

LOAN NUMBER 2791 MAS

Loan Agreement

(Industrial Sector Adjustment Program)

between

MAURITIUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 1, 1987

LOAN NUMBER 2791 MAS

LOAN AGREEMENT

AGREEMENT, dated July 1, 1987, between MAURITIUS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter, dated March 3, 1987, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the industrial sector of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution;

(B) the Borrower intends to contract from the African Development Bank (ADB), a loan (the ADB Loan) in the principal amount of thirty million Units of Account of the ADB in support of the Program on terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB; and

(C) on the basis, inter alia, of the foregoing, the Bank has decided in support of the program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

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 thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(c) the last sentence of Section 3.02 is deleted.

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) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev.2 (1981); and

(b) "Central Bank" means the Bank of Mauritius, established and operating pursuant to Bank of Mauritius Ordinance, 1966, of the Laws of the Borrower, as amended from time to time.

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 this Agreement, an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. The Closing Date shall be June 30, 1989, 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 percent (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 per annum for each Interest Period equal to one half percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 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 2 to this Agreement.

Section 2.08. (a) The Central Bank is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Central Bank with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (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 and the actions specified in Schedule 4 to this Agreement.

(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.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall take all such action, including the expeditious granting of import licenses as shall be necessary or convenient to facilitate the timely importation of the goods to be financed out of the proceeds of the Loan.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with consistently maintained sound accounting practices, the expenditures financed out of the proceeds of the Loan.

(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, a certified copy of 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 accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 3.05. Pursuant to Section 9.07 (b) of the General Conditions, the Bank may publish the award of any contracts, for goods to be financed out of the proceeds of the Loan, costing more than the equivalent of \$2,000,000 or more in the manner set forth in the said Section.

Section 3.06. (a) Within eighteen months following the release of the second tranche of the Loan pursuant to paragraph 3 of Schedule 1 to this Agreement, the Borrower shall take all necessary action to complete a study of the impact of the tariff reductions made under the Program on the balance of payments, fiscal revenue, and the affected enterprises.

(b) The Borrower shall, prior to finalizing the report of the study, exchange views with the Bank on the findings of the study, and the final report, taking into account the comments, if any, of the Bank, shall form the basis of subsequent periodic exchanges of views between the Borrower and the Bank concerning further adjustments in tariffs.

ARTICLE IV

Additional Events of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) an event has occurred, which shall make it improbable that the Program or a significant part thereof, will be carried out; and

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan made (including the ADB Loan) to the Borrower for the financing of the Project during the execution of the Program shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 reduced the maximum tariff (fiscal duties, surcharges and stamp duties) on: (i) imports from preferential sources to one hundred and twenty-seven percent (127%); and (ii) imports from general sources, correspondingly, without increasing customs duties applicable to such imports. The above-mentioned reductions shall not apply to tobacco and tobacco products, petroleum, and alcoholic beverages.

(b) the Borrower has submitted a plan of action for the restructuring of the drawback system, satisfactory to the Bank;

(c) the Borrower has submitted a plan of action, satisfactory to the Bank, for the simplification of its tariff schedule including the merger of fiscal duties and import surcharges and reduction of the number of tariff brackets;

(d) the Borrower has taken all necessary action to reduce the number of products subject to a maximum mark-up of no more than four products;

(e) the Borrower has taken all necessary

governmental action to institutionalize the criteria agreed with the Bank for the granting of Development Certificates, on an exceptional basis, under its Development Certificate Scheme; and

(f) the Bank has been notified by ADB that all conditions precedent to initial disbursement of the ADB Loan, other than the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified or the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 of this Agreement, 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Government House
Port Louis
Mauritius

Cable address:

MINFIN
Port Louis

Telex:

4249 EXTERN W

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/ Chitmansing Jesseramsing
Authorized Representative

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

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

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
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)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement.

(d) expenditures for goods procured under contracts

costing less than \$10,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(g) expenditures in excess of an aggregate amount equivalent to \$5,000,000 for petroleum products.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$12,500,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement:

(a) with the progress achieved by the Borrower in the carrying out of the Program; and

(b) that the actions described in Schedule 4 to this Agreement have been taken.

4. If, after such exchange of views, the Bank is not so satisfied, and this situation shall not have been rectified by the Borrower within 90 days after notice thereof by the Bank, then the Bank may, by notice to the Borrower, cancel the amount of the Loan unwithdrawn from the Loan Account or any part thereof.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15 beginning November 15, 1991 through November 15, 2003	960,000
On May 15, 2004	1,000,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance

outstanding on the Loan on the day of prepayment multiplied by:

Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$2,000,000 or more each shall be awarded through international competitive bidding 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 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8. Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories, referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of less than \$2,000,000 each shall be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contracts

5. The provisions of the preceding paragraphs 3 and 4 shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement

1. The Borrower has reduced the maximum tariff (fiscal duties, surcharges and stamp duties) on: (i) imports from preferential sources from one hundred and twenty-seven percent (127%) to one hundred and seven percent (107%); and (ii) imports from general sources, correspondingly, without increasing customs duties applicable to such imports.

2. The Borrower has reduced the maximum tariffs (fiscal duties, surcharges and stamp duties) on imports of tobacco and tobacco products and alcoholic beverages:

(i) from preferential sources to one hundred and seven percent (107%); and

(ii) from general sources correspondingly, without increasing customs duties applicable to such imports;

provided, however, that the reductions referred to above may be made to such other levels which shall be satisfactory to the Bank.

3. The Borrower has implemented the plan of action for the restructuring of the drawback system referred to in Section 5.01 (b) of this Agreement.

4. The Borrower has implemented the plan of action for the simplification of its tariff schedule referred to in Section 5.01 (c) of this Agreement.



