

AGREEMENT

BETWEEN

**THE GOVERNMENT OF THE REPUBLIC OF AUSTRIA
REPRESENTED BY THE FEDERAL MINISTER OF FINANCE**

AND

**THE GOVERNMENT OF THE REPUBLIC OF CAPE VERDE
REPRESENTED BY THE MINISTER OF FINANCE**

**ON
FINANCIAL CO-OPERATION**

H 10

The Government of the Republic of Austria represented by the Federal Minister of Finance and the Government of the Republic of Cape Verde represented by the Minister of Finance, hereunder called the "Contracting Parties",

- desiring to promote further the close and friendly relations existing between their two countries,
- desiring to extend and deepen their previous successful development co-operation,
- desiring to support the implementation of the EU Special Partnership with Cape Verde

have agreed as follows:

Article 1

The Contracting Parties will endeavour, within the framework of their respective existing laws, regulations and policies as well as their international obligations to promote and expand financial co-operation.

Article 2

For the purpose of promoting and expanding financial co-operation, the Austrian Federal Minister of Finance is prepared to support the granting of aid credits on concessional terms, refinanced by Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), Vienna, under its export financing scheme for the financing of projects of mutual interest.

An indicative financial framework of EUR 20,000.000,- (Euro twenty million) is envisaged, to be adjusted as appropriate within the two year period from the date of entry into force of this Agreement.

67

Article 3

Austrian concessional financing is offered as tied aid financing in the form of pre-mixed credits subject to a minimum concessionality requirement.

The terms and conditions of the loans will be set in accordance with international obligations such as the "Arrangement on Officially Supported Export Credits" under the auspices of the OECD and the Debt Limits Framework of the IMF, as applicable. Accordingly, the concessionality level will be at least 35 % for tied aid credits.

The terms and conditions for pre-mixed aid credits as per January 15, 2010 are shown in the Annex.

Guarantee charges according to premia rules of the "Arrangement on Officially Supported Export Credits" under the auspices of the OECD will be reduced by 35 %. A further decrease of the reduced up front calculated guarantee charges will be allocated through additional grants for the respective terms and conditions.

The eligibility of projects to be financed will be appraised taking into consideration the ex-ante guidance gained under the "Helsinki" tied aid disciplines, as well as applicable national allocation criteria.

Based on experience and the ex-ante guidance the following projects/sectors which tend to be financially non viable are likely to be eligible for financing under official support: municipal water and sewage, traffic safety and transportation, education, health, social, telecommunication for a predominantly poor, rural household consumer base, non-hydro renewable energy and safety (such as municipal/local fire fighting and flood warning).

The Contracting Parties note that the terms and conditions for tied aid credits may be subject to changes due to possible resettings of the discount rates under the auspices of the OECD and the IMF, as applicable, as well as subject to changes due to the OECD country risk classification.

Article 4

The Republic of Cape Verde, in compliance with the Decree law nº2/2009 (Procurement Law) published on the Official Gazette Nº1, Serie I, and the principle of competition, will consult various suppliers of goods and services necessary for implementing the project to be financed under the present Agreement, through an open or limited bidding process, ensuring that the implementation of projects is entrusted to companies that provide skills and appropriate know-how to this end and that it will not be proposed, offered, accepted or maintained any unlawful act or practice under the law of the country.

The Republic of Cape Verde will provide to the Republic of Austria all the information and explanations that the second considers appropriate to verify the principles and rules established by this Article, reserving the right not to approve the funding of projects that go against those principles and rules.

Article 5

Loan agreements refinanced by OeKB are negotiated directly between commercial banks as lenders and the Ministry of Finance of the Republic of Cape Verde as borrower.

Article 6

The inclusion of projects into the present Agreement shall be agreed upon through exchange of letters between the Ministry of Finance of the Republic of Cape Verde and the Federal Ministry of Finance of the Republic of Austria applying a two step approach. A preliminary inclusion of individual projects within the two year validity period of the Agreement referred to in Article 13 shall take place when all necessary approvals have been granted by both governments while the final inclusion shall be carried out when the supply and the financial contracts have been signed. Projects under negotiation before the entry into force of the present Agreement may also be included.

LJ 2007

Article 7

Tied aid loans granted are to be utilized for the purchase of Austrian capital goods and related services for development projects in the Republic of Cape Verde, which may include up to 50% of capital goods and related services originating outside Austria.

Article 8

The Government of the Republic of Cape Verde hereby irrevocably and unconditionally guarantees the fulfilment of all payments resulting from concessional loans and recognizes these guarantees' legal enforceability.

Article 9

All payments by the borrower under concessional loans officially supported under the Austrian export financing system will be made free and clear of any form of taxation – if any – or any deduction whatsoever.

Article 10

The Contracting Parties will on an annual basis or whenever deemed necessary by the Contracting Parties, review progress, agree on any other matter arising and discuss necessary updates.

Article 11

In order to evaluate the use of the concessional loans granted under this Agreement and the sustainability of the corresponding projects, the Government of the Republic of Cape Verde will facilitate the provision of all necessary documentation for evaluation, auditing and monitoring of the projects.

14

Article 12

Any disputes between the Contracting Parties concerning the interpretation and/or implementation of this Agreement shall be settled amicably through diplomatic channels.

Article 13

The present Agreement will enter into force with its signing. It will remain in force for a period of two years with the possibility to extend it thereafter for similar periods of time by mutual agreement of the Contracting Parties.

Done in two originals, both in English language.

For the Government of the
Republic of Austria

represented by the
Federal Minister of Finance



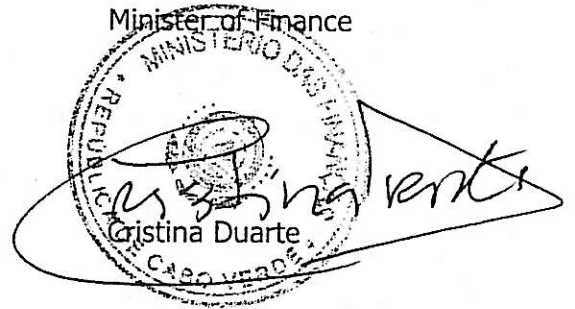
Gerhard Doujak

(Extraordinary and Plenipotentiary
Ambassador
of the Republic of Austria
to the Republic of Cape Verde)

Praia, 8th July 2010

For the Government of the
Republic of Cape Verde

represented by the
Minister of Finance



Praia, 8th July 2010

Pre-mixed Credit Conditions according to Article 3
Valid until 14 January 2011

Consisting of a **concessional loan of 100 %** of the refinanced project value with the following conditions:

Maturity ¹	Grace Period	Repayment Period	Interest Rate + Guarantee Charge (indicative) ² = all in-rate
19 years	Individual drawing period +3.5 years	13.5 years (=27 half-yearly instalments)	0.65 % p.a. + 1.159 % p.a. (margin) = 1.809 % p.a.

¹ depending on length of drawing period (in this case a 2 years– drawing period is assumed)

² indicative reduced guarantee charge (on the basis of a 2-years– drawing period) according to Article 3