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Net claims on general government        | 4,174  | 4,712  | 5,115  | 5,003  | 5,128  | 7,112  | 7,844  | 7,945  |
| Net claims on central government        | 4,342  | 4,856  | 5,148  | 5,709  | 5,719  | 6,326  | 6,228  | 5,246  |
| <b>Commercial banks</b>                 |        |        |        |        |        |        |        |        |
| Claims on general government            | 6,103  | 7,642  | 9,149  | 10,268 | 10,305 | 10,404 | 10,112 | 10,248 |
| Claims on central government (treasury) | 6,047  | 7,545  | 8,980  | 10,088 | 10,125 | 10,213 | 9,921  | 10,058 |
| Claims on the Trust Fund                | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Claims on local government              | 57     | 97     | 109    | 120    | 120    | 131    | 130    | 130    |
| Claims on other government agencies     | 0      | 0      | 60     | 60     | 60     | 60     | 60     | 60     |
| General government deposits             | -2,231 | -2,376 | -2,718 | -2,013 | -2,179 | -1,933 | -1,741 | -2,155 |
| Central government deposits (treasury)  | -576   | -556   | -787   | -331   | -79    | -88    | -77    | -83    |
| Foreign-currency deposits               | 0      | 0      | -165   | -120   | -110   | -55    | -172   | 0      |
| Project deposits                        | -116   | -281   | -337   | -285   | -303   | -196   | -170   | -281   |
| Local government deposits               | -352   | -180   | -390   | -176   | -174   | -250   | -171   | -186   |
| Deposits of other public agencies       | -1,187 | -1,360 | -1,040 | -1,101 | -1,514 | -1,344 | -1,151 | -1,605 |
| Net claims on general government        | 3,873  | 5,266  | 6,430  | 8,255  | 8,126  | 8,471  | 8,371  | 8,093  |
| Net claims on central government        | 5,470  | 6,989  | 8,193  | 9,757  | 10,047 | 10,125 | 9,845  | 9,975  |
| <b>Total banking system</b>             |        |        |        |        |        |        |        |        |
| Net claims on general government        | 8,046  | 9,978  | 11,545 | 13,258 | 13,254 | 15,583 | 16,215 | 16,037 |
| Central bank                            | 4,174  | 4,712  | 5,115  | 5,003  | 5,128  | 7,112  | 7,844  | 7,945  |
| Commercial banks                        | 3,873  | 5,266  | 6,430  | 8,255  | 8,126  | 8,471  | 8,371  | 8,093  |
| Net claims on central government (TOFE) | 9,813  | 11,845 | 13,341 | 15,466 | 15,765 | 16,451 | 16,073 | 15,222 |
| Central bank                            | 4,342  | 4,856  | 5,148  | 5,709  | 5,719  | 6,326  | 6,228  | 5,246  |
| Commercial banks                        | 5,470  | 6,989  | 8,193  | 9,757  | 10,047 | 10,125 | 9,845  | 9,975  |

Sources: Bank of Cape Verde; and staff estimates.

Table 29. Cape Verde: Interest Rate Structure, 1994-98  
(In percent)

|                           | 1994 | 1995 | 1996      | 1997      | 1998 |      |      |      |
|---------------------------|------|------|-----------|-----------|------|------|------|------|
|                           |      |      |           |           | Q1   | Q2   | Q3   | Q4   |
| <b>Lending rates</b>      |      |      |           |           |      |      |      |      |
| Up to 90 days             |      |      | 11.5-12.8 | 11.5-12.8 | 12.6 | 12.5 | 12.5 | 12.5 |
| From 91 to 180 days       | 12.0 | 12.0 | 12.8-14.0 | 11.5-14.0 | 12.4 | 12.4 | 12.4 | 12.4 |
| From 181 days to one year | ...  | ...  | 12.0-13.0 | 12.0-13.8 | 12.8 | 12.8 | 12.8 | 12.8 |
| From one to two years     | ...  | ...  | 13.8-14.0 | 13.5-14.0 | 13.7 | 13.7 | 13.7 | 13.7 |
| From two to five years    | ...  | 13.0 | 13.0-14.0 | 14.0      | 13.5 | 13.6 | 13.6 | 13.6 |
| More than five years      | 13.0 | 13.0 | 13.8-14.0 | 13.8-14.0 | 13.6 | 13.6 | 13.6 | 13.6 |
| <b>Deposit rates</b>      |      |      |           |           |      |      |      |      |
| Up to 60 days             | ...  | ...  | 4.0       | 4.0       | 4.1  | 4.1  | 4.1  | 4.1  |
| From 61 to 180 days       | ...  | ...  | 4.0-5.0   | 4.0-5.0   | 5.3  | 5.3  | 5.3  | 5.3  |
| From 91 to 180 days       | 5.5  | 5.5  | 5.5-7.0   | 6.0-7.0   | 6.6  | 6.5  | 6.5  | 6.5  |
| From 181 days to one year | 8.5  | 8.5  | 8.0-8.5   | 7.5-8.5   | 7.3  | 7.9  | 7.9  | 7.9  |
| More than one year        | 9.0  | 9.0  | 8.0-9.0   | 7.5-9.0   | 7.8  | 7.8  | 7.8  | 7.8  |
| <b>Emigrant deposits</b>  |      |      |           |           |      |      |      |      |
| Special accounts          | 12.0 | 12.0 | 10.0-12.0 | 9.0-12.0  | ...  | ...  | ...  | ...  |
| Up to 90 days             | ...  | ...  | ...       | ...       | 2.4  | 2.4  | 2.4  | 2.4  |
| From 91 to 180 days       | ...  | ...  | ...       | ...       | 7.9  | 7.9  | 7.9  | 7.9  |
| From 181 days to one year | ...  | ...  | ...       | ...       | 9.3  | 9.1  | 9.1  | 9.1  |
| More than one year        | ...  | ...  | ...       | ...       | 9.5  | 9.5  | 9.5  | 9.5  |

Sources: Bank of Cape Verde; Banco Commercial do Atlantico; Caixa Economica de Cabo Verde; Banco Totta e Acores; and staff estimates.

Table 30. Cape Verde: Balance of Payments, 1994-98  
(In millions of Cape Verde escudos; unless otherwise indicated)

|  | 1994    | 1995    | 1996    | 1997    | 1998    |
|--|---------|---------|---------|---------|---------|
| Current account 1/   | -3,074  | -6,360  | -5,243  | -6,411  | -7,587  |
| Excluding official current transfers                       | -6,342  | -7,836  | -5,981  | -7,907  | -8,090  |
| Trade balance  | -14,017 | -16,019 | -14,545 | -15,930 | -17,297 |
| Exports, f.o.b.  | 1,658   | 1,930   | 2,441   | 3,743   | 2,702   |
| Imports, f.o.b.  | -15,675 | -17,949 | -16,986 | -19,673 | -19,999 |
| Services (net)   | 1,350   | 939     | 1,203   | 2,088   | 1,740   |
| Factor income (net)  | -289    | -408    | -557    | -648    | -611    |
| Of which: scheduled interest payments                      | -301    | -379    | -461    | -459    | -524    |
| technical assistance                                       | -269    | -226    | -245    | -557    | -297    |
| trust fund interest receipts                               | 0       | 0       | 0       | 0       | 0       |
| Current transfers (net)                                    | 9,882   | 9,129   | 8,656   | 8,079   | 8,581   |
| Official (net) 2/  | 3,268   | 1,476   | 738     | 1,496   | 503     |
| Of which: food aid   | 1,228   | 1,678   | 1,017   | 1,079   | 1,009   |
| Private  | 6,614   | 7,653   | 7,918   | 6,583   | 8,078   |
| Of which: remittances (net)                                | 6,322   | 7,308   | 7,505   | 6,500   | 7,639   |
| Capital and financial account                              | 4,204   | 6,782   | 7,864   | 6,696   | 8,212   |
| Direct investment and project grants                       | 1,839   | 5,893   | 6,728   | 4,745   | 5,325   |
| Direct investment (net)                                    | 196     | 1,968   | 2,334   | 1,074   | 619     |
| Of which: privatization                                    |         | 0       | 0       | 0       | 0       |
| Project grants 2/  | 1,643   | 3,925   | 4,394   | 3,671   | 4,706   |
| Disbursements  | 3,162   | 1,764   | 1,890   | 2,809   | 5,105   |
| Central government   | 1,862   | 1,350   | 1,890   | 1,844   | 2,126   |
| Public enterprises   | 1,300   | 414     | 0       | 965     | 185     |
| Trust fund   | 0       | 0       | 0       | 0       | 2,795   |
| Amortizations due  | -797    | -742    | -787    | -1,232  | -1,429  |
| Central government   | -614    | -580    | -523    | -798    | -1,049  |
| Public enterprises   | -183    | -162    | -264    | -433    | -380    |
| Trust fund investments                                     | 0       | 0       | 0       | 0       | -2,794  |
| Private capital flows                                      | 0       | 97      | -3      | 66      | 501     |
| Short term capital   | 0       | -230    | 35      | 307     | 1,504   |
| Bridge loan  | 0       | 0       | 0       | 0       | 854     |
| Commercial credits   | 0       | 0       | 0       | 0       | 650     |
| Others   |         | -230    | 35      | 307     | 0       |
| Net errors and omissions                                   | -1,617  | -1,477  | -1,095  | 592     | -656    |
| Overall balance  | -487    | -1,055  | 1,526   | 877     | -32     |
| Financing  | 487     | 1,055   | -1,526  | -877    | 32      |
| Change in net reserves                                     | 239     | 729     | -1,826  | 968     | -33     |
| Central bank   | 1,496   | -1,075  | 128     | 286     | 776     |
| Commercial banks   | -1,258  | 1,803   | -1,954  | 682     | -810    |
| Change in arrears  |         | 326     | 300     | -1,846  | 65      |
| Exceptional financing                                      | 248     | 0       | 0       | 0       | 0       |
| Rescheduling and cancellation of debt                      | 248     | 0       | 0       | 0       | 0       |
| Memorandum items:  |         |         |         |         |         |
| Central bank's net reserves                                | 3,434   | 5,108   | 4,540   | 4,331   | 3,496   |
| In months of imports of goods and services                 | 2.3     | 2.7     | 2.4     | 2.0     | 1.5     |
| Export of goods and services                               | 5,637   | 7,218   | 9,211   | 12,286  | 12,139  |
| In percent of GDP  | 16.8    | 19.1    | 22.7    | 27.2    | 24.9    |
| Imports of goods and services                              | -18,304 | -22,298 | -22,554 | -26,128 | -27,696 |
| In percent of GDP  | 54.4    | 58.9    | 55.5    | 57.9    | 56.9    |
| Current account, incl. official transfers (percent of GDP) | -9.1    | -16.8   | -12.9   | -14.2   | -15.6   |
| Current account, excl. official transfers (percent of GDP) | -18.9   | -20.7   | -14.7   | -17.5   | -16.6   |
| Cape Verde escudos per U.S. dollar (period average)        | 81.89   | 76.85   | 82.59   | 93.18   | 98.20   |
| Nominal GDP  | 33,641  | 37,864  | 40,638  | 45,101  | 48,667  |

Sources: Bank of Cape Verde; and staff estimates.

1/ In 1997, the Cape Verdean authorities began to record sales of fuel to ships in full; previously they had been recorded only partially. The staff has attempted to replicate this new, more accurate presentation for the years 1997-98. The staff has also moved the item to "Exports", rather than "Services," to comply with the stipulations of the *Balance of Payments Manual* (5th edition).

2/ This series differs from that presented in previous staff reports, because it conforms with the *Balance of Payments Manual* (5th edition), concerning the difference between current and capital transfers.

Table 31. Cape Verde: Balance of Payments, 1994-98  
(In millions of U.S. dollars; unless otherwise indicated)

|                                       | 1994   | 1995   | 1996   | 1997   | 1998   |
|---------------------------------------|--------|--------|--------|--------|--------|
| Current account 1/                    | -37.5  | -82.8  | -63.5  | -68.8  | -77.3  |
| Excluding official current transfers  | -77.4  | -102.0 | -72.4  | -84.9  | -82.4  |
| Trade balance                         | -171.2 | -208.4 | -176.1 | -171.0 | -176.1 |
| Exports, f.o.b.                       | 20.2   | 25.1   | 29.6   | 40.2   | 27.5   |
| Imports, f.o.b.                       | -191.4 | -233.6 | -205.7 | -211.1 | -203.7 |
| Services (net)                        | 16.5   | 12.2   | 14.6   | 22.4   | 17.7   |
| Factor income(net)                    | -3.5   | -5.3   | -6.7   | -7.0   | -6.2   |
| Of which: scheduled interest payments | -3.7   | -4.9   | -5.6   | -4.9   | -5.3   |
| technical assistance                  | -3.3   | -2.9   | -3.0   | -6.0   | -3.0   |
| trust fund interest receipts          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Current transfers (net)               | 120.7  | 118.8  | 104.8  | 86.7   | 87.4   |
| Official (net) 2/                     | 39.9   | 19.2   | 8.9    | 16.1   | 5.1    |
| Of which: food aid                    | 15.0   | 21.8   | 12.3   | 11.6   | 10.3   |
| Private                               | 80.8   | 99.6   | 95.9   | 70.7   | 82.3   |
| Of which: remittances (net)           | 77.2   | 95.1   | 90.9   | 69.8   | 77.8   |
| Capital and financial account         | 51.3   | 88.2   | 95.2   | 71.9   | 83.6   |
| Direct investment and project grants  | 22.5   | 76.7   | 81.5   | 50.9   | 54.2   |
| Direct investment (net)               | 2.4    | 25.6   | 28.3   | 11.5   | 6.3    |
| Of which: privatization               | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Project grants 2/                     | 20.1   | 51.1   | 53.2   | 39.4   | 47.9   |
| Disbursements                         | 38.6   | 23.0   | 22.9   | 30.2   | 52.0   |
| Central government                    | 22.7   | 17.6   | 22.9   | 19.8   | 21.7   |
| Public enterprises                    | 15.9   | 5.4    | 0.0    | 10.4   | 1.9    |
| Trust fund                            | 0.0    | 0.0    | 0.0    | 0.0    | 28.5   |
| Amortizations due                     | -9.7   | -9.6   | -9.5   | -13.2  | -14.6  |
| Central government                    | -7.5   | -7.5   | -6.3   | -8.6   | -10.7  |
| Public enterprises                    | -2.2   | -2.1   | -3.2   | -4.6   | -3.9   |
| Trust fund investments                | 0.0    | 0.0    | 0.0    | 0.0    | -28.5  |
| Private capital flows                 | 0.0    | 1.3    | 0.0    | 0.7    | 5.1    |
| Short term capital                    | 0.0    | -3.0   | 0.4    | 3.3    | 15.3   |
| Bridge loan                           | 0.0    | 0.0    | 0.0    | 0.0    | 8.7    |
| Commercial credits                    | 0.0    | 0.0    | 0.0    | 0.0    | 6.6    |
| Others                                | 0.0    | -3.0   | 0.4    | 3.3    | 0.0    |
| Net errors and omissions              | -19.7  | -19.2  | -13.3  | 6.4    | -6.7   |
| Overall balance                       | -5.9   | -13.7  | 18.5   | 9.4    | -0.3   |
| Financing                             | 5.9    | 13.7   | -18.5  | -9.4   | 0.3    |
| Change in net reserves                | 2.9    | 9.5    | -22.1  | 10.4   | -0.3   |
| Central bank                          | 18.3   | -14.0  | 1.5    | 3.1    | 7.9    |
| Commercial banks                      | -15.4  | 23.5   | -23.7  | 7.3    | -8.2   |
| Change in arrears                     | 0.0    | 4.2    | 3.6    | -19.8  | 0.7    |
| Exceptional financing                 | 3.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Rescheduling and cancellation of debt | 3.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Memorandum items:                     |        |        |        |        |        |
| Central bank's net reserves           | 41.9   | 66.5   | 55.0   | 46.5   | 35.6   |
| Exports of goods and services         | 68.8   | 93.9   | 111.5  | 131.9  | 123.6  |
| Imports of goods and services         | -223.5 | -290.1 | -273.1 | -280.4 | -282.0 |
| Nominal GDP                           | 410.8  | 492.7  | 492.0  | 484.0  | 495.6  |

Sources: Bank of Cape Verde; and staff estimates.

1/ In 1997, the Cape Verdean authorities began to record sales of fuel to ships in full; previously they had been recorded only partially. The staff has attempted to replicate this new, more accurate presentation for the years 1997-98. The staff has also moved the item to "Exports", rather than "Services," to comply with the stipulations of the *Balance of Payments Manual* (5th edition).

2/ This series differs from that presented in previous staff reports, because it conforms with the *Balance of Payments Manual* (5th edition), concerning the difference between current and capital transfers.

Table 32. Cape Verde: Merchandise Exports, 1994-2000  
(In millions of Cape Verde escudos)

|  | 1994  | 1995  | 1996  | 1997  | 1998  |
|--|-------|-------|-------|-------|-------|
| Agricultural products                      | 4     | 3     | 0     | 0     | 1     |
| <i>Of which</i> : bananas                  | 4     | 3     | 0     | 0     | 1     |
| Fish and crustaceans                       | 196   | 163   | 171   | 262   | 181   |
| Fish and tuna                              | 67    | 66    | 118   | 228   | 105   |
| Canned                                     | 6     | 4     | 1     | 77    | 0     |
| Frozen                                     | 61    | 40    | 98    | 79    | 99    |
| Fresh                                      | 1     | 22    | 19    | 72    | 5     |
| Shellfish and lobster                      | 129   | 97    | 53    | 34    | 76    |
| Shoes and shoe parts                       | 190   | 416   | 586   | 813   | 609   |
| Clothing                                   | 0     | 0     | 188   | 155   | 193   |
| Skins and hides                            | 3     | 5     | 3     | 5     | 6     |
| Other                                      | 4     | 59    | 91    | 59    | 34    |
| Total exports (except fuel)                | 398   | 646   | 1,039 | 1,294 | 1,024 |
| Goods procured in ports by carriers (fuel) | 1,260 | 1,283 | 1,402 | 2,449 | 1,678 |
| Total exports                              | 1,658 | 1,930 | 2,441 | 3,743 | 2,702 |

Sources: Bank of Cape Verde; and staff estimates



Table 33. Cape Verde: Imports, 1994-98  
(In millions of Cape Verde escudos; unless otherwise indicated)

|   | 1994    | 1995    | 1996    | 1997    | 1998    |
|---|---------|---------|---------|---------|---------|
| Life animals and animal products                | 706     | 881     | 838     | 889     | 1,025   |
| <i>Of which: milk</i>                           | 475     | 586     | 607     | 495     | 616     |
| Butter  | 14      | 10      | 17      | 17      | 17      |
| Vegetable products                              | 1,605   | 2,132   | 1,801   | 3,042   | 2,472   |
| <i>Of which: beans</i>                          | 110     | 243     | 123     | 209     | 350     |
| Maize   | 425     | 560     | 161     | 1,027   | 599     |
| Potatoes  | 139     | 197     | 88      | 124     | 152     |
| Rice  | 396     | 445     | 616     | 834     | 625     |
| Wheat grain                                     | 148     | 46      | 207     | 256     | 220     |
| Edible oils and fats                            | 950     | 930     | 926     | 805     | 1,079   |
| <i>Of which: lard</i>                           | 90      | 50      | 98      | 51      | 82      |
| Olive oil                                       | 141     | 153     | 15      | 167     | 82      |
| Food and beverage products                      | 2,030   | 2,567   | 2,662   | 2,571   | 3,222   |
| <i>Of which: sugar</i>                          | 368     | 500     | 631     | 564     | 665     |
| Beer  | 50      | 61      | 54      | 94      | 330     |
| Wines   | 223     | 255     | 275     | 209     | 222     |
| Mineral products                                | 1,325   | 1,995   | 2,305   | 2,111   | 1,949   |
| <i>Of which: cement</i>                         | 700     | 826     | 847     | 923     | 815     |
| Fuel oil  | 6       | 170     | 107     | 116     | 58      |
| Diesel oil                                      | 256     | 528     | 521     | 555     | 483     |
| Gasoline  | 92      | 87      | 99      | 115     | 101     |
| Lamp oil  | 46      | 46      | 42      | 24      | 35      |
| Chemical products                               | 787     | 1,055   | 978     | 1,136   | 1,375   |
| <i>Of which: antibiotics</i>                    | 13      | 11      | 37      | 4       | 10      |
| Matches   | 16      | 15      | 15      | 0       | 20      |
| Other pharmaceuticals                           | 163     | 211     | 274     | 0       | 295     |
| Plastics and rubber                             | 496     | 607     | 727     | 766     | 798     |
| Hides, skins, and leather                       | 30      | 33      | 37      | 26      | 25      |
| Wood products                                   | 392     | 642     | 519     | 524     | 518     |
| Paper and paper products                        | 281     | 357     | 389     | 464     | 558     |
| Textiles  | 288     | 288     | 429     | 467     | 560     |
| Shoes   | 119     | 157     | 137     | 127     | 175     |
| Stone and glass products                        | 381     | 536     | 508     | 592     | 721     |
| Metal and metal products                        | 1,073   | 1,374   | 1,558   | 1,324   | 1,632   |
| Machines and electrical equipment               | 2,694   | 3,420   | 3,199   | 3,627   | 3,887   |
| Transportation material                         | 3,430   | 1,688   | 1,601   | 2,655   | 1,510   |
| Other imports                                   | 520     | 732     | 721     | 812     | 887     |
| Merchandise imports, c.i.f.                     | 17,108  | 19,394  | 19,335  | 21,936  | 22,395  |
| Foodstuff imports                               | 5,291   | 6,510   | 6,227   | 7,307   | 7,798   |
| Petroleum imports                               | 401     | 831     | 769     | 809     | 676     |
| Other imports                                   | 11,416  | 12,053  | 12,339  | 13,820  | 13,920  |
| Total merchandise imports, f.o.b.               | -15,675 | -17,949 | -16,986 | -19,673 | -19,999 |
| Ratio of imports, c.i.f., to imports, f.o.b. 1/ | 109     | 108     | 114     | 112     | 112     |

Sources: Bank of Cape Verde; and staff estimates.

1/ In percent

Table 34. Cape Verde: Services, 1994-98  
(In millions of Cape Verde escudos)

|                              | 1994   | 1995   | 1996   | 1997   | 1998   |
|------------------------------|--------|--------|--------|--------|--------|
| Total services (net)         | 1,350  | 939    | 1,203  | 2,088  | 1,740  |
| Credit                       | 3,979  | 5,288  | 6,771  | 8,543  | 9,437  |
| Freight                      | 2      | 0      | 0      | 29     | 38     |
| Other transport              | 1,986  | 2,800  | 4,091  | 5,240  | 4,952  |
| Passenger services           | 935    | 1,440  | 2,150  | 3,301  | 2,872  |
| Other supplies               | 0      | 13     | 1      | 0      | 0      |
| Port and airport services    | 716    | 1,021  | 1,103  | 1,624  | 1,449  |
| Ship and plane repairs       | 163    | 161    | 408    | 285    | 439    |
| Ship chartering              | 117    | 109    | 169    | 1      | 151    |
| Other                        | 54     | 55     | 260    | 29     | 41     |
| Travel                       | 718    | 744    | 927    | 1,399  | 2,174  |
| Embassies and other official | 625    | 725    | 998    | 1,188  | 1,173  |
| Construction                 | 6      | 177    | 154    | 243    | 122    |
| Communications               | 581    | 757    | 398    | 317    | 465    |
| Other                        | 63     | 86     | 202    | 128    | 514    |
| Debit                        | -2,629 | -4,349 | -5,568 | -6,455 | -7,697 |
| Freight                      | -346   | -778   | -1,046 | -1,446 | -1,580 |
| Insurance                    | 0      | 0      | 0      | 0      | 0      |
| Other transport              | -652   | -1,166 | -2,178 | -2,392 | -2,811 |
| Passenger services           | -231   | -274   | -516   | -699   | -814   |
| Fuel supplies                | -3     | -1     | -1     | -231   | -110   |
| Other supplies               | -3     | -4     | -6     | 0      | 0      |
| Port and airport services    | -45    | -371   | -777   | -288   | -442   |
| Ship and plane repairs       | -9     | -1     | -146   | -139   | -14    |
| Ship chartering              | -356   | -335   | -526   | -552   | -936   |
| Other                        | -4     | -180   | -206   | -484   | -495   |
| Travel                       | -744   | -945   | -1,102 | -1,000 | -1,773 |
| Embassies and other official | -390   | -459   | -646   | -593   | -491   |
| Construction                 | -12    | -18    | -19    | -65    | -89    |
| Communications               | -141   | -301   | -41    | -37    | -17    |
| Other                        | -345   | -683   | -535   | -922   | -936   |
| Memorandum item:             |        |        |        |        |        |
| Fuel supplies                | 1,146  | 1,260  | 1,283  | 2,449  | 1,678  |

Sources: Bank of Cape Verde; and staff estimates.

Table 35. Cape Verde: Direction of Trade, 1994-1998  
(In percent of total)

|                       | 1994  | 1995  | 1996  | 1997  | 1998<br>Jan.-Jun. |
|-----------------------|-------|-------|-------|-------|-------------------|
| Exports               | 100.0 | 100.0 | 100.0 | 100.0 | 100.0             |
| Algeria               | 0.0   | 0.0   | 0.0   | 0.0   | 0.0               |
| Angola                | 0.0   | 0.0   | 0.0   | 0.0   | 0.0               |
| France                | 0.0   | 2.1   | 1.9   | 1.6   | 0.3               |
| Guinea-Bissau         | 0.1   | 0.3   | 0.0   | 0.2   | 0.0               |
| Netherlands           | 2.1   | 0.9   | 0.5   | 1.0   | 0.3               |
| Portugal              | 58.8  | 82.9  | 77.9  | 74.1  | 89.3              |
| São Tomé and Príncipe | 0.0   | 0.0   | 0.1   | 0.0   | 0.0               |
| Spain                 | 0.0   | 7.2   | 11.1  | 8.7   | 7.9               |
| Others                | 39.0  | 7.5   | 9.0   | 14.4  | 2.2               |
| Imports               | 100.0 | 100.0 | 100.0 | 100.0 | 100.0             |
| Brazil                | 3.4   | 4.3   | 3.1   | 0.0   | 0.0               |
| Belgium               | 3.1   | 8.4   | 3.2   | 0.0   | 0.0               |
| Côte d'Ivoire         | 1.1   | 1.3   | 1.1   | 0.0   | 0.0               |
| Denmark               | 3.9   | 1.1   | 0.8   | 0.0   | 0.0               |
| France                | 13.8  | 4.0   | 5.6   | 9.2   | 3.7               |
| Germany               | 4.0   | 4.1   | 3.1   | 2.1   | 1.6               |
| Italy                 | 1.1   | 4.0   | 2.8   | 0.0   | 0.0               |
| Japan                 | 5.0   | 1.4   | 5.5   | 0.0   | 0.0               |
| Netherlands           | 8.0   | 7.9   | 7.6   | 11.0  | 11.8              |
| Portugal              | 34.5  | 39.8  | 40.9  | 42.8  | 49.9              |
| Romania               | 0.6   | 1.3   | 2.1   | 0.0   | 0.0               |
| Spain                 | 0.9   | 1.7   | 3.8   | 2.4   | 2.7               |
| Sweden                | 4.2   | 2.3   | 1.7   | 1.1   | 1.0               |
| United Kingdom        | 1.4   | 2.1   | 2.8   | 2.0   | 1.5               |
| United States         | 2.3   | 3.3   | 3.6   | 9.4   | 3.1               |
| Others                | 12.7  | 13.0  | 12.3  | 20.0  | 24.7              |

Sources: National Institute of Statistics, *Boletín Trimestral de Comercio Externo*; and staff estimates.

Table 36. Cape Verde: Factor Income, 1994-98  
(In millions of Cape Verde escudos)

|                                       | 1994 | 1995 | 1996 | 1997   | 1998   |
|---------------------------------------|------|------|------|--------|--------|
| Total factor income (net)             | -289 | -408 | -561 | -648   | -611   |
| Credit                                | 346  | 290  | 268  | 704    | 592    |
| Investment income                     | 119  | 116  | 93   | 251    | 167    |
| Compensation of employees             | 193  | 147  | 133  | 203    | 176    |
| Other                                 | 34   | 27   | 41   | 250    | 249    |
| <i>Of which: Technical assistance</i> | 26   | 25   | 41   | 211    | 249    |
| Debit                                 | -635 | -699 | -829 | -1,353 | -1,203 |
| Investment income                     | -327 | -404 | -531 | -634   | -816   |
| Scheduled interest                    | -301 | -379 | -461 | -459   | -524   |
| Government                            | -273 | -270 | -260 | -324   | -359   |
| Public enterprises                    | -29  | -109 | -201 | -135   | -165   |
| Other investment income               | -26  | -24  | -71  | -175   | -292   |
| Compensation of employees             | -34  | -62  | -51  | -154   | -53    |
| Other                                 | -273 | -233 | -247 | -564   | -334   |
| <i>Of which: technical assistance</i> | -269 | -226 | -245 | -557   | -297   |

Source: Data provided by the Bank of Cape Verde

Table 37. Cape Verde: Private and Public Transfers, 1994-98  
(In millions of Cape Verde escudos)

|                           | 1994   | 1995   | 1996   | 1997   | 1998   |
|---------------------------|--------|--------|--------|--------|--------|
| Total transfers (net)     | 11,526 | 13,054 | 13,050 | 11,750 | 13,864 |
| Private (net)             | 6,614  | 7,653  | 7,918  | 6,583  | 8,120  |
| Credit                    | 6,805  | 7,989  | 8,155  | 6,917  | 8,442  |
| Remittances               | 6,285  | 7,369  | 7,554  | 6,539  | 7,660  |
| Foreign exchange          | 5,024  | 5,846  | 6,126  | 5,620  | 7,161  |
| Goods                     | 1,260  | 1,522  | 1,428  | 919    | 458    |
| Other                     | 521    | 620    | 601    | 379    | 782    |
| Debit                     | -191   | -335   | -237   | -334   | -323   |
| Remittances               | -38    | -61    | -49    | -39    | -21    |
| Foreign exchange          | -38    | -61    | -49    | -39    | -21    |
| Goods                     | 0      | 0      | 0      | 0      | 0      |
| Other                     | -153   | -275   | -188   | -295   | -302   |
| Official (net)            | 4,911  | 5,401  | 5,132  | 5,167  | 5,744  |
| Official (current)        | 1,228  | 1,476  | 738    | 1,496  | 503    |
| Credit                    | 1,446  | 1,775  | 1,105  | 2,103  | 1,200  |
| <i>Of which: Food aid</i> | 1,228  | 1,678  | 1,017  | 1,079  | 1,009  |
| Debit                     | -217   | -299   | -367   | -607   | -697   |
| Official (capital)        | 3,683  | 3,925  | 4,394  | 3,671  | 5,241  |

Source: Cape Verdean authorities and staff estimates

1/ Includes unclassified food and equipment aid

Table 38. Cape Verde: Food Aid, 1994-98  
(Value in thousands of U.S. dollars; volumes in metric tons; unit values in U.S. dollars)

|                | 1994   | 1995   | 1996   | 1997   | 1998   |
|----------------|--------|--------|--------|--------|--------|
| Maize          | 6,134  | 6,458  | 1,754  | 3,873  | 2,717  |
| Volume         | 39,644 | 40,972 | 4,928  | 25,213 | 19,435 |
| Unit value     | 155    | 158    | 356    | 154    | 140    |
| Wheat          | 1,807  | 1,265  | 215    | 1,545  | 1,450  |
| Volume         | 16,440 | 10,802 | 1,970  | 15,991 | 15,831 |
| Unit value     | 110    | 117    | 109    | 97     | 92     |
| Rice           | 2,006  | 2,853  | 4,962  | 3,149  | 3,484  |
| Volume         | 7,493  | 8,628  | 21,479 | 14,266 | 10,841 |
| Unit value     | 268    | 331    | 231    | 221    | 321    |
| Milk Powder 2/ | 73     | 262    | 74     | 858    | 434    |
| Volume         | 31     | 710    | 383    | 450    | 222    |
| Unit value     | 2,344  | 369    | 193    | 1,906  | 1,955  |
| Edible Oils 3/ | 1,389  | 2,013  | 781    | 0      | 410    |
| Volume         | 1,200  | 2,062  | 1,023  | 0      | 537    |
| Unit value     | 1,157  | 976    | 763    | 0      | 764    |
| Beans 4/       | 0      | 0      | 0      | 1,085  | 896    |
| Volume         | 0      | 0      | 0      | 1,463  | 1,203  |
| Unit value     | 0      | 0      | 0      | 742    | 744    |
| Others 4/      | 3,592  | 8,980  | 10,838 | 1,158  | 887    |
| Total value    | 15,001 | 21,831 | 18,624 | 11,667 | 10,278 |

Source: Cape Verdean authorities.

1/ Volumes in metric tons, unit values in U.S. dollar per metric ton.

2/ In 1993, the grant from the Netherlands was given in cash.

3/ In liters.

4/ Until 1990, value "Others" included beans.

Table 39. Cape Verde: External Public Debt, 1994-98  
(In millions of Cape Verde escudos)

|  | 1994     | 1995     | 1996     | 1997     | 1998     |
|--|----------|----------|----------|----------|----------|
| Total outstanding external debt (e.o.p.) | 13,411.3 | 14,664.9 | 16,667.0 | 20,110.3 | 22,481.8 |
| <i>Of which</i> : arrears                | 1,232.2  | 1,459.4  | 1,922.5  | 888.5    | 851.6    |
| On principal                             | 923.0    | 1,129.2  | 1,399.4  | 598.0    | 686.3    |
| On interest                              | 309.2    | 330.2    | 523.1    | 290.5    | 165.3    |
| By debtor                                | 13,411.3 | 14,664.9 | 16,667.0 | 20,110.3 | 22,481.8 |
| Central government                       | 9,882.1  | 11,458.8 | 13,348.8 | 15,192.8 | 17,581.5 |
| Public enterprises                       | 3,529.2  | 3,206.1  | 3,318.2  | 4,917.5  | 4,900.3  |
| By creditor (official)                   | 13,411.3 | 14,664.9 | 16,667.0 | 20,110.3 | 22,481.8 |
| Multilateral                             | 10,123.7 | 11,423.8 | 12,867.8 | 15,763.6 | 17,589.1 |
| Bilateral                                | 3,287.6  | 3,241.1  | 3,799.2  | 4,346.7  | 4,892.7  |
| Government                               | 728.1    | 844.6    | 1,577.5  | 1,908.3  | 2,673.9  |
| Export credit agencies                   | 2,559.5  | 2,396.5  | 2,221.7  | 2,438.4  | 2,218.8  |
| Disbursements                            | 3,162.1  | 1,764.2  | 1,890.0  | 2,809.4  | 5,105.5  |
| Central government                       | 1,862.1  | 1,350.0  | 1,890.0  | 1,844.4  | 2,126.0  |
| Public enterprises                       | 1,300.0  | 414.2    | 0.0      | 964.9    | 184.9    |
| Trust fund                               | 0.0      | 0.0      | 0.0      | 0.0      | 2,794.5  |
| Scheduled debt service payments          | 1,098.2  | 1,121.0  | 1,047.0  | 1,586.4  | -1,953.2 |
| Amortization                             | 796.8    | 741.6    | 787.0    | 1,315.4  | -1,429.0 |
| Central government                       | 614.2    | 580.0    | 523.0    | 882.2    | -1,048.8 |
| Public enterprises                       | 182.6    | 161.6    | 264.0    | 433.2    | -380.2   |
| Interest                                 | 301.4    | 379.4    | 260.0    | 271.0    | -524.2   |
| Central government                       | 272.9    | 270.0    | 260.0    | 271.0    | -359.2   |
| Public enterprises                       | 28.5     | 109.4    | 0.0      | 0.0      | -165.0   |
| Actual debt service payments             | 965.9    | 962.9    | 408.3    | 1,280.0  | 1,314.8  |
| Amortization                             | 778.6    | 741.6    | 243.3    | 851.9    | 965.1    |
| Central government                       | 614.5    | 580.0    | 243.3    | 851.9    | 965.1    |
| Public enterprises                       | 164.1    | 161.6    | 0.0      | 0.0      | 0.0      |
| Interest                                 | 187.3    | 221.3    | 165.0    | 428.1    | 349.7    |
| Central government                       | 174.8    | 196.5    | 165.0    | 428.1    | 349.7    |
| Public enterprises                       | 12.5     | 24.8     | 0.0      | 0.0      | 0.0      |
| Change in arrears (+ increase)           | 281.2    | 570.5    | 374.8    | -1,776.4 | 64.9     |
| On principal                             | 172.8    | 416.0    | 279.7    | -1,230.9 | 64.5     |
| On interest                              | 108.4    | 154.5    | 95.1     | -545.5   | 0.4      |
| Payment of old arrears                   | -158.8   | -20.7    | 0.0      | -185.6   | -3.0     |
| On principal                             | -153.0   | -17.2    | 0.0      | -76.3    | -3.0     |
| On interest                              | -5.8     | -3.5     | 0.0      | -109.3   | 0.0      |
| Accumulation of new arrears              | 440.0    | 591.2    | 374.8    | -126.8   | 93.2     |
| On principal                             | 325.8    | 433.2    | 279.7    | 30.3     | 83.7     |
| On interest                              | 114.2    | 158.0    | 95.1     | -157.1   | 9.5      |
| Rescheduling of arrears                  | 0.0      | 0.0      | 0.0      | -1,464.0 | -25.3    |
| On principal                             | ...      | ...      | 0.0      | -1,184.9 | -19.2    |
| On interest                              | ...      | ...      | 0.0      | -279.1   | -6.1     |
| Refinancing of arrears                   | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| On principal                             | ...      | ...      | 0.0      | 0.0      | 0.0      |
| On interest                              | ...      | ...      | 0.0      | 0.0      | 0.0      |

Sources: Cape Verdean authorities; and staff estimates.

Table 40. Cape Verde: External Public Debt by Creditor, 1994-98  
(In millions of U.S. dollars; end of period)

|                           | 1994       |           |             | 1995       |           |             | 1996       |           |             | 1997       |           |             | 1998       |           |             |
|---------------------------|------------|-----------|-------------|------------|-----------|-------------|------------|-----------|-------------|------------|-----------|-------------|------------|-----------|-------------|
|                           | Contracted | Disbursed | Outstanding | Contracted | Disbursed | Outstanding | Contracted | Disbursed | Outstanding | Contracted | Disbursed | Outstanding | Contracted | Disbursed | Outstanding |
| Multilateral              | 302.8      | 161.7     | 123.6       | 326.9      | 181.1     | 149.3       | 313.5      | 190.9     | 155.8       | 323.1      | 208.8     | 169.2       | 364.3      | 238.1     | 185.3       |
| AfDF 1/                   | 117.4      | 58.0      | 49.1        | 124.6      | 63.3      | 63.0        | 105.0      | 66.2      | 64.7        | 115.6      | 68.5      | 67.1        | 115.6      | 70        | 67.4        |
| IDA 1/                    | 48.6       | 26.5      | 26.8        | 61.4       | 32.5      | 32.2        | 73.0       | 41.1      | 40.8        | 73.0       | 50.0      | 49.5        | 110.15     | 73.2      | 67.7        |
| BADEA 1/                  | 48.0       | 22.5      | 15.0        | 48.0       | 22.5      | 15.5        | 48.0       | 22.5      | 15.5        | 48.0       | 24.4      | 15.3        | 48         | 26.8      | 16.6        |
| AfDB 1/                   | 28.4       | 19.4      | 9.0         | 27.8       | 19.6      | 7.8         | 17.1       | 17.1      | 6.0         | 17.1       | 17.1      | 4.9         | 17.1       | 17.1      | 3.4         |
| EIB 1/                    | 18.0       | 11.4      | 8.7         | 22.4       | 17.2      | 14.3        | 16.9       | 13.2      | 10.3        | 16.9       | 14.3      | 11.1        | 16.9       | 14.3      | 11.7        |
| OPEC 1/                   | 20.0       | 12.1      | 4.3         | 20.1       | 12.6      | 4.0         | 20.1       | 14.1      | 4.6         | 20.1       | 17.1      | 7.2         | 24.1       | 18        | 7.4         |
| IFAD 1/                   | 16.2       | 8.6       | 8.2         | 16.5       | 10.3      | 9.9         | 16.4       | 10.7      | 10.3        | 16.4       | 10.4      | 10.0        | 16.4       | 10.9      | 6.5         |
| Saudi Fund                | 3.3        | 3.3       | 2.6         | 3.3        | 3.2       | 2.6         | 3.3        | 3.3       | 2.6         | 2.3        | 2.3       | 1.4         | 2.3        | 2.3       | 1.1         |
| NDF 1/                    | 2.9        | 0.0       | 0.0         | 2.9        | 0.0       | 0.0         | 2.9        | 0.4       | 0.4         | 2.9        | 0.7       | 0.7         | 2.9        | 1.3       | 1.2         |
| NSF 1/                    | 0.0        | 0.0       | 0.0         | 0.0        | 0.0       | 0.0         | 10.8       | 2.3       | 0.6         | 10.8       | 3.9       | 2.1         | 10.8       | 4.2       | 2.3         |
| Bilateral                 | 69.7       | 37.7      | 27.3        | 70.4       | 45.7      | 32.4        | 91.3       | 62.0      | 46.0        | 91.5       | 64.6      | 46.7        | 105.7      | 81.0      | 51.6        |
| Government                | 35.4       | 14.6      | 9.1         | 36.1       | 17.8      | 10.7        | 57.0       | 29.0      | 19.1        | 57.2       | 31.2      | 20.5        | 71.4       | 47.6      | 28.2        |
| China                     | 9.4        | 5.9       | 5.9         | 9.4        | 5.9       | 5.9         | 21.3       | 13.4      | 13.4        | 21.3       | 13.4      | 13.4        | 21.3       | 13.4      | 5.1         |
| Kuwait                    | 13.0       | 3.4       | 2.0         | 13.0       | 4.3       | 2.5         | 19.8       | 5.8       | 3.8         | 20.1       | 8.1       | 5.2         | 20.1       | 8.6       | 4.9         |
| Portugal                  | 7.5        | 0.6       | 0.6         | 7.5        | 1.7       | 1.7         | 7.5        | 1.7       | 1.7         | 7.5        | 1.7       | 1.7         | 21.6       | 17.5      | 18          |
| South Africa              | 4.0        | 4.5       | 0.4         | 5.1        | 5.8       | 0.5         | 6.9        | 7.9       | 0.0         | 6.9        | 7.9       | 0.0         | 6.9        | 7.9       | 0           |
| Abu Dhabi                 | 1.5        | 0.2       | 0.2         | 1.1        | 0.1       | 0.1         | 1.5        | 0.2       | 0.2         | 1.5        | 0.2       | 0.2         | 1.5        | 0.2       | 0.2         |
| Germany                   |            |           |             |            |           |             |            |           |             |            |           |             | 12.7       |           |             |
| Export credit agencies    | 34.3       | 23.1      | 18.2        | 34.3       | 27.9      | 21.8        | 34.3       | 33.0      | 26.9        | 34.3       | 33.4      | 26.2        | 34.3       | 33.4      | 23.4        |
| Caisse Général des Dépôts | 12.0       | 11.6      | 7.5         | 12.0       | 11.6      | 6.3         | 12.0       | 11.6      | 6.3         | 12.0       | 11.6      | 6.3         | 12         | 11.6      | 5.5         |
| ICO (Spain)               | 7.3        | 6.7       | 6.7         | 7.3        | 6.7       | 6.7         | 7.3        | 6.8       | 6.8         | 7.3        | 6.8       | 6.8         | 7.3        | 6.8       | 6.9         |
| CACEX (Brazil)            | 3.0        | 3.0       | 2.2         | 3.0        | 3.0       | 2.2         | 3.0        | 3.0       | 2.2         | 3.0        | 3.0       | 2.2         | 3          | 3         | 2.2         |
| SOMEK (Portugal)          | 12.0       | 1.8       | 1.8         | 12         | 6.6       | 6.6         | 12.0       | 11.6      | 11.6        | 12.0       | 12.0      | 10.8        | 12         | 12        | 8.8         |
| Total                     | 372.5      | 199.4     | 150.9       | 397.2      | 226.8     | 181.8       | 404.8      | 252.9     | 201.8       | 414.6      | 273.3     | 215.8       | 470.0      | 319.1     | 236.9       |

Source: Bank of Cape Verde.

1/ African Development Fund; International Development Association; Arab Bank for Economic Development; African Development Bank; European Investment Bank; Organization of Petroleum Exporting Countries; International Fund for Agricultural Development; Nordic Development Fund; Nigeria Special Fund.



Table 41. Cape Verde: External Debt Arrears by Creditors, 1993-98  
(In thousands of U.S. dollars)

|               | 12/31/1993   |             |        | 12/31/1994   |             |        | 12/31/1995   |             |        | 12/31/1996   |             |        | 12/31/1997   |             |       | 06/30/1998   |             |        |
|---------------|--------------|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|-------------|-------|--------------|-------------|--------|
|               | On principal | On interest | Total  | On principal | On interest | Total  | On principal | On interest | Total  | On principal | On interest | Total  | On principal | On interest | Total | On principal | On interest | Total  |
| Multilateral  | 5,225        | 878         | 6,103  | 7,683        | 1,703       | 9,386  | 10,100       | 1,836       | 11,936 | 12,213       | 3,124       | 15,337 | 0            | 0           | 0     | 0            | 0           | 0      |
| AfDF          | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 125          | 105         | 230    | 0            | 0           | 0     | 0            | 0           | 0      |
| BADEA 1/      | 3,809        | 727         | 4,536  | 6,759        | 1,481       | 8,240  | 9,021        | 1,577       | 10,598 | 10,232       | 2,326       | 12,559 | 0            | 0           | 0     | 0            | 0           | 0      |
| EIB           | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 239          | 244         | 483    | 0            | 0           | 0     | 0            | 0           | 0      |
| IFAD          | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 38          | 38     | 0            | 0           | 0     | 0            | 0           | 0      |
| OPEC          | 646          | 0           | 647    | 0            | 0           | 0      | 0            | 0           | 0      | 296          | 22          | 318    | 0            | 0           | 0     | 0            | 0           | 0      |
| NDF           | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 7           | 7      | 0            | 0           | 0     | 0            | 0           | 0      |
| NTF           | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 74           | 81          | 156    | 0            | 0           | 0     | 0            | 0           | 0      |
| Saudi Fund 1/ | 770          | 150         | 921    | 925          | 222         | 1,146  | 1,079        | 259         | 1,338  | 1,247        | 299         | 1,546  | 0            | 0           | 0     | 0            | 0           | 0      |
| Bilateral     | 2,639        | 1,639       | 4,278  | 3,587        | 2,072       | 5,659  | 4,594        | 2,461       | 7,056  | 5,887        | 3,436       | 9,323  | 6,711        | 3,207       | 9,918 | 7,204        | 3,595       | 10,798 |
| Government 2/ | 249          | 32          | 281    | 139          | 0           | 139    | 139          | 0           | 139    | 304          | 133         | 437    | 120          | 0           | 120   | 109          | 28          | 137    |
| Abu Dhabi     | 139          | 0           | 139    | 139          | 0           | 139    | 139          | 0           | 139    | 194          | 0           | 194    | 120          | 0           | 120   | 109          | 28          | 137    |
| Kuwait        | 110          | 32          | 143    | 0            | 0           | 0      | 0            | 0           | 0      | 110          | 62          | 173    | 0            | 0           | 0     | 0            | 0           | 0      |
| Portugal      | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 71          | 71     | 0            | 0           | 0     | 0            | 0           | 0      |
| Agencies      | 2,390        | 1,607       | 3,997  | 3,448        | 2,072       | 5,520  | 4,456        | 2,461       | 6,917  | 5,583        | 3,303       | 8,886  | 6,591        | 3,207       | 9,798 | 7,095        | 3,567       | 10,661 |
| DECEX         | 1,080        | 414         | 1,494  | 1,320        | 465         | 1,785  | 1,560        | 504         | 2,064  | 1,920        | 576         | 2,496  | 2,160        | 549         | 2,709 | 2,280        | 612         | 2,892  |
| ICO           | 1,310        | 1,193       | 2,503  | 2,128        | 1,607       | 3,735  | 2,896        | 1,957       | 4,853  | 3,663        | 2,307       | 5,971  | 4,431        | 2,658       | 7,089 | 4,815        | 2,954       | 7,769  |
| SOMEK         | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 0           | 0      | 0            | 419         | 419    | 0            | 0           | 0     | 0            | 0           | 0      |
| Total         | 7,864        | 2,517       | 10,382 | 11,270       | 3,775       | 15,045 | 14,694       | 4,297       | 18,991 | 18,101       | 6,559       | 24,660 | 6,711        | 3,207       | 9,918 | 7,204        | 3,595       | 10,798 |

Sources: Bank of Cape Verde and Ministry of Economic Coordination.

1/ The arrears with BADEA and the Saudi Fund are being rescheduled.

2/ Russia claims arrears equivalent to US\$13 million, an amount that is being disputed by the government of Cape Verde. An understanding dated 12/30/92 exists between the two parties, according to which Cape Verde agreed to a one-off US\$358,146 payment and yearly installments of US\$90,000 up to US\$450,000. Discussions between the two parties are still ongoing.

Table 42. Cape Verde: Medium-Term Debt-Service Projections on Outstanding External Debt, 1998-2007  
(At end-1998; millions of U.S. dollars)

|   | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Outstanding debt<br>(beginning of period) | 236.9 | 258.0 | 297.5 | 315.0 | 316.4 | 307.8 | 293.6 | 280.0 | 267.1 | 255.5 |
| Total scheduled debt service              | 13.9  | 18.5  | 16.4  | 18.4  | 17.1  | 18.5  | 18.7  | 17.7  | 16.7  | 15.0  |
| Amortization due                          | 10.2  | 14.4  | 12.0  | 13.6  | 12.2  | 13.7  | 14.2  | 13.6  | 13.0  | 11.6  |
| Interest due                              | 3.7   | 4.1   | 4.4   | 4.8   | 4.9   | 4.8   | 4.5   | 4.1   | 3.7   | 3.4   |

Sources: Bank of Cape Verde; and staff estimates.

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax  | Nature of Tax  | Exemptions and Deductions  | Rates  |
|--|--|--|--|
| <p>1. <b>Single Income Tax</b> (Imposto Único sobre Rendimentos or IUR; Decree-Law 1/96 of 1/15/96; Law 1/V/96 of 6/20/96; Law 16/V/96 of 12/30/96).</p> | <p><b>Taxpayers</b></p> <ul style="list-style-type: none"> <li>• The IUR applies to the following: all national or foreign companies, whether commercial or civil in commercial form, partnerships, joint-stock companies, cooperatives, public enterprises, and corporate persons under public or private law, with headquarters or actual management on Cape Verdean territory.</li> <li>• Individuals engaged in import or export activities with turnover exceeding CVEsc 5 million a year.</li> <li>• Unincorporated entities resident in Cape Verde (e.g., unsettled estates, legal entities declared invalid, unincorporated civil companies, commercial companies, or civil companies in commercial form).</li> <li>• Individuals or corporations not resident in Cape Verde, as long as they produce or earn any income in Cape Verde.</li> </ul> | <p><b>Exemptions</b></p> <ul style="list-style-type: none"> <li>• The state, municipalities, and any of their services or establishments are exempt, even if identified as individual taxpayers, provided that they do not engage in commercial, industrial, agricultural, fishing, or service providing activities.</li> <li>• Social welfare institutions and labor unions or associations are exempt regarding the activities for which they were legally established and provided that they do not engage in commercial, industrial, agricultural, service providing, or capital investment activities.</li> <li>• The Bank of Cape Verde is exempt from payment on the income earned from operations that it carries out as General Cashier of the Treasury and related activities.</li> <li>• Also exempt are associations legally established to perform cultural, recreational, or sporting activities and which meet all the following conditions: there are no distributed profits; and no member of their corporate bodies has a direct or indirect interest in their operating profit.</li> <li>• Interest from emigrants' term deposits is exempt.</li> </ul> | <ul style="list-style-type: none"> <li>• The following rates apply: 20 percent for enterprises subject to preassessment; 35 percent for enterprises subject to direct assessment; 20 percent on interest from term deposits; 15 percent on other capital income (dividends, profit sharing, and advances on profits); and 20 percent on profits earned by nonresidents (on billing volume).</li> </ul> <p>Note: The rates will be published in the State Budget Law.</p> |

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax   | Nature of Tax  | Exemptions and Deductions  | Rates  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
|---|--|--|--|---|-----------------------|---------------|-----|---------------|-----|---------------|-----|-----------------|------|-----------------|------|----------------|------|
|   |  | <ul style="list-style-type: none"> <li>The income of (a legally established) agricultural, fishing, housing, education, or handicraft production cooperatives is exempt, provided that at least three-fourths of its workers are members and none owns more than 10 percent of the cooperative's equity capital, and that turnover does not exceed CVEsc 10 million.</li> <li>Fishing, artisanal, or industrial activities are exempt provided that annual turnover does not exceed C.V. Esc 3 million.</li> <li>Income from treasury securities is exempt.</li> </ul> |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
|   | <b>Personal Tax Base</b>   |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
|   | <ul style="list-style-type: none"> <li>Insofar as it applies to individual income, the IUR is chargeable on overall annual income in the following categories:</li> <li>Category A comprises income from property;</li> <li>Category B covers commercial and industrial income, including capital gains, provision of services, and agricultural and fishing income;</li> <li>Category C constitutes capital income and other income such as that from gaming, lotteries, and mutual betting; and</li> </ul> | <ul style="list-style-type: none"> <li>The following are also exempt: annual income of CVEsc 150,000 or less;</li> <li>Staff of diplomatic or consular missions;</li> <li>Foreign staff of foreign organizations;</li> <li>Clerics, when exercising their spiritual mission;</li> <li>Salaries or other income paid to employees and workers on leave for treatment abroad;</li> <li>Family allowances granted under law;</li> <li>Cost allowances up to the limits set by law;</li> </ul>   |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
|   |  |  | <b>IUR Withholding Schedule (Individuals)</b>  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
|   |  |  | <table border="1"> <thead> <tr> <th data-bbox="1419 919 1661 967">Annual income brackets<br/>(In Cape Verde escudos)</th> <th data-bbox="1818 919 1923 967">Rates<br/>(In percent)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1419 1000 1570 1024">Up to 150,000</td> <td data-bbox="1860 1000 1892 1024">0.0</td> </tr> <tr> <td data-bbox="1419 1032 1570 1057">Up to 300,000</td> <td data-bbox="1860 1032 1892 1057">3.5</td> </tr> <tr> <td data-bbox="1419 1065 1570 1089">Up to 630,000</td> <td data-bbox="1860 1065 1892 1089">9.5</td> </tr> <tr> <td data-bbox="1419 1097 1570 1122">Up to 1,260,000</td> <td data-bbox="1860 1097 1892 1122">15.0</td> </tr> <tr> <td data-bbox="1419 1130 1570 1154">Up to 1,890,000</td> <td data-bbox="1860 1130 1892 1154">21.0</td> </tr> <tr> <td data-bbox="1419 1162 1570 1187">Over 1,890,000</td> <td data-bbox="1860 1162 1892 1187">24.0</td> </tr> </tbody> </table> | Annual income brackets<br>(In Cape Verde escudos) | Rates<br>(In percent) | Up to 150,000 | 0.0 | Up to 300,000 | 3.5 | Up to 630,000 | 9.5 | Up to 1,260,000 | 15.0 | Up to 1,890,000 | 21.0 | Over 1,890,000 | 24.0 |
| Annual income brackets<br>(In Cape Verde escudos) | Rates<br>(In percent)  |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Up to 150,000                                     | 0.0  |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Up to 300,000                                     | 3.5  |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Up to 630,000                                     | 9.5  |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Up to 1,260,000                                   | 15.0   |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Up to 1,890,000                                   | 21.0   |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |
| Over 1,890,000                                    | 24.0   |  |  |   |                       |               |     |               |     |               |     |                 |      |                 |      |                |      |

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax | Nature of Tax   | Exemptions and Deductions   | Rates  |                  |                 |
|-----|---|---|--|------------------|-----------------|
|     | <ul style="list-style-type: none"> <li>Category D comprises wage and salary income, including reserve and retirement pensions, alimony, and fixed-term, life, or other kinds of annuities.</li> </ul> <p><b>Assessment methods</b></p> <p>Three assessment methods are used:</p> <ul style="list-style-type: none"> <li>Under self-assessment (<i>método declarativo</i>), a return is submitted by the taxpayer or, in cases of tax substitution, by the entity legally required to do so;</li> <li>Preassessment (<i>método de estimativa</i>) is applied to all individuals not considered to be companies for tax purposes as envisioned in the industry schedule (<i>Tabela Geral das Indústrias</i>). The taxable base is determined on a presumptive basis, taking into account the turnover and kind of business, or normal production and market conditions if returns are not filed.</li> <li>Under direct assessment (<i>método de verificação</i>), the taxable base is based on the taxpayer's filed return, which derives from the accounting data.</li> </ul> <p>The tax due in accordance with these methods is paid in two installments.</p> | <ul style="list-style-type: none"> <li>Cash shortage allowances up to 10 percent of monthly salary;</li> <li>Occasional medical or hospital allowances; and retirement pensions up to CVEsc 960,000 a year.</li> <li>Severance payments arising from contract rescission or extinction of public employment, if agreed between the employer and the worker.</li> </ul> <p><b>Deductions</b></p> <p>The following deductions apply: up to CVEsc 132,000 for single, widowed, or divorced individuals; CVEsc 180,000 for single-income married couples; CVEsc 300,000 for married couples with two or more incomes; CVEsc 80,000 for individuals resident abroad; CVEsc 25,000 for each child, up to a maximum of CVEsc 100,000; and 80 percent of receipts from housing rental, up to a maximum of CVEsc 144,000.</p> <p>Also deductible are interest and charges on home purchase or improvement loans, up to a maximum of CVEsc 144,000; pension allowances that the taxpayer is required to pay, up to a maximum of CVEsc 240,000; 40 percent of income from liberal professions, up to a maximum of CVEsc 80,000; mandatory social</p> | <b>IUR Annual Calculation Schedule (Individuals)</b> |                  |                 |
|     |   |   | Overall annual income<br>In Cape Verde escudos       | Marginal<br>Rate | Average<br>Rate |
|     |   |   |  | (In Percent)     |                 |
|     |   |   | Up to 300,000  | 15.0             | 15.0            |
|     |   |   | Up to 630,000  | 20.0             | 17.9            |
|     |   |   | Up to 1,260,000                                      | 27.5             | 21.0            |
|     |   |   | Up to 1,890,000                                      | 35.0             | 29.2            |
|     |   |   | Over 1,890,000                                       | 45.0             | 45.0            |

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax  | Nature of Tax  | Exemptions and Deductions   | Rates  |
|--|--|---|--|
| <p><b>2. Tax on Petroleum Products</b><br/>(Imposto sobre Produtos Petrolífero; Law 61/IV/92 of 12/30/92; Law 95/IV/93 of 12/31/93).</p> | <p><b>Taxpayers</b><br/><br/>Individuals or corporations legally authorized to import fuel.</p> <p><b>Tax base</b><br/><br/>Levied on gasoline and diesel fuel consumption in land transport within the country.</p> | <p>security or union contributions paid by industrial or commercial workers; life, health, or accident insurance premiums, up to a maximum of CVEsc 30,000; grants to schools, homes for the aged and child care centers, up to a maximum of CVEsc 240,000.</p> <p>50 percent of health expenses, CVEsc 50,000 every two years for purchase of computer equipment, and interest on loans for payment of health expenditures are deductible.</p> <p>Wages and salaries subject to IUR; rents subject to real estate tax; fees paid to perform any activity; contributions to unions and union funds; insurance premiums and trade association fees.</p> <p>10 percent abatement of tax payable by eligible companies that used Cape Verdean merchant ships to carry at least 50 percent of their imports during the base year; and an amount equal to the discount rate plus 2 percent applied to tax obligations settled advance.</p> | <p>A rate of CVEsc 10 per liter is applied to gasoline; a rate of CVEsc 5 per liter is applied to diesel fuel.</p> |

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax  | Nature of Tax  | Exemptions and Deductions   | Rates   |
|--|--|---|---|
| <p>3. <b>Real Estate Tax</b> (Law 1543/63, amended by Law 61/IV/92 of 12/30/92; and Law 94/IV/93 of 12/31/93; and Law 79/V/98 of 12/7/98).</p> | <p>This tax is not taken into account in the calculation of the profit margin, but it is included in the retail price.</p> <p>Charged on rural and urban property, whether rented or owner occupied. It is based on the rent charged or on the annual rental value established by the permanent valuation committee. The tax due is paid in one or two equal installments.</p> | <p><b>Exemptions</b></p> <p>The following are exempt: government buildings, including those occupied by economic coordination agencies; buildings belonging to local and administrative institutions that do not produce rent or ground rent; buildings occupied by hospitals, shelters, or other social welfare institutions; buildings used for religious services; public interest institutions; rent-exempt schools; facilities of sports associations; diplomatic or consular buildings; private secondary school buildings worth more than C.V. Esc 1 million if situated in Praia or Mindelo or those worth more than CVEsc 500,000 elsewhere in the country, for 15 years; finished buildings, for 6 years (rental) or 10 years (owner occupied), from the completion of construction; nonproductive rural properties; rural properties used for certain crops, for 10-20 years from the start of cultivation; rural buildings with yearly rent below CVEsc 5,000 and urban buildings with yearly rent below CVEsc 100,000.</p> | <p>A rate of 3 percent is applied to the value of both rural and urban buildings.</p> |

**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax | Nature of Tax | Exemptions and Deductions   | Rates |
|-----|---------------|---|-------|
|     |               | <p><b>Deductions</b></p>  |       |
|     |               | <p>For urban properties, 15 percent of rental value is deductible as maintenance expense.</p>   |       |
|     |               | <p>For rural properties, normal expenses with cultivation, maintenance, and sale of products. Also deductible are improvements to rural buildings, construction of and improvements to rural buildings, administration, fertilizer, seeds, wages, and some inputs. Taxable income shall be no less than 40 percent of the gross income obtained from agricultural activity.</p> |       |



**Table 43. Cape Verde: Summary of the Tax System**  
(As of end-1998)

| Tax   | Nature of Tax                    | Exemptions and Deductions   | Rates                               |  |  |  |                        |         |    |   |
|---|----------------------------------|---|-------------------------------------|--|--|--|------------------------|---------|----|---|
| 4. <b>Municipal Vehicle Tax</b> (Law 61/IV/92 of 12/30/92; Ministerial Order 1/93 of 1/20/93; Law 79/V/98 of 12/7/98).              | Levied yearly on motor vehicles. | All exemptions have been abolished.   | Displacement<br>(cubic centimeters) | Up to 5 yrs<br>(Cape Verde escudos)  |  |  | 5-10 yrs               | >10 yrs |    |   |
|   |                                  |   |                                     | Automobiles  |  |  |                        |         |    |   |
|   |                                  |   |                                     | Up to 1,000  | 900  | 500  | 300                    |         |    |   |
|   |                                  |   |                                     | 1,001 - 1,300  | 1,200  | 800  | 400                    |         |    |   |
|   |                                  |   |                                     | 1,301 - 1,750  | 1,600  | 1,100  | 500                    |         |    |   |
|   |                                  |   |                                     | 1,751 - 2,600  | 3,800  | 1,800  | 900                    |         |    |   |
|   |                                  |   |                                     | 2,601 - 3,500  | 5,400  | 2,700  | 1,400                  |         |    |   |
|   |                                  |   |                                     | Over 3,500   | 8,400  | 4,200  | 2,100                  |         |    |   |
|   |                                  |   |                                     | Motorcycles  |  |  |                        |         |    |   |
|   |                                  |   |                                     | 51 - 180   | 400  | 300  | 200                    |         |    |   |
|   |                                  |   |                                     | 181 - 350  | 600  | 400  | 200                    |         |    |   |
|   |                                  |   |                                     | 351 - 750  | 900  | 600  | 300                    |         |    |   |
|   |                                  |   |                                     | Over 750   | 1,600  | 900  | 500                    |         |    |   |
|   |                                  |   |                                     | 5. <b>Municipal Inheritance Tax</b><br>(Law 901/46 and Law 61/IV/92 of 12/30/92; and Law 79/V/98 of 12/7/98) | Levied on the liquid value of immovable objects located in Cape Verde or transmitted between living persons or as a result of death. | Bequests made in favor of the state, charities, and services in the public interest. | Value<br>(in millions) | A       | B  | C |
| > 0.02  | 0                                | 0   | 0                                   |  |  |  |                        | 0       | 0  |   |
| 0.02 - 1  | 2                                | 6   | 10                                  |  |  |  |                        | 12      | 15 |   |
| 1 - 5   | 3                                | 10  | 16                                  |  |  |  |                        | 20      | 25 |   |
| 5 - 20  | 4                                | 11  | 14                                  |  |  |  |                        | 21      | 27 |   |
| 20 - 100  | 5                                | 12  | 17                                  |  |  |  |                        | 22      | 29 |   |
| 100 - 500   | 6                                | 13  | 18                                  |  |  |  |                        | 23      | 31 |   |
| 500 - 1000  | 7                                | 14  | 19                                  |  |  |  |                        | 24      | 33 |   |
| <100  | 8                                | 15  | 20                                  |  |  |  |                        | 25      | 38 |   |
| The tax rate is a function of the degree of relationship and the value of the goods.<br>The tax can be paid in several instalments. |                                  | A: Inheritances for descendants or ascendants.<br>B: Inheritances among spouses.<br>C: Inheritances among siblings.<br>D: Inheritances among nephews and nieces.<br>E: Inheritances among others. |                                     |  |  |  |                        |         |    |   |