

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/81/236
Supplement 2

CONFIDENTIAL

February 24, 1982

To: Members of the Executive Board
From: The Secretary
Subject: Mauritius - Amendment to Stand-By Arrangement

Attached is page 1 of the stand-by arrangement for Mauritius (EBS/81/236, Supplement 1), with the text of paragraph 3 amended in the light of the decisions taken by the Executive Board on February 5, 1982 (Executive Board Decisions No. 7047-(82/13) and No. 7048-(82/13)) 1/ and in accordance with Mauritius's request.

Att: (1)

1/ See SM/82/16, Supplement 1 (2/8/82).

Mauritius--Stand-By Arrangement

Attached hereto is a letter, with annexed Statement on economic policies, dated December 5, 1981 from the Minister of Finance and the Governor of the Bank of Mauritius requesting a stand-by arrangement and setting forth:

- (a) the objectives and policies that the Government of Mauritius intends to pursue for the period of this stand-by arrangement;
- (b) the policies and measures that the Government of Mauritius intends to pursue for the first six months of this stand-by arrangement; and
- (c) understandings of Mauritius with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures that the Government of Mauritius will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of one year from December 21, 1981 to December 20, 1982 Mauritius will have the right to make purchases from the Fund in an amount equivalent to SDR 30 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.
2. Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 7.5 million until March 10, 1982, SDR 15 million until June 10, 1982, and SDR 22.5 million until September 10, 1982 but none of these limits shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Mauritius' currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota.
3. Purchases under this arrangement shall be made from ordinary resources until purchases under this stand-by arrangement reach the equivalent of SDR 16,718,493, and thereafter wholly from borrowed resources, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification; and provided further that amounts of supplementary financing may be substituted for borrowed resources as determined by the Managing Director at the time of a request by Mauritius for a purchase.
4. Mauritius will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Mauritius' currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota:

- (a) during any period in which the data at the end of the preceding period indicate that
 - (i) the limit on total domestic credit described in paragraph 6 of the attached statement, or
 - (ii) the limit on net credit to the Government described in paragraph 6 of the attached statementare not observed, or
- (b) if Mauritius fails to observe the limits on authorizations or drawdown of new public and publicly guaranteed foreign indebtedness described in paragraph 7 of the attached statement; or
- (c) during the last six months of this stand-by arrangement until understandings have been reached with the Fund pursuant to paragraph 4 of the attached letter, and until suitable performance criteria have been established in consultation with the Fund as contemplated by paragraph 4 of the attached letter, or after such performance criteria have been established, while they are not being observed; or
- (d) throughout the duration of the arrangement, if Mauritius
 - (i) imposes or intensifies restrictions on payments and transfers for current international transactions, or
 - (ii) introduces or modifies multiple currency practices, or
 - (iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or
 - (v) imposes or intensifies import restrictions for balance of payments reasons.

When Mauritius is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Mauritius and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Mauritius' right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Mauritius. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this