

Table 1. Cape Verde: Quantitative Performance Criteria and Benchmarks Under the First Annual Program Supported by the PRGF Arrangement 1/ 2/

	2001	2002			
		Cumulative flows from end-December 2001			
		Mar.	Jun.	Sep.	Dec.
	Est.	Indicative benchmark	Performance criteria	Indicative benchmark	Indicative benchmark
<b>I. Quantitative benchmarks</b>					
(In billions of Cape Verde escudos)					
1. Ceiling on net domestic credit to the central government from the banking system 3/	11.5	0.2	0.5	-1.7	0.8
2. Ceiling on net domestic assets of the central bank 3/	8.6	0.0	0.2	0.2	0.5
3. Ceiling on the accumulation of new domestic payment arrears by the central government	3.2	0.0	0.0	0.0	0.0
(In millions of U.S. dollars)					
4. Ceiling on the accumulation of new external debt arrears by the central government 4/	15.3	0.0	0.0	0.0	0.0
5. Ceiling on the contracting or guaranteeing of nonconcessional external debt with original maturity of more than one year by the central government 5/	0.0	0.0	0.0	0.0	0.0
6. Ceiling on the outstanding stock of nonconcessional external debt with a maturity of less than one year by the central government. 6/	0.0	0.0	0.0	0.0	0.0
(In millions of euros)					
7. Floor on net international reserves of the Bank of Cape Verde (BCV) 7/	46.2	1.4	1.4	2.5	2.5
<b>II. Memorandum items</b>					
(In billions of Cape Verde escudos)					
1. Floor on the primary current fiscal balance (indicative target)	2.0	-0.2	0.3	2.9	2.6
2. Nonproject external financial assistance, including credit line (program assumption)	5.0	1.3	2.0	3.4	3.4

Sources: Cape Verdean authorities; and staff estimates and projections.

- 1/ Quantitative performance criteria and benchmarks are described in the technical memorandum of understanding (Attachment III).
- 2/ Program exchange rates for 2002 are CVEsc 110.3 = EUR 1 and CVEsc 122.5 = US\$1.
- 3/ The ceiling will be adjusted upward (downward) by the cumulative downward (upward) deviations from program assumptions about nonproject disbursements from the World Bank (US\$7.5 million), the African Development Bank (SDR 4 million), European Union adjustment grants (EUR 12 million), and the Portuguese credit facility (EUR 5 million). Maximum cumulative adjustments will not exceed 75 percent of programmed disbursements.
- 4/ This performance criterion is on a continuous basis.
- 5/ This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85), August 24, 2000), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are rescheduling arrangements, the Portuguese credit line, and borrowings from the Fund.
- 6/ The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85) August 24, 2000). Excluded from this performance criterion are rescheduling arrangements, the Portuguese credit line, borrowings from the Fund, and normal import-related credits.
- 7/ The floor on net international reserves of the BCV will be adjusted downward (upward) by the cumulative downward (upward) deviations from program assumptions about nonproject disbursements from the World Bank (US\$7.5 million), the African Development Bank (SDR 4 million), European Union adjustment grants (EUR 12 million), and the Portuguese credit facility (EUR 5 million). Maximum cumulative adjustments will not exceed 75 percent of programmed disbursements.

Table 2. Cape Verde: Structural Performance Criteria and Benchmarks Under the  
First Annual Program Supported by the PRGF Arrangement

Measures	Test Dates
<b>I. Prior actions</b>	
1. Submission of value-added tax (VAT) legislation to the National Assembly	Done
2. Approval by the Council of Ministers of new central bank organic law to strengthen statutory independence of the central bank	Done
<b>II. Structural performance criteria</b>	
1. New organic central bank law to strengthen statutory independence of central bank to become effective	End-June 2002
2. Approval by the Council of Ministers of the automatic and transparent pricing mechanism for retail petroleum products, publication of such mechanism in the official gazette, and implementation of such mechanism	End-June 2002
<b>III. Structural performance benchmarks</b>	
1. Inclusion of VAT and external tariff reform in 2003 budget	October 2002
2. Establishment of external debt management committee to oversee external debt strategy and ensure timely payments of debt service falling due	February 2002 (Done)

Table 3. Cape Verde: Structural Reform Objectives in 2002

Measures	Dates
<b>1. Fiscal and monetary</b>	
a. Preparation of tax reform, including introduction of value-added tax and external tariff reform on January 1, 2003	Continuous
b. Inclusion of VAT and external tariff reform in 2003 budget	October 2002
c. Strengthening of tax administration department of Ministry of Finance to implement VAT	Continuous
d. Review of tax exemption policy and preparation of action plan to reduce exemptions	September 2002
e. Strengthening of implementation of new tax collection system through commercial banks	Continuous
f. With donor assistance, rationalization of strategy and financing for university-level scholarships	December 2002
g. Strengthening of fiscal management and control through improved Treasury expenditure control procedures	Continuous
h. Completion of preliminary public expenditure review with World Bank assistance	July 2002
i. Transmission of final FY 2001 budget accounts to National Assembly for review	December 2001
j. Introduction of new organic central bank law to strengthen statutory independence of central bank	June 2002
<b>2. External sector</b>	
a. Preparation for introduction of new streamlined tariff regime on January 1, 2003	Continuous
b. Establishment of external debt management committee to oversee external debt strategy and ensure timely payments of debt service falling due	February 2002
<b>3. Structural and data issues</b>	
a. Acceleration of domestic debt reduction operation, including hosting donors' conference during the first half of 2002	Continuous
b. With World Bank assistance, acceleration of program to liquidate EMPA and the municipal transport operator (TRANSCOR)	Continuous
c. Introduction of automatic and transparent pricing mechanism for petroleum products	June 2002
d. Development of improved information systems to track poverty and poverty programs of the government	December 2002
e. Improvement of the quality of key economic and financial sector data, including the real sector, balance of payments and external debt statistics	Continuous