

CONFORMED COPY

LOAN NUMBER 2927 MAS

(Industrial Finance Project)

between

MAURITIUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 18, 1988

GUARANTEE AGREEMENT

AGREEMENT, dated May 18, 1988, between MAURITIUS (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Bank of Mauritius (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project; and

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to ten million dollars (\$10,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to

guarantee such obligations of the Borrower;

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 in Section 1.01 of Schedule 5 to the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Prior Loan Agreement" means any outstanding loan agreement between the Bank and DBM or any outstanding development credit agreement between the International Development Association and Mauritius dated before the date of this Agreement and "Prior Loan" means any loan or credit provided for therein; and

(b) "Government Loans" means loans made by the Guarantor to DBM from time to time for the purpose of financing the operations of DBM and subordinated to all other debt for the purpose of liquidation.

ARTICLE II

Guarantee

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, all as set forth in the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall:

(a) consult with the Bank on the appointment of any person it proposes to appoint to the position of Managing Director of DBM; and

(b) cause DBM to furnish its debt recovery action program for each financial year to the Bank for its review and comments by not later than August 31 of each year until debt and rental arrears have been reduced to a level satisfactory to the Bank and, following adoption of a satisfactory program, cause DBM to implement each said program.

Section 3.02. (a) Without limitation or restriction upon any of its other obligations under this Agreement, and except as the Bank shall otherwise agree, the Guarantor shall take all necessary action satisfactory to the Bank, to provide to DBM or cause DBM to be provided with such funds so that, whenever DBM or any subsidiary shall incur debt, the incurrence of such debt shall not result in the consolidated debt of DBM and of all its subsidiaries then incurred and outstanding being greater than four times the consolidated capital and surplus of DBM and of all its subsidiaries.

(b) For the purposes of this Section:

- (i) "debt" means any debt incurred by DBM or any subsidiary maturing more than one year after the date on which it is originally incurred;
- (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement (including the Subsidiary Financing Agreement between the Borrower and DBM and any Prior Loan Agreement) on the date and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan contract or agreement; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding;
- (iii) whenever in connection with this Section it shall be necessary to value in terms of Rupees debt payable in foreign currency, which valuation shall be made at the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable by DBM for the purposes of servicing such debt;
- (iv) "consolidated debt of DBM and of all its subsidiaries" means the total amount of debt of DBM and its subsidiaries, excluding: (A) any debt owed by DBM to any subsidiary or by any subsidiary to DBM or to any other subsidiary; and (B) the amounts of the Government Loans referred to in subparagraph (v) (B) of this Section; and
- (v) "consolidated capital and surplus of DBM and its subsidiaries" means the aggregate of: (A) the unimpaired paid-up capital, surplus and free reserves of DBM and of its subsidiaries after excluding therefrom such amounts as shall represent equity interests of DBM in any subsidiary or of any subsidiary in DBM or any other subsidiary; and (B) such amounts of the Government Loans as shall be repayable after the latest of the dates of all outstanding maturities of Sub-loans, and of any Sub-loans or Investments made by DBM out of the proceeds of any Prior Loan.

Section 3.03. The Guarantor covenants that it will not take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform such obligations.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
Government House
Port Louis
Mauritius

Cable address:

Telex:

MINFIN
Port Louis

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:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

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.

MAURITIUS

By /s/ Seetannah Lutchmeenaraidoo
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

