

CONFORMED COPY

LOAN NUMBER 3458 MAS

(Sugar Energy Development Project)

between

MAURITIUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 1, 1992

LOAN NUMBER 3458 MAS

LOAN AGREEMENT

AGREEMENT, dated July 1, 1992, between MAURITIUS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) 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;

(B) the Borrower intends to contract from the Bank, acting as Trustee of the Global Environment Trust Fund (GET), a grant (the GET Grant), in an amount of SDR 2,310,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the GET Grant Agreement) to be entered into between the Borrower and Bank, acting as Trustee of the GET; and

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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CEB" means the Borrower's Central Electricity Board;

(b) "BEDP" means the Borrower's Bagasse Energy Development Program;

(c) "MSA" means the Mauritius Sugar Authority; and

(d) "UStA" means the Union St. Aubin Factory or such corporate body which may be incorporated for the purposes of carrying out Parts A.1 and A.2 of the Project.

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, various currencies that shall have an aggregate value equivalent to the amount of fifteen million dollars (\$15,000,000), 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, 1996, 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 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.

Section 2.08. (a) Bank of Mauritius 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 Bank of Mauritius 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 \$25,000 equivalent.

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 with due diligence and efficiency and in conformity with appropriate administrative, financial and energy sector 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. The Borrower shall by July 1, 1992, implement a revised system for the bagasse transfer payment, satisfactory to the Bank.

Section 3.03. The Borrower and the Bank shall by June 30, 1994, jointly carry out a mid-term review of the Project to evaluate the effectiveness of the implementation of the Project relative to its objectives. Prior to such review, the Borrower shall prepare and furnish to the Bank a report on the basis of a terms of reference satisfactory to the Bank. After such review, the Borrower shall make such revisions to project implementation procedures as may be appropriate to achieve the objectives of the Project, having due regard to the recommendations emanating from the said review.

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 (1) of the General Conditions, the following additional event is specified:

- (a) Subject to subparagraph (b) of this paragraph:
 - (i) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

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) all conditions precedent to the effectiveness of the GET Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;
- (b) CEB has executed contracts with UStA for the bulk purchase of electricity and the sale of coal, on terms and conditions satisfactory to the Bank;
- (c) the Borrower has submitted to the Bank documentation demonstrating the technical, financial, economic and environmental viability of the investments under Part A.1 of the Project;
- (d) the Borrower has furnished to the Bank evidence that the financing package for Part A.1 of the Project has been secured; and
- (e) the Borrower has appointed the BEDP Coordinator within

MSA, with qualifications and under terms of reference satisfactory to the Bank.

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. Except as provided in Section 2.08 of this Agreement, the Minister of the Borrower at the time responsible for finance 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:

Minister 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:

Telex:

INTBAFRAD
Washington, D.C.

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.

MAURITIUS

By /s/ Chitmansing Jesseramsing
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Francisco Aguirre-Sacasa
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) Eligible Imports under Part A.3 of the Project	13,500,000	100% of foreign expenditures
(2) Unallocated	1,500,000	
TOTAL	15,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "Eligible Imports" means the list of imported goods agreed between the Borrower and the Bank, as such list may be amended from time to time by agreement between the Borrower and the Bank.

3. 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.

~

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in implementing the BEDP by: (i) expanding electricity generation from bagasse; (ii) promoting the efficient use of biomass fuels from the sugar industry for energy production; and (iii) strengthening the management and coordination of BEDP.

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: Expansion of Electricity Generation

1. Construction of a 22 MW bagasse and coal fired power plant at the Union St. Aubin Sugar Factory in southern Mauritius.

2. Acquisition of transport equipment to haul bagasse to the power plant.

3. Provision of part of the requisite foreign exchange for the importation of machinery and equipment required to improve efficiency in steam generation and use at sugar factories, including, improvements or replacement of steam generating units, turbo-generator sets, bagasse handling systems, bagasse drying equipment, juice heaters, evaporators and vapor bleeding, vacuum pans and mill electrification.

Part B: Promotion of Efficient Use of Biomass Fuels

1. Development and local adaptation of technologies for transport and handling of bagasse, including experimental trials.

2. Initiation of a program of trials and experiments leading to possible future use of cane tops, leaves and trash as fuel for power generation.

3. Training program for technical personnel in bagasse and coal power plant operations.

Part C: Institutional Support for BEDP

1. Strengthening of MSA in its role as Secretariat for the BEDP Management Committee, including the establishment of a BEDP Coordination Unit within MSA.

2. Establishment of an Environmental Monitoring Cell for the Sugar Industry in MSA to ensure that environmental mitigation plans are implemented, and to establish an environmental monitoring system covering the sugar industry.

3. Training of CEB staff in boiler management and coal handling, and strengthening CEB's laboratory for fuel quality analysis.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15 beginning December 15, 1997 through December 15, 2008	625,000
And on June 15, 2009	625,000

* 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	0.18
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 4
Procurement
Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, contracts for the procurement of Eligible Imports, estimated to cost the equivalent of \$2,000,000 or more shall be 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 1985 (the Guidelines).

2. With respect to the procurement of Eligible Imports under this Part A:

(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.

Part B: Other Procurement Procedures

Contracts for Eligible Imports estimated to cost the equivalent of less than \$2,000,000 each shall be awarded on the basis of normal industrial and commercial procurement procedures for such imported goods which shall be satisfactory to the Bank, provided that such contracts shall be awarded on the basis of comparison of three quotations from suppliers from at least two different countries eligible under the Guidelines in accordance with procedure acceptable to the Bank. Proprietary items may be procured under direct contracting procedures acceptable to the Bank where considered appropriate under paragraph 3.5 of the Guidelines.

Part C: 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 for Eligible Imports, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(b) The provisions of the preceding subparagraph (a) 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.

SCHEDULE 5

Implementation Program

1. The Borrower shall maintain the BEDP Management Committee with representation from the Borrower and the sugar industry to undertake further detailed planning of program implementation, ensure that the Borrower's policy directives related to BEDP are followed, and effectively bring about integration of the Borrower's policies affecting the sugar and energy sectors. The Committee shall be chaired by the Financial Secretary and shall report to the Minister of Agriculture, Fisheries and Natural Resources.

2. The BEDP Management Committee shall, inter alia, be responsible for: (a) planning and monitoring the implementation of BEDP and its individual program and project components, and assessing the adequacy of policy measures and advise on policy revisions; (b) managing the technology and staff development activities included in BEDP; (c) providing technical support for appraisal of investment subprojects; (d) assisting CEB and individual power producers on matters relating to energy contracting; (e) disseminating information and organization of exchanges of experiences related to the implementation of BEDP; and (f) taking part in negotiations with international lending institutions about the use of funds in support of BEDP.

3. The BEDP Management Committee shall have overall responsibility of overseeing Project implementation. The BEDP Management Committee shall implement this responsibility through MSA which has been appointed as the BEDP Secretariat. A BEDP Coordination Unit shall be established in MSA. MSA shall, at all times during Project implementation, ensure that suitable technical staff from the sugar technology, agronomy and finance departments are seconded on appropriate terms to the BEDP Coordination Unit. In addition, administrative arrangements shall be maintained to ensure that individual key technical staff from the Borrower's other Ministries and agencies are available through secondment to support the BEDP under terms and conditions satisfactory to the Bank.

4. UStA shall be responsible for the implementation of Parts A.1 and A.2 of the Project, in close coordination with the BEDP Management Committee. A Power Plant Implementation Unit shall be established within UStA responsible, inter alia, for (a) planning, engineering and procurement administration relating to the power

plant program; (b) supervision of the implementation of the program within budgeted cost and time schedules; (c) preparation of annual work programs and budgets; and (d) progress reporting and coordination with the BEDP Management Committee and financing agencies. CEB shall be responsible for operating and maintaining the power sub-station required to connect UStA's power plant to CEB's main grid.

5. The BEDP Management Committee in overseeing the implementation of Part A.3 of the Project, shall each year, prepare and furnish to the Bank for its review and comment, an assessment of the economic and financial viability of investments for the improvement of mill efficiency to save bagasse on the basis of terms of reference agreed upon between the Borrower and the Bank. Such assessment shall, inter alia, take into account the implementation of energy pricing and bagasse pricing arrangements, and relevant developments in the Borrower's financial sector. Following the Bank's review of such assessment, appropriate revisions may be made to implementation arrangements related to Part A.3 of the Project as may be required to achieve the objectives of the Project.

6. The Environment Monitoring Cell, to be established as part of the BEDP Coordination Unit, shall be responsible for overseeing the implementation of an environmental mitigation plan and for a program to monitor environmental discharges to the air, water and land by the sugar industry in accordance with the terms of reference satisfactory to the Bank.

7. The Rose Belle Sugar Estate shall carry out the Bagasse Transport Study and a Study team, led by the Head of MSA's Sugar Technology Department, shall carry out the Biomass Energy Technology Study, both under terms of reference satisfactory to the Bank. The Borrower shall furnish the draft reports of the respective studies to the Bank for its review by January 31, 1993, and January 31, 1994.

8. For the purposes of assisting in the implementation of Part A.3 of the Project, the Borrower shall, on the basis of arrangements satisfactory to the Bank, assign to MSA the responsibility for supervising procurement of Eligible Imports.

9. The Management Committee shall, by May 30 each year, furnish to the Bank Annual Work Programs and Progress Reports satisfactory to the Bank which shall, inter alia, include (a) detailed training programs for UStA and CEB; (b) a staff support plan for the BEDP Coordination Unit; and (c) the proposed utilization of counterpart funds generated by the proceeds of the Loan. The first such Annual Work Program shall be furnished to the Bank not later than September 30, 1992.

