

CONFORMED COPY

LOAN NUMBER 3859 MAS

Loan Agreement

(Higher and Technical Education Project)

between

REPUBLIC OF MAURITIUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 7, 1995

LOAN NUMBER 3859 MAS

LOAN AGREEMENT

AGREEMENT, dated August 7, 1995, between REPUBLIC OF MAURITIUS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated December 8, 1994, from the Borrower describing a program of actions, objectives and policies designed to achieve adjustments in the Borrower's higher and technical education sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3, of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOES" means the Borrower's Ministry of Education and Science;

(b) "MPCU" means the Borrower's Education Sector Master Plan Coordination Unit within MOES;

(c) "TEC" means the Borrower's Tertiary Education Commission;

(d) "UoM" means the University of Mauritius, established pursuant to the University of Mauritius Act, of 1991; and

(e) "Management Trust Fund" is the fund managed by representatives of the Borrower and private industry which coordinates and monitors technicians' education in Mauritius and advises MOES on such matters.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixteen million dollars (\$16,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 2000, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) "Quarter" means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOES and UoM with due diligence and efficiency and in conformity with appropriate administrative, financial and higher education practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall: (a) by December 31, 1997, furnish to the Bank for its comments, the draft plan for the academic integration of the UoM, the Mauritius Institute of Education, the Mahatma Gandhi Institute and the Mauritius College of the Air; and (b) by December 31, 1999, complete implementation of such plan paying due regard to any comments made by the Bank.

Section 3.04. The Borrower shall: (a) approve a plan, satisfactory to the Bank, for cost sharing for all students of UoM and other tertiary institutions; and (b) thereafter, implement said plan in accordance with targets and dates acceptable to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Borrower has appointed a full-time manager, accountant and procurement specialist for the MPCU, all under terms of reference and with qualifications acceptable to the Bank;
- (b) the Borrower has furnished to the Bank the bidding documents for the items to be procured during the first year of Project implementation; and
- (c) the Borrower has introduced a computerized accounting system, acceptable to the Bank, for the implementation of the Project.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister at the time responsible for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for

the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Government House
Port Louis
Mauritius

Cable address:

MINFIN
Port Louis

Telex:

4249 EXTERN IW

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MAURITIUS

By /s/ A.P. Neewoor

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew Rogerson

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works:		25%
(a) for Part A of	820,000	

	the Project		
	(b) for Part B of the Project	480,000	
(2)	Equipment and furniture:		70%
	(a) for Part A of the Project	1,800,000	
	(b) for Part B of the Project	1,300,000	
(3)	Training, studies and research:		70%
	(a) for Part A of the Project	6,000,000	
	(b) for Part B of the Project	200,000	
		Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4)	Consultants' services:		70%
	(a) for Part A of the Project	1,900,000	
	(b) for Part B of the Project	500,000	
(5)	Books:		70%
	(a) for Part A of the Project	1,400,000	
	(b) for Part B of the Project	100,000	
(6)	Unallocated	1,500,000	
	TOTAL	16,000,000	
		=====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,000,000, may be made in respect of Categories (1) through (4) on account of payments made for expenditures before that date but after December 1, 1994.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and works not exceeding \$100,000 equivalent and services not exceeding \$50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Borrower's program for higher and polytechnic education, which aims at producing the human resources required to support a

more competitive economy.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Strengthening the University of Mauritius

1. Upgrading quality through the provision of better trained faculty and the improvement of facilities, including libraries and laboratories.
2. Improvement of standards through accreditation and twinning arrangements.
3. Increasing the interaction between UoM and private sector employers through promotion of faculty members' participation in private sector research, consultation and advisory services.
4. Establishment of centers of excellence in research and development, in areas where the Borrower has a comparative advantage.

Part B: Rationalizing Polytechnic Education

1. Strengthening policy analysis and management capacity of the Management Trust Fund including establishment of a management information system linking the polytechnics, provision of equipment, and technical advisory services.
2. Improvement of the quality of faculty, curricula and facilities at the Polytechnics through, (a) provision of technical expertise; (b) rehabilitation and expansion of facilities; (c) development of admission examinations and selection criteria; (d) establishment of a monitoring and evaluation system to follow students' progress; and (e) incentives for teachers to: (i) take sabbatical leaves or internships in private sector; (ii) undertake consultancy services and (iii) engage in joint university/industry research or development projects.
3. Development of key non-engineering programs, including accounting and business.
4. Strengthening interaction between the polytechnics and the private sector through, implementation of joint research and development projects, and exchange of expertise.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15 beginning December 15, 2000 through December 15, 2009	800,000
and on June 15, 2010	800,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, works and goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of

the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period of extension exceeds sixty days, and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Mauritius may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items for equipment, teaching materials, computers, furniture and books estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$800,000 for goods and \$500,000 for books, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the

Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. (a) MPCU shall be responsible for the overall implementation of the Project.

(b) The Borrower shall continue to maintain MPCU, until completion of the Project.

(c) The Borrower shall appoint and maintain until completion of the Project, a full-time manager to assist the Head of the MPCU with the day-to-day management of the Project. The manager shall be assisted by an accountant and a procurement specialist.

2. Except as the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with targets for key monitoring indicators, acceptable to the Bank.

3. MPCU, working in close collaboration with UoM, TEC and the Management Trust Fund shall undertake the following:

(a) consolidate annual work programs, budgets, procurement schedules, to be furnished to the Bank and other concerned parties for review; (b) prepare semiannual progress reports; (c) prepare the annual and mid-term review; (d) maintain the Project accounts and prepare withdrawal applications; (e) prepare for the annual audit; and (f) prepare bidding documents and carry out the procurement process. In addition, the MPCU will monitor performance indicators for the implementation of the Project.

4. For each Part of the Project, a Component Coordinator shall be retained to oversee technical, as well as, implementation-related matters. The Coordinator shall be assisted by a Component Manager for the day-to-day management of the respective part of the Project. The Component Manager concerned, shall be responsible for the following tasks: (a)

preparation of annual work programs, budgets and procurement plans; (b) implementation of the agreed annual work programs; and (c) preparation of specifications and lists for needed equipment, materials and books. The Component Coordinators shall be responsible for transmitting this information to the MPCU for consolidation.

5. The Borrower shall: (a) not later than May in each year, commencing in 1996, carry out jointly with the Bank annual reviews of Project implementation; and (b) furnish to the Bank for review and comment not later than April in each year, commencing in 1996: (i) a statement of Project achievements; (ii) actual expenditures for the on-going fiscal year; and (iii) a work plan and projected expenditures for the following year.

6. (a) The Borrower shall not later than June 30, 1997, carry out jointly with the Bank a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the Education Sector Master Plan and the Project; (ii) constraints and bottlenecks related to the adequacy of policies and the regulatory framework; (iii) the adequacy of the Borrower's action plan for sustainable financial arrangements in the higher and technical education subsector; (iv) progress in the upgrading of staff and facilities; (v) development of a viable postgraduate education and research program; (vi) improvement of links with employers; (vii) the strengthening of the role and functioning of the Management Trust Fund; (viii) the establishment of a computer engineering program for the Rose Hill Polytechnic; and (ix) the expansion of facilities at the New Ramphul Polytechnic.

(b) The Borrower shall, three months before such review, prepare and furnish to the Bank reports, in scope and detail satisfactory to the Bank, needed to undertake the review, including the preparation of a program of action, to deal with deficiencies in Project implementation identified prior to such review.

(c) Based on such review, the Borrower shall promptly prepare an action plan, satisfactory to the Bank, for the further implementation of the Project and the Program, and shall thereafter implement such action plan.

