

CONFORMED COPY

LOAN NUMBER 4889-MU

Loan Agreement

(Second Trade and Competitiveness Development Policy Loan)

between

THE REPUBLIC OF MAURITIUS

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 18, 2008

LOAN AGREEMENT

Agreement dated March 18, 2008, entered into between THE REPUBLIC OF MAURITIUS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty million Dollars (\$30,000,000) (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.10 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01 The Borrower declares its commitment to the Program and its implementation. To this end:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following:

A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance and Economic Development.
- 6.02. The Borrower's Address is:

Ministry of Finance and Economic Development
Government House
Port Louis
Mauritius

Cable:	Telex:	Facsimile:
MINFIN Port Louis	4247 EXTERN IW	(230) 213 6450

- 6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Washington, District of Columbia, United States of America, as of the day and year first above written.

THE REPUBLIC OF MAURITIUS

By /s/ Keertecoomar Ruhee

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Michel Wormser

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Consolidation of Fiscal Performance and Improving Public Sector Efficiency

1. Implementation of a Medium Term Expenditure Framework and preparation of an indicative program-based budget for the Borrower's Fiscal Year 2007/08.
2. Reduction of the Borrower's primary spending by one-percent of gross domestic product for Fiscal Year 2007/08 compared to Fiscal Year 2005/06.
3. Enactment and proclamation of the Public Procurement Act 2006, including the appointment of senior officials for the procurement policy office, the central procurement board and the independent review panel, as prescribed under the Act.
4.
 - (a) Submission by the Ministry of Finance and Economic Development to the Borrower's cabinet a cabinet paper on the establishment of a parastatal reform steering committee satisfactory to the Bank.
 - (b) Evaluation by the Borrower's relevant ministries of the performance of selected parastatals (i.e., Central Water Authority, Wastewater Management Authority, Central Electricity Board and Sugar Planters Mechanical Pool) and establishment by the parastatal reform, sector working groups of remedial action plans satisfactory to the Bank to address the problems identified.

Improvement of Trade Competitiveness

5.
 - (a) Acquisition of additional capacity on the SAFE cable by Mauritius Telecom.
 - (b) Issuance of a decision by the Information and Communications Technology Authority (ICTA) on Mauritius Telecom's application for a 20-percent price reduction on ADSL charges.
 - (c) Initiation of a regulatory review by the Ministry of Information Technology and Telecommunications of ICTA's technical and institutional capacity.

Improvement of Investment Climate

6. Establishment and operationalization of a new National Pay Council in a manner satisfactory to the Bank.

Democratization of the Economy through Participation, Social Inclusion and Sustainability

7. Drafting by the Ministry of Education and Human Resources of a national education strategy to increase primary, secondary and tertiary output and improve the quality of education, including by:
- (a) increasing enrollment at the tertiary level;
 - (b) reducing the failure and marginal pass rate of the Certificate of Primary Education (CPE), particularly in the Zones d'Education Prioritaires;
 - (c) offering a vocational stream to those who fail or marginally pass the CPE;
 - (d) upgrading teacher training; and
 - (e) implementing a new curriculum with a greater emphasis on languages, sciences, mathematics and information and computer technology.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in a single tranche. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
Single Tranche	29,925,000
Front-end Fee	75,000
TOTAL AMOUNT	30,000,000

- C. Deposits of Loan Amounts.** Except as the Bank may otherwise agree:
1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
 2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.
- E. Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is December 31, 2008.

SCHEDULE 2**Amortization Schedule**

Principal Payment Date	Installment Share (Expressed in USD¹)
On each May 15 and November 15 Beginning November 15, 2013 through May 15, 2023	1,500,000

¹ The figure in this column represents the amount in USD to be repaid, except as provided in Section 3.08 of the General Conditions.

APPENDIX**Section I. Definitions**

1. “ADSL” means asymmetric digital subscriber line, which is a form of data communications technology.
2. “Agricultural Marketing Board” means the board established in 1964 under the Mauritius Agricultural Marketing Act of December 13, 1963.
3. “Central Electricity Board” means the board established by the Central Electricity Board Act of January 25, 1964.
4. “Central Water Authority” means the authority established under the Central Water Authority Act of 1971.
5. “Certificate of Primary Education” means the Borrower’s certificate awarded for satisfactory completion of the national examination for primary education.
6. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
- (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

- (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
7. “Fiscal Year” means the Borrower’s fiscal year beginning July 1st and ending June 30th.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007) with the modifications set forth in Section II of this Appendix.
9. “ICTA” means Information and Communication Technologies Authority, which is the Borrower’s national regulator for the information and communication technology sector and postal services.
10. “Mauritius Telecom” means the telecommunications operator and services provider registered in Mauritius pursuant to the Companies Act, under registration number C6834.
11. “Medium Term Expenditure Framework” means a technique for setting credible and enforceable medium term (three year) fiscal targets and aligning the use of public resources to the Borrower’s strategic priorities.
12. “Ministry of Education and Human Resources” means the Borrower’s ministry that is responsible for the education sector from pre-primary to tertiary levels.
13. “Ministry of Information Technology and Telecommunications” means the Borrower’s ministry that is responsible for the information technology and telecommunications sector.
14. “National Pay Council” means the council established by the Borrower by a decision of the Borrower’s cabinet on May 4, 2007.
15. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated January 14, 2008, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.
16. “Public Procurement Act” means Act No. 33 of 2006, published in the Government Gazette of Mauritius No. 121 of December 30, 2006.

17. “SAFE” means the South Africa Far East cable, which is an optical fiber submarine communications cable linking South Africa to the Far East.
18. “Single Tranche” means the amount of the Loan allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
19. “Sugar Planters Mechanical Pool Corporation” means the parastatal body established under the Sugar Planters Mechanical Pool Corporation Act of October 21, 1974.
20. “Wastewater Management Authority” means the parastatal body established under the Wastewater Management Authority Act of 2001.
21. “Zones d’Education Prioritaires” means the Borrower’s primary schools that have less than forty-percent pass rate at the Certificate of Primary Education level.

Section II. Modifications to the General Conditions

The modifications to the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures

under the Loan until two years after the Closing Date. The Borrower shall enable the Bank's representatives to examine such records.”

6. Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.