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MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Cécilia AKINTOMIDE
Ag. Secretary General

SUBJECT : MAURITIUS: 2009-2013 COUNTRY STRATEGY PAPER *

Please find attached for consideration the above-mentioned document.

Attachment:

cc: The President

*** Questions on this document should be referred to:**

Mr. F. Black	**Director**	**ORSB**	**Extension 2042**
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SCCD:N.A.

African Development Bank
African Development Fund

MAURITIUS

2009-2013

Country Strategy Paper

Country and Regional Department – South B (ORSB)
May 2009

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AFD	Agence Française de Développement
AGOA	African Growth and Opportunity Act
BOM	Bank of Mauritius
BOT	Build-Operate-Transfer
BSL	Budget Support Loan
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistics Office
CSP	Country Strategy Paper
DBSL	Development Budget Support Loan
EPA	Economic Partnership Agreement
EOE	Export Oriented Entities
EPZ	Export Processing Zone
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GoM	Government of Mauritius
HIV/AIDS	Human Immuno-Deficiency Virus/Acquired Immunity Deficiency Syndrome
HDR	Human Development Report
ICT	Information and Communication Technology
IFAD	International Fund for International Development
IMF	International Monetary Fund
IRS	Integrated Resort Schemes
LTA	Land Transport Authority
MDGs	Millennium Development Goals
MFA	Multi-Fiber Agreement
MIC	Middle Income Country
MOFEE	Ministry of Finance and Economic Empowerment
MTR	Medium Term Review
MTEF	Medium-term Expenditure Framework
NCDs	Non Communicable Diseases
NEA	New Millennium Economic Agenda
NEAP	National Environmental Action Plan
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPCC	National Productivity and Competitiveness Council
NPL	Non Performing Loans
NSP	National Sewerage Program
ODA	Official Development Assistance
OPSD	Operations Private Sector Department
PEFA	Public Expenditure and Financial Accountability
PBB	Program Based Budgeting
PMS	Performance Management System
PPP	Public Private Partnership
RBCSP	Result Based Country Strategy Paper
RMCE	Regional Multidisciplinary Center of Excellence
SADC	Southern African Development and Economic Community
SAFE	South Africa-Far East
SME	Small and Medium Scale Enterprises
SWAP	Sector Wide Approach
UA	Unit of Account
UK	United Kingdom
UNDP	United Nations Development Program
US	United States of America
WHO	World Health Organization
WTO	World Trade Organization

CURRENCY EQUIVALENTS
(as of July 2009)

Currency Unit		Mauritius Rupee (Rs)
UA 1.00	=	Rs 49.90
UA 1.00	=	US$ 1.55
US$ 1.00	=	Rs 32.15

FISCAL YEAR
1 July - 30 June before June 30, 2009 and 1 January – 31 December after July 1 2009.

I. INTRODUCTION

1.1.1 **This Country Strategy Paper (CSP) presents the Bank's support program for Mauritius for the period 2009-2013.** It responds to increased interest from the Government of Mauritius in engaging with the Bank and for a scaled-up lending program. With the ongoing global recession as a backdrop, the Government is facing unprecedented challenges and has turned to the Bank for timely support. The strategy has been developed in consultation with the Government and is linked to the national development priorities as set forth in the "Vision 2020: The National Long-Term Perspective Study" (Box 5 below). Since independence in 1968, successive governments have shared consistent long-term development objectives to reduce poverty through employment creation and provide a better quality of life for its population while maintaining social cohesion. This CSP articulates the Bank's proposed engagement across two pillars:

- *Reduce Structural Bottlenecks to Competitiveness and Trade* aiming at ensuring sustained long-term growth. The Government has asked the Bank to pay particular attention to trade integration.
- *Enhance Public Sector Efficiency and Basic Social Service Delivery* aiming at sustaining and consolidating reform achievements.

1.1.2 **This CSP emphasizes the MIC status of Mauritius.** It is in line with the Bank's Group Strategy on Private Sector Development (2007) and the Strategic Framework for Enhancing Bank Group Support to Middle Income Countries (2008). The CSP is flexible and designed to adjust to new opportunities for the Bank's involvement in Mauritius.

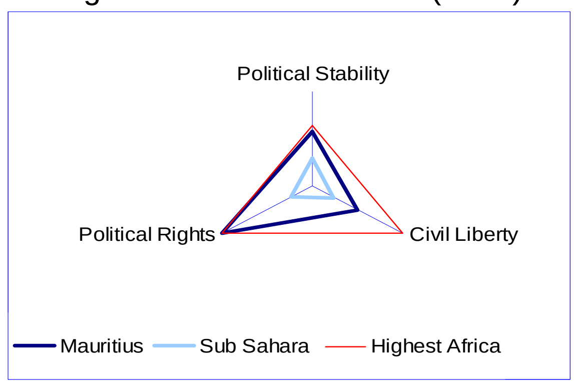
II. COUNTRY CONTEXT AND PROSPECTS

2.1 Political, Economic and Social Context

Political Context

2.1.1 **The political scene is remarkably stable.** Mauritius takes pride in being a mature democracy with strong institutions (Figure 1). It is not at risk of political instability deriving from the global financial crisis. The March 2009 Political Instability Index (Manning the Barricades, Economist Intelligence Unit special report) rates Mauritius as very low risk (7th out of 165 countries).

Figure 1: Political Context (2008)



Note: Mauritius is in the top half of the 50th -75th percentile among the 212 countries surveyed.
Source: Governance Indicators, World Bank 2008 and AfDB Statistics Department.

2.1.2 **Parliamentary elections are scheduled for July 2010.** In addition to the "multi-ethnic" representation within each political party, the flexible practice of shifting political alliances and coalitions, which has helped ensure stability since independence, is now playing out. The ruling party, *Alliance Sociale* (AS, labor party coalition) has been in power since 2005; the other two main parties are the *Mouvement Militant Mauricien* (MMM) and the *Mouvement Socialiste Militant* (MSM).

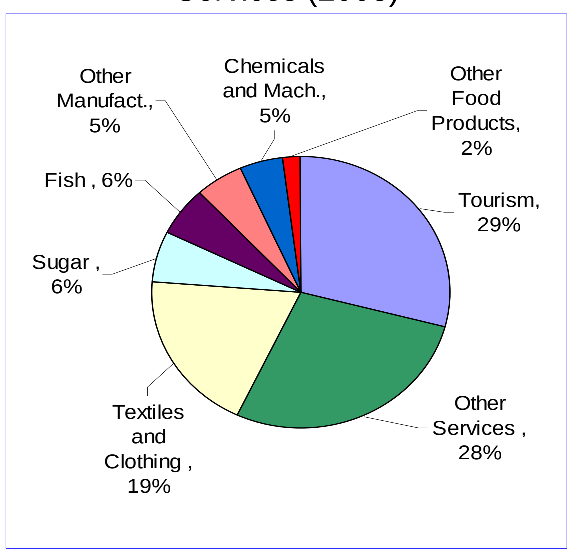
2.1.3 **How Mauritius handles the economic meltdown is likely to determine the outcome of the parliamentary elections.** The opposition claims that the Government has intervened too little and too late and that financial losses of parastatal entities and public enterprises are limiting the fiscal space for countercyclical policies. This could threaten fiscal discipline; although, the risk is mitigated by stronger fiscal rules embedded in a medium term fiscal framework (the New Public Debt Management Act ensures that public sector debt is consistent with medium term fiscal objectives).

Economic Context

Growth and Growth Drivers

2.1.4 **Mauritius' economy succeeded in sustaining a long period of high growth and reducing its dependence on raw sugar exports.** Real GDP growth averaged 6% over the past three decades; in the last three years it averaged almost 5% (Annex 4). At present, the engines of economic growth are FDI inflows into real estate devoted to tourism and off-shore banking, as well as a rebound in textile exports. Tourism is the predominant sector, accounting for close to 10% of GDP (this figure does not include its complementary effect on construction, infrastructure and services), 7% of employment and 29% of exports of goods and services (Figure 2). Tourism has also driven a construction boom through substantial investment in hotels and infrastructure over the past two years. The financial sector accounts for about 10% of GDP, spurred by the government strategy of turning Mauritius into a financial regional hub. A number of generous double taxation treaties have made Mauritius a low-tax gateway to invest in other countries, notably South Africa and India. Textiles contribute 5% to GDP, employ 11% of the workforce and account for 19% of foreign exchange earnings. The textile sector has adapted well to the dismantling of trade preferences in 2005 by focusing on higher value added export products. Sugar now represents only 3% of GDP and 6% of foreign exchange earnings, but remains one of the main employers and represents 80% of land utilized. The sector has gradually moved towards increasingly exporting refined sugars.

Figure 2: Exports of Goods and Services (2008)



Source: Bank of Mauritius (BoM) – http://bom.intnet.mu, Central Statistics Office (CSO) – http://statsmauritius.gov.mu and AfDB Statistics Department.

Macroeconomic Management

2.1.5 **Market reforms have allowed Mauritius to build resilience and elude the first-round effects of the global crisis.** Launched in 2005 (Box 1), aggressive market reforms have:

- Invigorated economic growth – at above 5% over the past three years
- Lowered unemployment to 8% in 2008 – the lowest in five years
- Increased private investment to 22% of GDP – the highest level ever
- Reduced the overall fiscal deficit to 3.4% of GDP in 2007/2008 from a peak of 5.4% in 2005/2006
- Decreased the public sector debt from about 69% in 2005/2006 to 62% of GDP in 2007/2008, of which only 9 % of GDP corresponds to external debt.

Box 1: Reform Agenda

Reform Achievements (2005-2009):

Enhancing Competitiveness

- An agreement on tax harmonization was signed with India and Pakistan (2005)
- Tariff barriers were dismantled and duty rates eliminated (2005-2007)
- Regulations for EPZ and non-EPZ firms were unified, except on labor (2007)
- Air access was liberalized (2007)
- Immigration restrictions were eased (2007)
- The insolvency bill was passed (2007)
- Labor market flexibility was improved (flexi-security), reducing separation costs (2007)

Consolidating Fiscal Performance and Improving Public Sector Efficiency

- Two fiscal rules were implemented (limit to recurrent expenditure and to debt increase) (2006-2008)
- PBB, PMS and MTEF frameworks were introduced (2006-2009)
- Tax system was revamped: CIT was unified; residential taxation was introduced; tax exemptions were abolished (2006-2008)
- The procurement act was passed (2007)
- The deregulation of administrative prices was launched (2008)
- Reform of the parastatal sector was launched (2008)
- The reform of the social safety nets was launched (2008)
- The process for opening the Cargo Handling Corporation Limited (CHCL) to a strategic partner was initiated (2008)

Improving the Business Climate

- Business registration and regulation procedures were simplified (2006-2009)
- The Business Facilitation Law was enacted (2006)
- Restrictions on land acquisition by foreigners were eased (2006)

Widening the Circle of Opportunity through Participation, Social Inclusion and Sustainability

- The National Environment Policy was enacted (2006)
- The Empowerment Program for training redundant and re-allocated workers was launched (2006-2009)
- The Plan for Eradicating Absolute Poverty was launched (2008)

Main Pending Reforms:

- Deepen PBB, PMS and MTEF frameworks
- Complete the parastatal reform, including CHCL
- Revamp the social safety net system for poverty reduction
- Eliminate administrative prices and inefficient subsidies in the public provision of basic services

Note: Policy reforms have been organized along Government Development Strategy pillars.
Source: Ministry of Finance and Economic Empowerment.

2.1.6 **The global downturn has started to affect economic prospects**. The real growth estimate in 2008/09 is now projected at 2.9%, much lower than earlier expectations and down from 6.6% in FY 2007/2008 (Table 1); in addition:

- Tourism seems to be at the outset of a downturn; travel receipts were 16% lower in October 2008-January 2009 compared to the same period a year before.
- Textile exports fell by 17% between 2007 and 2008 and are expected to fall further in 2009. FDI flows are projected to remain low (at 2-3% of GDP) and reduce activity in the offshore financial sector.

- The external current account deficit is expected to widen in 2008/2009 to 9.3% of GDP, because the lower demand for tourism, textiles, and offshore financial services will not be offset by lower imports.
- Inflation is expected to decline to 5% in 2010 due to the sharp reduction in international oil and food prices and despite the increase in fiscal spending and the exchange rate depreciation. In one year, the rupee has depreciated by 31% against the US dollar.
- The price index of Mauritius' stock market fell by 23% since January 1 2008.

Table 1: Key Macroeconomic Trends (as % of GDP otherwise stated)

	2006/07	2007/08	2008/09	Jul-Dec 2009	2010	2011
GDP Growth (%)	4.2	6.6	2.9	2.4	3.0	4.0
Inflation (%)	10.7	8.8	7.0	3.6	5.0	5.0
Fiscal Deficit	4.2	3.4	3.9	4.8	5.0	3.3
Ext. CA Deficit	7.8	8.9	9.3	12.3	11.2	11.0
Trade Deficit	61.2	61.7	58.5	59.3	60.4	60.1

Note: Debt Figures are as of end-June 2009.
Source: May 2009 Transition Budget, Ministry of Finance and Economic Empowerment (http://mofee.gov.mu) and AfDB Statistics Department.

2.1.7 **Countercyclical policies are being put together to cope with the crisis using the fiscal space created by tax reforms but further financial support is needed.** A fiscal stimulus package amounting to Rs 10.4 billion (3.8% of GDP, US$ 330 million) was launched in October 2008 to increase public spending by front-loading public salary-indexation, spending contingency funds and reducing domestic oil prices in line with international trends (Box 2). Expansionary monetary policy measures (150 bps reduction of the repo rate and 1% reduction of the cash reserve ratio) were implemented in parallel with the fiscal stimulus. Additional measures were launched in December 2008, including the launching of the Mauritius Approach Initiative and the announcement that public investment will be boosted through large infrastructure investment projects, in particular in the transport sector. The envisaged total fiscal stimulus is sizeable, but its application is delayed due to public investment implementation bottlenecks, such as insufficient capacity to complete feasibility studies and procurement processes.

Box 2: Two-year Stimulus Package and Mauritius Approach Initiative

The Fiscal Stimulus Package intends to give a significant public and private investment boost. Specific measures include:

- Fast-tracking already earmarked public spending projects and new infrastructure programs, and by accelerating of private sector investment (i.e. removing FDI obstacles).
- Creating human resource capacity by promoting investment in tertiary education and attracting foreign students.
- Supporting vulnerable sectors and businesses, in particular SMEs.
- Enhancing efforts of re-skilling, retraining and returning retrenched workers to productive employment .
- Implement specific protection measures for the population (reducing the price of flour, gas and bread).
- Protecting the textile and the tourism sectors: a representation unit has been set up to support companies to export to the US under AGOA. Environment duties, import duties and airline taxes will be lowered.

The Mauritius Approach Initiative is an emergency scheme to rescue private firms facing financial difficulties. The firm's owners contribute with an equity of 20%, commercial banks assist with loans of 40% at a concessionary interest rate (not exceeding the savings rate), and the remaining 40% is provided by the Government.

Source: Ministry of Finance and Economic Empowerment.

2.1.8 **The 2009 Transition Budget's Agenda is to save jobs, protect people and prepare for recovery.** The announced deficit for the 6 months to December 2009 is 4.8% of GDP (the deficit for the year to June 2009 amounted to 3.9% of GDP). To cope with impact of the global crisis on growth and the cost of the stimulus package, the following "solidarity" levies were introduced for the next two years:

- A new levy of 5% of the profits and 1.5% of the turnover of profitable providers of fixed and mobile telephony services
- Increase in the special levy paid by banks to 1% of the turnover and 3.4% of the profits banks
- Profitable companies to spend 2% of their profits on corporate social responsibility schemes, they can pay it directly to an officially recognized NGO of their choice (Box 3)

Box 3: 2009 Transition Budget's Targeted Measures

For "Saving Jobs", measures were targeted to:

- Small Medium Enterprises (SMEs)
- construction/tourism/IRS sectors, including the possibility to acquire hotel rooms & villas for leaseback to hotel operators; and Land Transfer Tax, which was reduced to 5%.

For "Protecting People", targeted measures to the poor were introduced:

- setting up of a Saving Jobs and Recovery Fund and a Food Security Fund
- providing loans to fishers in Rodrigues
- providing grants for underprivileged families
- establishing the Human Resource Development Knowledge and Art Fund
- introducing a transition unemployment benefit for redundant workers

For "Preparing for Recovery", key initiatives were announced:

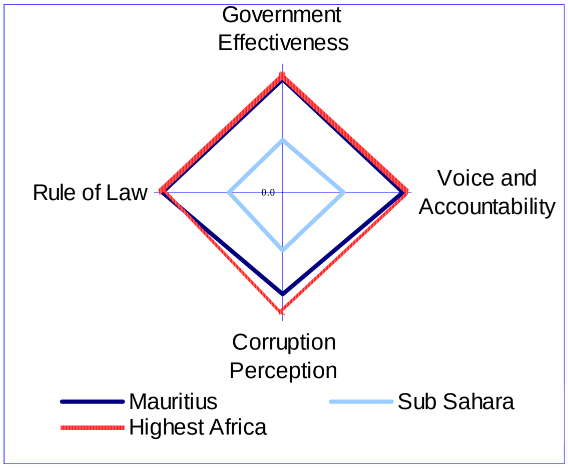
- several mega infrastructure projects (airport, port and roads projects)
- human resources capacity programs
- the Road Development Company (RDC) to expand the road network
- freeport operators are allowed to sell 50% of their turnover in the domestic market.

Note: 2009 Transition Budget, May 22nd, 2009.

Governance and Transparency

2.1.9 **Mauritius has a very good track record of good governance and strong institutions. However, further progress is needed in public sector management.** Recent legal and regulatory reforms have focused on creating an enabling environment for enhanced business practices and ensuring good governance, transparency, rule of law and accountability (Figure 3). Mauritius topped the 2008 Ibrahim Index of African Governance; it has the highest score in Sub-Saharan Africa (85/100). According to the Transparency International's Corruption Perception Index, Mauritius ranks 41st internationally, second in Africa after Botswana (2008). The 2007 Public Expenditure and Financial Accountability (PEFA) assessment, found Mauritius' public financial management (PFM) systems to be sound and the overall level of fiduciary risk low, although few areas need improvement, including public reporting, fiscal planning and expenditure policy. The Performance Management System (PMS) – together with the Program-Based Budgeting (PBB) that is embedded in a three-year Medium Term Expenditure Framework (MTEF) – are expected to strengthen strategic budgeting process across all government agencies. In February 2009, the IMF commended the Government for making good progress in the implementation of PBB, but noted that further progress will require strengthening the PBB-PMS link.

Figure 3: Governance (2008)



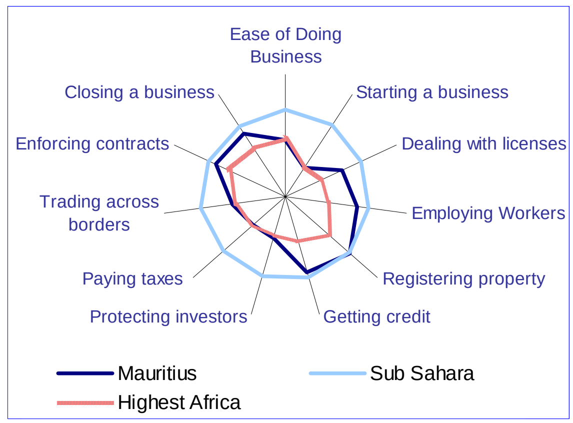
Source: AfDB Statistics Department.

Transport

2.1.10 **Mauritius has a dense and modern road network, however it is increasingly facing traffic congestion.** The Government recognizes that efficient and cost effective transport is one of the most important drivers of growth and increased competitiveness. The road network is 2,000 km long, of which 95% is paved and over 60% well maintained. As car ownership increased markedly in recent years and population density is one of the highest in the world (560 inhabitants per km²), congestion around Port Louis is approaching saturation levels. In fact, Port Louis only possesses two entry points in the south, which are both permanently congested. Degradation of island roads is the result of heavy trucks not respecting load limits (13 tons/axle), which takes a heavy toll on Mauritius' transportation infrastructure and, by extension, economic competitiveness.

2.1.11 **Port facilities are among the best in the region but are reaching full capacity and require upgrading.** Over 95% of external trade is maritime. About five million tons transit annually through Port Louis, whose design is among the most modern in the region. It comprises five deep water docks, two bulk goods terminals for storage and loading export agricultural goods and three container docks. The port is the region's transshipment hub, with a crain maintenance performance of 25 twenty-foot moves equivalent per hour. However, security and capacity need enhancement, in particular at shipping container facilities.

Figure 4: Business Environment



Note: Sub Sahara corresponds to the simple average of Sub Saharan African countries.
Source: Doing Business in Small Island Developing States 2009, The World Bank.

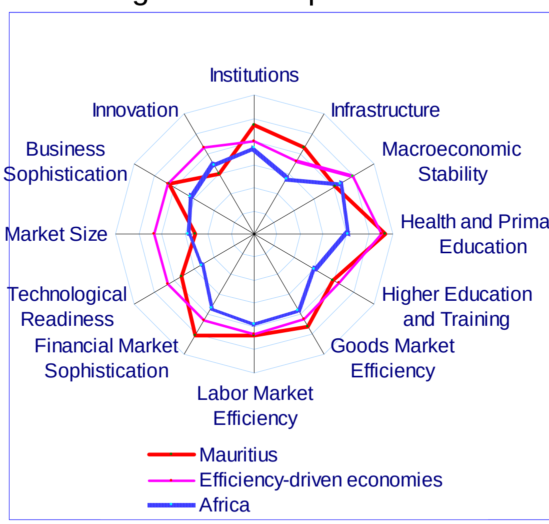
Information and Communication Technology (ICT)

2.1.12 **Mauritius' ICT sector is well ranked within Africa in terms of density of fixed lines and Internet services; its regulatory system is advanced but needs to fully adapt to technology progress.** The ICT sector contributes around 6% of the GDP (2007); it is among the most dynamic sectors. With a Digital Opportunity Index (DOI) of 0.5, Mauritius is ranked first in Africa in terms of teledensity (29 fixed lines per 100 inhabitants, 2008) and Internet subscribers (13 per 100 inhabitants, 2008), and fourth in Africa in terms of mobidensity (75 cellular phones per 100 inhabitants, 2008). The state of the existing ICT infrastructure is advanced both as regards to fixed line network infrastructure (full country coverage with the copper wire infrastructure), and radio network infrastructure (the country uses principally mobile networks relying on GSM). The mobile market is a competitive market. The technology used for Internet includes mobile phones, ADSL, cable and optic fiber. BlackBerry is used among a high proportion of top-level managers; some mobile phone users with internet facility are using their mobile phones for their banking transactions. The regulatory environment is being set in line with international best practices and changes resulting from technological convergence (new national plan for ICT). During FY 2007-2008, the local call charges have decreased by an average of 27% and those of international charges by an average of 20%. Broadband Internet charges were brought down by an average of 26% and 24% for wholesale and retail charges respectively. The cost of international connectivity between Mauritius and Europe has been brought down by 52% over the period 2006-2008. The cost of a local telephone call has been brought down by 27% and by 20% for an international call. The tariffs for ADSL Home Offers have decreased between 33% and 45% for Mauritius and around 42% for Rodrigues with effect from 1 March 2009.

Business Environment and Competitiveness

2.1.13 **Mauritius has an attractive investment climate, with a high rank in Africa and worldwide.** In the World Bank's Doing Business Ranking, Mauritius went from 29th (2008) to 24th (2009). The report ranks Mauritius as the best place in Africa to do business, and 24th in the world, ahead of France, Korea and Chile. It is among the top performers in starting a business, paying taxes and protecting investors. Mauritius performs relatively well on trading across borders, dealing with construction permits, employing workers and closing a business. Remaining areas for improvement include getting credit, registering property, and enforcing contracts (Figure 4). Recently, Mauritius has improved markedly in these areas, advancing 30 ranks in registering property and 18 ranks in getting credit.

Figure 5: Competitiveness



Note: Efficiency driven economies corresponds average of group of countries listed as efficiency-driven economies in the Global Competitiveness Report (CGR) 2008-09. Africa corresponds to the average of African economies.
Source: CGR 2008-2009, World Economic Forum

2.1.14 **Mauritius ranks in the top third of most competitive countries in the world, despite structural bottlenecks (limited land, capital and human resources).** It is ranked 57th in the Global Competitiveness Index 2008-

2009. Mauritius has strong and transparent public institutions, with well protected property rights, reasonable levels of judiciary independence, and a good security situation by regional standards. Private institutions are rated as accountable and improving. Infrastructure is well developed by regional standards, and goods and financial markets function well (Figure 5). The 2009 World Bank Investment Climate Assessment (ICA) found that while labor costs have decreased over time and labor productivity has increased, firms in Mauritius are not as competitive as those of its competitors in the global markets. The major constraints they face are: (i) access to finance, (ii) skills and technology absorption, and (iii) infrastructure, particularly limited port and airport facilities and energy shortcomings (high usage of generators).

Regional Integration and Trade

2.1.15 **Mauritius considers its participation in regional agreements as a step towards building resilience for full integration into the global economy.** Mauritius has been at the forefront of the Aid for Trade initiative in Africa. It is negotiating more favorable access for its exports to the EU (through the Economic Partnership Agreement, EPA) and to the US (through the African Growth and Opportunity Act, AGOA). Mauritius is an active member of the Common Market for Eastern and Southern Africa (COMESA) – it will host its Adjustment Facility, its Infrastructure Fund and the COMESA centralized clearing-house headquarters. Mauritius is also member of the Southern African Development Community (SADC) and of the Indian Ocean Commission (OIC). Recently, Mauritius is advancing the Regional Multidisciplinary Center of Excellence (RMCE) Initiative aiming building capacity to formulate and implement the regional integration development strategy within the countries of the region (Box 4). Mauritius would like to deepen its working relationship with the AfDB on the issues pertaining to regional integration. On this regard, the Bank is providing already support through NEPAD and the Regional Economic Communities by financing several regional infrastructure projects at the regional level.

Box 4: The Regional Multidisciplinary Center of Excellence (RMCE) Initiative

- The RMCE is a Government of Mauritius led initiative aiming at providing professional training to public servants from Mauritius, and other countries in the region, on technical and policy issues related to trade integration.
- The RMCE is a regional initiative led by Mauritius and developed in coordination with the main Development Partners and regional blocs, including COMESA and SADC.
- The purpose of the RMCE is to strengthen the capacity of the Regional Economic Communities (RECs) and member states to promote and lead efforts towards regional economic integration within their sub region. The RMCE will provide trainings and advisory services as well as a platform for dialogue serving as an expertise hub for the regional economic integration agenda.
- RMCE aims to progressively expand its coverage and reach the private sector.

Source: Ministry of Finance and Economic Empowerment

2.1.16 **Ensuring consistency between the national reform agenda and participation in a multitude of regional agreements remains a challenge.** Membership of various regional agreements, with differences in geographical coverage, trade liberalization agenda, provisions on rules of origin, and in goals (such as building a customs union), is difficult to manage. Furthermore, Mauritius' plans to become a duty-free island will be difficult to reconcile with its participation in these regional agreements.

Social Context

2.1.17 **Mauritius faces the challenge of sustaining the impressive achievements accomplished over the past 15 years.** The prevalence of absolute poverty is low by international standards. Less than 1% of the population is estimated to live with less than US$1 per day (1.5% with less than US$ 2 per day). Child and maternal mortality rates, 15% and 37 per 100,000 respectively (2007), are already at the level of most advanced countries. Mauritius stands 65th out of 177 countries on the Human Development Index (2007/2008 Human Development Report). However, pockets of poverty exist throughout the country among certain population groups (women) and in particular on Rodrigues Island. Over 200 pockets of poverty hosting about 7,000 households living in absolute poverty have been identified. Housing is a key issue for the lowest 15% income percentile of the Mauritian population. Furthermore, the MDG on HIV/AIDS won't be met unless urgent measures are taken (Annex 5 and 6).

Social Protection

2.1.18 **The prevailing universal provision of social services is at risk.** The social protection system is generous but its sustainability, quality and targeting need to be addressed (Box 5). Some progress has been achieved recently. The Government has put in place special assistance initiatives targeted at vulnerable population groups. One such initiative is the Empowerment Program, which aims at widening opportunities for women, the unemployed and young people entering the labor force. The program entails training and re-skilling, as well as special programs for unemployed women. Other initiatives include the Eradication of Absolute Poverty (EAP) program, which targets pockets of poverty through specific projects, and the Gender Responsive Budgeting exercise. The global crisis has severely hit Mauritius' vulnerable groups. Despite the intensive employment protection and employment creation effort deployed by the Government (including, the introduction of flexi-security and the Empowerment Program carried out with the private sector), an estimated 45,000 jobs are at the threshold of profitability and may be lost if economic conditions further deteriorate.

Box 5: Mauritius Social Protection System

Mauritius has a comprehensive social security system articulated in five pillars:

1. Social assistance schemes and a universal system of non-contributory pension for the elderly, the disabled, widows and children. This benefit is paid 15,000 social aid cases and represented an expenditure of Rs 485 million in 2007-2008 (0.9% of fiscal spending).
2. Contributory pension schemes for public and private employees. It is financed by over 14,000 employers of the private sector and covers some 280,000 employees. The Government pays the basic retirement pension to 136,205 persons and provides allowances to over 22,000 widows below 60 years, 26,000 disabled and allowances for 18,000 children of widows and invalid persons.
3. A Provident Savings Scheme funded by both public and private employers (2.5% of salary and 1% coming from employers) and providing benefits on retirement, death or redundancy.
4. Occupational pension schemes run by the

private sector.

5. Government subsidies on food (rice, flour), housing (for the lower income groups), free education and health services for all and free transport for the elderly and students.

Source: Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions.

Health

2.1.19 **Mauritius is facing the dual challenge of HIV/AIDS and the epidemiologic transition.** Though relatively low in Mauritius, the prevalence of HIV/AIDS – currently estimated at 1.8% of the 15-49 age group – has been rising in particular among drug users (which in turn are also growing). There are indications that the HIV infection is infiltrating into the general public, as suggested by indicators such as the number of HIV-infected pregnant women, which increased from 0.05% in 2000 to 0.1% in 2006. The epidemiologic transition translates into a growing burden of non-communicable diseases (NCDs). NCDs represent the bulk of morbidity, disability and premature deaths in the country and are responsible for about 80% of the burden of disease. In 2004, 50.7% of deaths were due to diseases of the circulatory system. The prevalence of diabetes and hypertension among adults aged 30 and above was 19.3% and 29.7% respectively; and the prevalence of high cholesterol among adults aged 20 years and above was 40.1%. These averages hide inequalities between population groups, in particular between men and women. For example, diabetes is the cause of 26.7% of deaths among women, against 19.3% among men (2008). Some areas of inefficiency in the Mauritian health system need to be tackled, in particular the referral system and the management of decentralized health services. Over 90% of the population uses hospitals services, which shows that patients bypass the first level of care and results in wasted resources, as most of patients could be treated at a lower cost at the lower level of care.

Education

2.1.20 **The biggest challenge in the sector involves moving the tertiary education to higher value-added knowledge and skills to become a knowledge hub for the region.** Mauritius has reached universal primary education, and its education system is strong by regional standards. The literacy rate is 85%, net enrollment rates are 97% in 2002. The gender parity index is 1.0 at the primary level. Education is free at the secondary level and compulsory until the age of 16. Average school attendance is for 10.2 years, which falls short of the 11-year compulsory education, thus causing the gap between secondary to tertiary enrolment to be ever larger, as evidenced by the low gross tertiary education enrolment rate of 41.4% in 2008. Tertiary education is limited; there are two public universities (University of Mauritius and University of Technology, Mauritius), private providers of higher education, one medical school, one dental college and a few vocational and industrial training institutions. Public expenditure on education in Mauritius in 2007/2008 was estimated to be 12% of total government recurrent budget and 3.3% of GDP. The education system is adequately endowed with infrastructure, especially at the pre-primary, primary and secondary levels where both private and public schools operate. At those levels, the main effort remains one of improving turnout of the education system and reducing high repetition rates at the end of each cycle while improving transition from one level to the next. In tertiary education, access and capacity need to be improved, and the supply of human capital with higher value-added knowledge and skills in existing and emerging economic sectors must be fostered if the country is to reach its ultimate vision to become a knowledge hub for the region. So far, there is a mismatch between the quality and specificity of educational products and the needs of the economic sector. However, most higher education institutions are establishing networks with the world of business and industry while the Human Resource Development Council (HRDC) will very shortly come up with a revised version of the National Human Resource Development Plan (NHRDP).

Gender

2.1.21 **Mauritius has made great strides closing gender gaps,** such as education where near gender party had been reached and girls dominate slightly in secondary education. The maternal mortality ratio is with 0.16 per 1000 live births (2005) very low and has steadily improved. The fertility rate is at 1.88 is also low.

2.1.22 **Large gender gaps still exist with regard to political representation,** with only 17.1 % of MPs being women against the SADC target of 50%. Gender gaps in employment are also large and getting bigger. In 2007 29,900 females as against 18,700 males were unemployed. Women are also 3 times more likely to become unemployed then men. The gender gap in employment is particularly large in the 30-45 plus age groups where female unemployment reaches more then double male unemployment. This is due largely to the contraction and restructuring of the textile industry which affected a largely older female workforce with low educational backgrounds whose members are not easily re-trenched. The Government has clearly acknowledged the problem and has been addressing female unemployment through the Empowerment Program which since 2009 contains affirmative action measures for women such as with regard to access to credit, training and assistance to unemployed women over 45 years of age. The 2008 National Gender Policy Framework also subscribes to broad based empowerment measures for women across sectors through targeted interventions and gender mainstreaming.

Water and Sanitation

2.1.23 **Mauritius is a very privileged country in terms of water resources.** Yet those resources are not fully harnessed. Mauritius' average pluviometry is 2000mm, high by international standards. Its potable water supply coverage rate is 99.6%. Of 3.7 billion cubic meters annual renewable resources, only 25% are tapped across sectors. Daily supply is round the clock in most areas during the wet season. However, it is unreliable during the dry season, caused by the low performance of distribution facilities. Unaccounted for water over the network is estimated at 46%.

2.1.24 **The sewage network has high coverage but it is limited to urban**

areas, outdated and poses serious sanitation and environmental risks. Almost 100% of the Mauritian population has access to sanitation. Yet only 26% (2008) of the population is connected to the sewerage system. The remaining 74% have on-site disposal systems, using septic tanks and absorption pits.

Environment and Climate Change

2.1.25 **Mauritius Ile Durable (MID), a comprehensive and ambitious initiative, has been recently launched. It aims to address key environmental policy priorities, including the need to maintain biodiversity, protect environment and manage land, water and coastal assets in a sustainable way**. Despite the limited land area available, bio-diversity is being maintained and the environment is being protected (about 12% of terrestrial and maritime areas are protected zones). However, further progress is needed in view of environmental vulnerabilities – tourist arrivals are projected to rise to 2 million by 2015. Regarding land use, agriculture still plays a key role occupying about 43% of the total land area, whereas 25% occupied by forests, 25% by built-up area, 2% by roads, 2% by reservoirs and 3% by abandoned cane fields. Since 2000, 7% of the agricultural lands and about 9% of forestry lands have been lost to other uses (housing, hotels and industrial parks). Although groundwater quality monitoring has not reported any danger, without intervention pollution of the underground water resources is highly probable if no preventing measures are taken. The coastline of the Mauritius Island is about 322km in total and surrounded by fringing coral reefs enclosing a lagoon area of 243km2. Coastal and marine resources are of vital importance to the national economy; they are being preserved.

2.1.26 **Being a small-island state, Mauritius is highly vulnerable to the impacts of climate change,** through the cyclone threat. Certain institutions in Mauritius have initiated measures for to understand the issues involved. According to the Meteorological Services, at least one cyclone passes within 100km of Mauritius every year. Mauritius has signed and ratified the Kyoto Protocol but is not bound by specific targets for greenhouse gas emissions: Mauritius emits an average of 2.6 tonnes of CO_2 per person, above the Sub-Saharan Africa average (1/2 tonnes) but below the average of developed countries (13 tonnes).

2.2 Strategic Options

A. Country Strategic Framework

2.2.1 **There is a widespread and sustained consensus on Mauritius' long-term development goals.** It is contained in the "Vision 2020: The National Long-Term Perspective Study", formulated by two successive administrations (1994-1997) through a broad consultative process.

Box 6: Vision 2020: Mauritius' Coherent Long-Term Objectives
Vision 2020 takes an holistic view of development and addresses economic growth, environment, agriculture, industry, tourism, international financial services, ocean exploration, science and technology, employment and the labor force, social cohesion and political stability. It has a strong focus on education—as an appropriate path to transform Mauritius into a high skilled and efficient economy – and aims at deepening the traditions

of personal freedom and democracy and the creation of a compassionate and family-oriented society and modern outward-looking nation.

Source: Mauritius One Nation, One Destiny: A comprehensive Development Framework Profile, World Bank (2003).

2.2.2 **Vision 2020 centers economic development on moving away from low-wage, labor-intensive exports to more skilled, high value added, knowledge-based ones.** Vision 2020 was conceived in the context of preparing to cope better with challenges from globalization and trade liberalization. It constitutes a broad holistic framework guiding long-term development. Vision 2020 suggests areas where success is most likely and establishes the main objectives to be reached by 2020 (Box 6).

2.2.3 **In line with Vision 2020, the Government's Development Strategy aims at transforming Mauritius into a globally competitive economy,** by promoting the following sectors: sugar cane cluster, tourism, export-oriented manufacturing, export services, financial services, renewable energy and ICT. The strategy is articulated in four pillars: (i) enhancing competitiveness; (ii) consolidating fiscal performance and improving public sector efficiency; (iii) improving the business climate; and (iv) widening the circle of opportunity through participation, social inclusion and sustainability.

2.2.4 **Since 2005, the Government has tenaciously advanced its market reform agenda.** Now it faces the challenge to sustain these achievements. Reforms have successfully reduced the fiscal deficit, revamped the tax system, strengthened the public spending framework, restored export competitiveness and improved the investment climate. However, worsening economic conditions will test reform resilience.

B. Constraints and Challenges

- The economy is highly dependent on a few sectors that are sensitive to the global crisis. These include tourism as well as textiles, real estate development and offshore financial services. *Mauritius' challenge is to help them overcome the current economic crisis.*
- Mauritius' economy is small and the country is geographically isolated. This translates into several limitations. Human capital availability is low and diseconomies of scale and scope reduce comparative advantages. Inputs are not sufficiently diversified and easily available. The economy is highly dependent on imported inputs. Agriculture diversification has not been achieved. *Mauritius' challenge is to reduce structural competitiveness bottlenecks affecting export oriented sectors and deepening business climate reforms aimed at attracting private investment.*
- Social security assistance, free education and primary health care, and social housing have contributed to a generous and comprehensive welfare system. While attaining its social objective this system is not well targeted and is becoming increasingly unaffordable. Furthermore, parastatal bodies and public enterprises could improve efficiency. Some of them are experiencing financial difficulties (i.e. the National Pension Fund, Air Mauritius, the National Transport

Corporation and the Agricultural Marketing Board). *Mauritius' challenge is to reform the public service system to address its long-term sustainability in light of the global financial crisis. Public social spending needs to be better targeted on those most in need.*

- High population density produces some congestion problems. Scarce land is increasingly becoming politically sensitive sectors. *Environmental sustainability issues linked to the small size of the island need to be urgently addressed. Critical aspects include the treatment of used waters and solid waste.*

C. Strengths and Opportunities

- Successive administrations have demonstrated a strong commitment to market reform and trade integration. Public management has advanced markedly, and Mauritius has made significant progress in opening its economy and promoting regional integration. *Government's solid commitment to reforms is favorable to consolidating and deepening reform achievements.*
- The business climate is strong and the Mauritian workforce is fairly well educated and trained by African and international standards and is also at least bilingual (English and French). *Despite achievements, there is opportunity for improvement on the investment climate; Mauritius sets itself the goal of moving into the world top ten by 2010 (Doing Business Ranking).*
- The tourism industry is world class and still has strong upside potential, thanks to Mauritius' cultural diversity and natural magnificence. *Besides tourism, there is high potential for economic diversification.*
- Mauritius is in a global strategic geographical location. Bridging Asia and Africa, it is well positioned to compete globally for European markets in some key products (textiles, services and export oriented entities, EOE). *Regional integration has the potential to become a driver of growth.*

2.3 <u>Recent Developments in Aid Coordination/Harmonization</u>

2.3.1 **The Government is progressing towards a program approach with greater harmonization of donor support.** It has established a formal coordination mechanism among donors based on the PBB, to which donors are required to align their assistance. Once a year, an Annual Business Planning (ABP) is organized with external development partners. The PBB process brings in development partner financing in a coordinated manner. Annex 3 provides a mapping of development partners' activities in various sectors.

2.3.2 **Effective coordination at project implementation level has yet to be achieved, although budget support operations have been effective in strengthening alignment**. In line with the Paris Declaration principles on aid effectiveness and the Accra agenda, the Bank has actively participated in budget support operations in conjunction with the AFD, the WB, and the EU. Furthermore, the Bank intends to increase local presence in Mauritius to improve partner coordination and country dialogue.

2.4 The Bank Group Positioning in Mauritius

A. Bank's Operations in Mauritius

2.4.1 **Bank's operations in Mauritius have been modest, except in the case of budget support operations.** Investment lending at public and private sector levels has remained fairly small, and disbursements performed well only for budget support operations. Technical assistance and capacity building are just picking up. By end-2008, the cumulative assistance to Mauritius reached a net amount of just UA 180 million – 66% under the ADB window, 2.4% ADF, 1.6% NTF, and 30% private sector. Only 26 operations were approved, three of which are ongoing and one is expected to reach completion by mid-2009. The total amount of the net active portfolio as of June 2009 is UA 28 million (Annex 2). Yet non-lending services are increasing through the middle income country (MIC) grant facility in several areas, including transport, health, sewerage and public sector reform.

2.4.2. **The Bank's loan pricing was not competitive compared to alternative financing sources.** As a middle income country, Mauritius cannot access ADF resources; yet it has had easy access to European Commission grants and, until very recently, to international capital markets. In this regard, new Bank instruments responding to the current global financing crisis were approved in February 2009; they have the potential of increasing Bank's competitive position vis-à-vis Mauritius.

2.4.3 **Public and private lending to Mauritius have not taken off despite high space in country exposure limits.** Mauritius has never come close to its Bank's country credit limit. As a very low risk country with medium size economic potential, the country limit is large; the current portfolio has used only 0.22% of the country limit.

B. Experience and Lessons from Implementation of the Previous CSP (2004-08)

2.4.3 **The last CSP did not perform as well as expected.** It was articulated around the three pillars of infrastructure development, private sector growth and economic and sector work (ESW)**:**

- *There was no lending to the private sector, only indirect lending support was provided through Mauritius based regional investment funds.* Poor performance in private sector operations resulted from lack of competitiveness with respect to other sources of financing, and a lack of Bank's pro-activeness to reach the Mauritian private sector.
- *Some ESW was provided or launched, but only few were finalized.* The selection of ESW were not linked to Government priorities. Overlaps with other development partners led to ESW cancellations.

2.4.4 **Project investment performance was far below expectations. However, budget support operations showed good results:**

- The approval target was UA 150 million, but only UA 41 million (US$67 million) was approved, of which only 30% has been disbursed.
- There were long delays for reaching effectiveness (one year in average)

and, except for one project, disbursement rates were below 10%.

- There have been lots of project cancellations, in particular before 2005, mainly because the Bank's loan pricing was not attractive.
- Budget support operations were disbursed as planned. These have proved to be a useful tool in Mauritius.

2.4.5 **The main recommendations from the CSP 2004-2008 Completion Report are that the Bank should:**

- Stay aligned to GoM priorities while focusing on quality at entry in project implementation
- Support GoM program/project implementation capacity to develop bankable public sector operations
- Revisit its approach to private sector development by increasing flexibility and readiness to seize available investment opportunities
- Use the MIC grant facility to promote country dialogue and facilitate development of new operations
- Improve coordination with other development partners as demonstrated in budget support operations
- Enhance local presence to increase its effectiveness

III. BANK GROUP STRATEGY FOR MAURITIUS

3.1 <u>Rationale for Bank Group Intervention</u>

3.1.1 **This CSP is centered on the Government Development Strategy**. In line with the Bank's Medium Term Strategy for 2008-2012 (2008), it will devote particular operational focus on enhancing external competitiveness by promoting trade integration and the development of key infrastructure projects, promoting a more robust private sector and fomenting the development of human capital by supporting the improvement of public sector efficiency and basic service delivery. It will articulate along two pillars**:**

- **PILLAR I: Reduce Structural Bottlenecks to Competitiveness and Trade.** This pillar will accompany the aggressive public investment agenda that the Government announced in December 2008, which aims to fill key infrastructure gaps limiting country competitiveness and deeper integration into international trade.
- **PILLAR II: Enhance Public Sector Efficiency and Basic Social Service Delivery.** This pillar seeks to help Mauritius consolidate a modern and resilient public administration, which implies supporting fiscal reforms in PBB, and public expenditure. Also critical is to promote a responsible, sustainable and targeted system of public social services. These twin activities will help Mauritius cope with the ongoing economic crisis while maintaining social stability and preserving fiscal discipline.

3.1.2 **This CSP intends to address Mauritius weaknesses and take advantage of strengths and opportunities.**

- Bank's support to reduce infrastructure bottlenecks will highlight environmental sustainability issues and at the same time enhance external competitiveness. Major exporters of textile products have identified traffic congestion as a major infrastructure bottleneck, according to the 2009 WB Investment Climate Assessment. Port of Mauritius' logistics ranks low in the 2007 World Bank Logistics Port Index (137th), and the Government has requested donor assistance for its upgrading. In addition, efforts to promote trade integration might reduce the vulnerability of the private sector (Pillar I).

- Budget support will continue to aid fiscal consolidation and help Mauritius respond better to the effects of the global downturn affecting economic conditions, particularly in tourism, textiles and the financial sector (Pillar II).
- The Bank's support to revamping public social services to protect vulnerable groups, women in particular. It will be useful to mitigate the social impacts of the current economic downturn and strengthen their long-term sustainability (Pillar II).
- During the initial period of the CSP, Bank's direct support to the private sector is envisaged only through the promotion of Public-Private Partnerships, PPPs (Box 7).
- During the initial period of the CSP, the Bank won't be involved in the reform of parastatals; other main development partners, led by the World Bank, are intensively supporting a major reform in this area.

Box 7: Public-Private Partnerships (PPPs) Implementation Status in Mauritius

PPP Policy, Legal and Regulatory Frame Work, and Institutions

- The PPP policy was formulated in 2003 to encourage the private sector to play a larger role in procuring and financing infrastructure projects and services in the public sector through well-designed PPP.
- The PPP Unit Act was enacted in 2004, and the PPP Guidance Manual was also developed in June 2006. The Unit was established in July 2008 under the aegis of the Ministry of Finance and Economic Empowerment (MOFEE).

Institutional Capacity

- With its current staff strength, the capacity of the Unit is adjudged weak and inadequate to carry out effectively its mandate
- There are plans underway to strengthen capacity of the Unit through grant of US$ 0.2 million and credit of US$ 0.5 million from the World Bank. The Unit has commenced training aimed at sensitizing both public and private officers in PPP.

Source: Ministry of Finance and Economic Empowerment.

3.1.3 **This CSP is timely due to an opening window of opportunity to engage with Mauritius.** The Government has communicated to the Bank that requires urgent financial assistance both to address long-term obstacles to sustainable growth and to cope with the immediate impacts of the global financial crisis. The Government envisages increasing significantly the amount of our budget support assistance.

3.1.4 **During the CSP period, the Bank's support to Mauritius will be closely coordinated with other development partners.** The Bank will support the Government to complete its structured and common policy dialogue with main development partners. The Bank's special attention will be given to prevent overlap and take advantage of synergies.

3.1.5 **This CSP is selective and flexible to account for changes in the current external environment and**

Government priorities. National elections are taking place during the period of the CSP and changes in the external environment are expected. The choice of sectors on which the CSP will concentrate has been discussed and agreed with the Government during the CSP preparation mission. However, if economic conditions and Government priorities change, Bank's support to Mauritius will adjust to the new environment and adapt to the Government's needs.

3.2 Deliverables and Targets

3.2.1 *Lending Activities:* The emphasis will be on budget support. For investment lending, the CSP has selected sectors that are key for the development of the country and where the Bank has comparative advantage. Table 2 presents the indicative Bank Lending Program for Mauritius. The transport and water sectors remain a priority for the Bank's support to Mauritius. In this regard, the Bank's has identified potential projects in urban transport, and dam's construction and national road extensions.

Table 2: The Bank Group's 2009-2013 Indicative Lending Program for Mauritius (UA million) 1/

Project Title	Amount	Sector
Pillar I: Reduce Structural Bottlenecks to Competitiveness and Trade		
2010		
Container Terminal Expansion	58	Port
2011		
East-Coast Trunk Road 2/	11	Roads
Wind Farm (PPP)	22	Power
Pillar II: Enhance Public Sector Efficiency and Basic Social Service Delivery		
2009		
Budget Support (I, II and III)	466	Multi-Sector
2011		
Plaines Wilheims Stage 1st add.	46	Sewerage

Note: 1/ Projects that are yet to be confirmed have not been included on the Mauritius' 2009-2013 CSP/ 2/ The project will be partially financed by the WB. The amount in UA refers to the total amount of the projects. The share of AfDB participation is yet to be defined.

Non-Lending Activities:

3.2.2 *Analytical Work and Policy Advisory Services:* The following activities have been already identified: (i) identifying analytical support to sustain trade integration within COMESA and SADC; (ii) supporting the development of a broadband policy. In addition, the Bank is willing to conduct policy dialogue with the Government to identify Bank's potential support in Education, Health and the promotion of SMEs.

Table 3: The Bank Group's 2009-2013 Indicative Grant Program for Mauritius (UA million)

Project Title	Amount	Sector
Pillar I: Reduce Structural Bottlenecks to Competitiveness and Trade		
2010		
MIC Grant RMCE	0.13	Regional Integration
Pillar II: Enhance Public Sector Efficiency and Basic Social Service Delivery		
2009		
MIC Grant Sewerage Plan	0.6	Water
2010		
MIC Grant MTR ICT Strategy	0.2	ICT
MIC Grant Gender	0.2	Gender

Note: Projects that are yet to be confirmed have not been included in Mauritius' 2009-2013 CSP.

3.2.3 *Capacity Building:* The Bank will continue using MIC facilities as the entry point for future operations (Table 3). The Government has requested assistance in PPPs as well as in project preparation, implementation and feasibility studies

3.3 Monitoring and Evaluation

3.3.1 **Monitoring Results:** Annex 1 provides a set of indicators to measure the output and outcomes of Bank's support under this CSP. MOFEE will coordinate line Ministries and Central statistics Office (CSO) to monitor CSP implementation. To take into account new developments, an update of this CSP will be prepared by 2011, if needed. Alternatively, a Medium Term Review (MTR) will be prepared.

3.4 Country Dialogue Issues

3.4.1 **To improve Country Dialogue, the Bank will Increase its local presence.** The Bank intends to post a Country Economist to Mauritius in 2009, housed at the UNDP Office.

3.4.2 **Continued country dialogue will emphasize the achievements of the following objectives:**

- Improving the implementation of Bank's operations taking into account lessons learnt, in particular: promoting disbursements, reducing the risk of project cancellations, identifying and providing technical assistance to build GoM capacity in project preparation & implementation
- Increasing the use of budget support and country systems when feasible
- Increasing the Bank's private sector operations; despite efforts made, the Bank has still been unable to reach the Mauritian private sector
- Identifying and reaching consensus on the best way the Bank can support Mauritius in deepening market reforms, in particular in the context of the next budget support loans
- Identifying Bank's support opportunities to the Government's regional integration agenda.

3.5 Potential Risks and Mitigation Actions

3.5.1 **Risks Deriving From the Global Economic Slowdown.** Mauritius' open economy is particularly vulnerable to shocks stemming from weaker export demand and a slowdown in FDI inflows. Slower growth will depress tax revenues and increase pressure for fiscal stimulus in the run-up to national elections. At the same time, fiscal and implementation capacity constraints may slow public investments in infrastructure, which are critical to sustaining the transition. Large external current account deficits have so far been financed by FDI. In this regard, increasing Bank's budget support will help mitigate the macroeconomic risks by providing an extra cushion to finance negative contingencies plus targeted investment projects in the stimulus package.

3.5.2 **Risk Deriving From the Lack of Capacity.** Over the past years, policy making has been highly dominated and energized by the economic reform agenda. As the public sector reverts to a more 'normal,' mode of operation, capacity shortages are likely to become more problematic. Civil service reform (PMS) should help to ameliorate the constraints by promoting a more stable public service. Government may also wish to consider more formally enhancing training opportunities for public servants including the launching of the Regional Multidisciplinary Center of Excellence (RMCE).

3.5.3 **Credit Risk.** Mauritius is a well-performing upper MIC and has a solid sovereign rating and the most solid political rating within the MICs (Economist Intelligence Unit, March 2009). Despite the good track record of prudent economic policies, Mauritius' overall creditworthiness is constrained by its narrow economic base (tourism, textiles and financial offshore services) and associated problems which have become more apparent with the onset of the global economic crisis in recent months. To mitigate this risk the Development partners led by the IMF are closely monitoring the economic and financial situation.

3.5.4 **Implementation Risk.** Mauritius has performed poorly in preparing and implementing Bank operations, beyond budget support operations. Implementation capacity is often low, although technical capacity is high. This could lead to delays in project preparation and implementation as well as concerns over the non-financial cost of doing business with the Bank. This risk is high in the transport sector because the definition of new roads involves sensitive issues, such as environment and land allocation issues. To mitigate this risk, posting the country economist on the field would provide close implementation support, including providing efficient reviews of fiduciary and safeguard functions.

IV. CONCLUSION AND RECOMMENDATION

4.1.1 **Mauritius is a rapidly developing middle income country facing strains due to the global economic crisis, and in need of the Bank's urgent support.** The country has a strong track record of good governance, fiscal management, social protection and competitiveness reforms. Nonetheless, Mauritius faces a number of challenges to strengthen the foundations of its economic growth and ensure sustainability over the long term. These are now all the more pressing because of the global crisis. The Government is well aware of the challenges and opportunities ahead, and has requested the Bank's support to help face them.

4.1.2 **This is a critical window of opportunity for the Bank to demonstrate its willingness and ability to stand by a member country in need**. With a judicious mix of budget support operations, selective investment interventions, and timely and appropriate ESW – in close coordination with other development partners – the Bank will contribute to the continued success of one of the region's most impressive development performers. By engaging quickly to address the requests of the Government, the Bank can position itself as a trusted development partner to Mauritius moving forward.

4.1.3 **The Board is requested to give due consideration and approval of this Country Strategy Paper for Mauritius**.

Annex 1: Mauritius' 2009-2013 CSP Results Monitoring Matrix

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2013)	4 Final Output Indicators (2013) a/	5 Midterm Output and Outcome Indicators (2011)	6 Key Actions (2011) b/	7 Proposed ADB Interventions in the CSP and Ongoing Interventions c/
PILLAR I - Reduce Structural Bottlenecks to Competitiveness and Trade						
Enhance Skills on Trade Integration Issues						
Enhance competitiveness	• Limited technical capacity to implement regional integration agenda among public servants in Mauritius and in the region	• 5% of Mauritius senior civil servants have enhanced their technical skills on regional integration issues as a result of the RMCE training • At least 50 civil senior servants working in other countries in the region have enhanced their technical skills on regional integration issues as a result of RMCE training	• Regional Multidisciplinary Center of Excellence in Mauritius is fully operational (2013)	• At least two twining arrangements with other academic entities of the region reached • Regional Multidisciplinary Center of Excellence in Mauritius is implemented in a pilot basis (2011) • 2% of Mauritius senior civil servants have enhanced their technical skills on regional integration issues as a result of the training • At least 10 senior civil servants working in other countries in the region have enhanced their technical skills on regional integration issues as a result of RMCE training • 10 training courses conducted via RMCE for public officers of the SSA region	• Review of Business Plan, 2009 (RMCE will provide a professional training in the area of regional integration. It will concentrate on senior level public sector staff) • MIC approved by the Board (2010)	• ***MIC grant for setting up the Regional Multidisciplinary Centre of Excellence*** *(US$ 0.13 million). The Business Plan has been completed.* <u>**Ongoing**</u>: • ***Contribution to the 2009 Africa Competitiveness Report including Mauritius and to the 2009 WB-Investment Climate Assessment*** • ***Study on higher Education Skills Needs Assessment*** • ***Study on Labor Markets to be included in the World CEM Update***
Ports						

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2013)	4 Final Output Indicators (2013) a/	5 Midterm Output and Outcome Indicators (2011)	6 Key Actions (2011) b/	7 Proposed ADB Interventions in the CSP and Ongoing Interventions c/
Enhance competitiveness	• Limited capacity in sea ports	• Total Container traffic increased 20% by 2015 w.r.t . 323,393 TEUS registered in 2007/08 (source: Port Authority)	• The extension and strengthening of the quai (150 m) is concluded (2014) • The expansion of the container park is completed (2014) • The dredging works to a draft of 18 m is completed (2014)	• Tender documents for contractors and consultants ready (2011)	• Feasibility and Detailed Studies finalized (by May 2010) • Project approved by the Board (end 2010)	• **Container Terminal Expansion** (Phase 1), including: (a) extension and strengthening of the quai, US$ 49 million; (b) expansion of the container park US$, 9 million; (c) dredging works, US$ 26 million. Feasibility studies will start in mid 2009
Information Communications Technology						
Enhance competitiveness and Increase investment Climate	• Limited capacity and redundancy in international telecom connectivity • The ICT institutional framework is not keeping up with latest technology changes and new needs of the industry	• Increase the broadband penetration to 200, 000 subscribers in 2013 from 61,000 in 2008 • Increase the contribution of ICT to GDP from 6%of GDP in 2007 to at least 10% of GDP in 2013	• Mid-Term Review of National ICT Strategic Plan Completed (2010) • Broadband Policy and Strategy for Broadband Implementation (2010)	• Tender documents for consultants ready (early 2010)	• Project approved by the Board (end 2009)	• ***MIC grant for preparing the Mid Term Review of the National ICT Strategic Plan 2007-2011 and to develop a strategy for broadband implementation*** *(US$ 0.3 million)*
Power						
Enhance competitievness	• Insufficient supply of energy and excessive use of non-renewable energy	• The energy gap estimated at 60MW in 2013 is reduced by 25-40MW	• Wind Farm generating 25-40MW ready (2013)	• Project Information Memorandum completed early 2010 • Financial Close 2011 • Construction progress, measured by the Wind Farm Construction progress report (end 2011)	• Transaction advisor hired by end 2009	• **Wind Farm by PPP** at Bigara Curepipe –south US$ 33 million. Feasibility studies are completed

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2013)	4 Final Output Indicators (2013) a/	5 Midterm Output and Outcome Indicators (2011)	6 Key Actions (2011) b/	7 Proposed ADB Interventions in the CSP and Ongoing Interventions c/
Roads						
Enhance competitiveness	• High transport costs	• Reduction of transport time from East to North and West by 30% (2015)	• Construction progress, measured by the Construction Progress Reports on: East Coast Trunk (2013) • East Coast Trunk road between *Trois Ilots* and *Rond Point* de Forbach, 30 km completed (2015)	• Tender documents for contractors and consultants ready (2012)	• Preparation/Evaluation Mission realized with the WB in November/December 2009 • Co-financing arrangements done (2010-early 2011) • Project approved by the Board (end 2011)	• **East Coast Trunk road** (US$ 10 million). Feasibility and detailed studies are ready **<u>Ongoing</u>** • **South Eastern Highway**
PILLAR II - Enhance Public Sector Efficiency and Basic Social Service Delivery						
Improve Public Sector Management and Efficiency						
Consolidate fiscal performance and improve public sector efficiency	• The budget is not used as an effective tool for allocating resources and providing right incentives for efficient public sector management and there is a disconnect between sector strategies, sector budgets (PBB) and Performance Management Systems (PMS)	• Increased efficiency of public administration, measured by a PBB/PMS achievement rate of 70% on average by all ministries • Convergence between PBB and PMS in all ministries	• Sector/parastatals strategies finalized	• Sector strategies finalised including provision for human resources requirements with costing for all sector ministries (2011) • Convergence between PBB and PMS in pilot sector ministries is achieved	• <u>*Prepare at least four sector strategies for 2009/10 budget (2009*</u>)	• **Budget support** (US$ 700 million) **<u>Ongoing</u>**: • **Budget support** (US$ 30 million) • ***MIC Grant for the formulation of the Health Strategy***

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2013)	4 Final Output Indicators (2013) a/	5 Midterm Output and Outcome Indicators (2011)	6 Key Actions (2011) b/	7 Proposed ADB Interventions in the CSP and Ongoing Interventions c/
Consolidate fiscal performance and improve public sector efficiency	• Safety net programs for protecting vulnerable women and children are expensive, not focused and presents bottlenecks in its delivery	• HIV prevalence among 15-49 age group stabilized at 1.8% (baseline 2006 – source CSO)	• The Strategy of the Ministry of Gender, Child Protection and Family Welfare start to be implement	• Complete gender strategy, including specific measures to reduce HIV and female unemployment (2011) • Reduce the female unemployment from 16% in 2008 to 14% 2011 (source CSO) • HIV prevalence among 15-49 age group stabilized at 1.8% (baseline 2006 – source CSO)	• <u>*Begin poverty mapping by CSO (2009)*</u>	• **Budget support** (US$ 700 million) • ***MIC grant for the formulation of the Strategy of the Ministry of Gender, Child Protection and Family Welfare*** *(US$ 0.2 million)* **<u>Ongoing</u>**: • ***MIC Grant for the formulation of the Health Strategy***
Sewerage and Sanitation						
Widen the circle of opportunity through participation, social inclusion and sustainability	• Risk of pollution of the underground waters affecting the quality of safe water	• Increased access sewerage facilities to 6% (from 28% to 34%) of the total population of Mauritius (2014)	• 11,900 new households connected (2014)	• Detailed project design and tender documents completed (2011)	• MIC grant on Mauritius sewerage master plan study approved by the board (2009) • Project Identification Mission mid 2009 • Project approved by the Board (2011)	• Plaines Wilhems project-Stage 1-Additional **sewerage project** (2,900 new households connected, $US 22 million) and West Cost Sewerage project (9,000 new households connected, $US 45 million) • ***MIC grant on Mauritius Sewerage Master Plan Study (US$0.6 million)*** **<u>Ongoing:</u>** • **Plaines Wilhems project-Stage 1-L1B**

Note: a/ Some projects go beyond the CSP period; b/ Items in italics underlined refer to DPL4 indicative triggers agreed between Main Development Partners; c/ Items in italics, in column 7, refer to ESWs and associated non-lending activities.

Annex 2. Mauritius – Active Projects (UA million, as of June 2009)

Sector	Project Name	Approval Date	Net Approved Amount (UAm)	Amount Disbursed (UAm)	Disb %	Effectiveness	Closing Date
Transport	SOUTH EASTERN HIGHWAY PROJECT	13.06.2001	10,17	8,68	85,36%	16-déc-02	30.06.2008
Water Sup/Sanit	PLAINES WILHEMS SEWERAGE PROJECT - ST.1	20.06.2007	18,18	0,00	0,0%	12-juin-08	31.12.2013
Total (effective operations)			**28,35**	**8,68**	**30,6%**		
Social	MIC GRANT HEALTH SECTOR REVIEW	15.06. 2008	0,16	0,00	0,0%	30.09.2008	
Transport	MIC GRANT REVIEW OF OULTLINE PLANNING SC	24.07.2007	0,60	0,00	0,0%	30.08.2007	31.08.2009
Water and Sanitation	MIC GRANT MAURITIUS WASTEWATER MASTER PLAN STUDY	01.06.2009 (tentative date)	0,52	0,00	0,0%	to be determined	mid 2009

Source: Quarterly Report Portfolio of Mauritius (ORSB)

Annex 3: Mauritius – Development Partners' Support to Mauritius

Mauritius – Development Partners' Sector Presence (2009)

Sector	European Commission	World Bank	AFD	AfDB	UNDP (TA)	China Development Bank	China	European Inv. Bank	India	Commonwealth Sec.	Int. Finance Corporation
Agriculture, Livestock, and Forestry	●								●		
Governance and Budget Support	●	●	●	●	●						
Education	●	●			●		●		●	●	
Energy	●	●	●	●	●	●		●			
Environment and Climate Change	●		●		●						
Health and HIV/AIDS		●		●	●				●		
ICT/Science and Technology		●		●	●				●		
Public Administration and Capacity Building	●	●	●	●	●		●		●	●	
Political Governance	●				●				●		
Private Sector Development		●	●	●							●
Reintegration/Community Development		●			●						●
Roads, Transportation and Infrastructure		●	●	●		●	●				
Water and Sanitation	●		●	●	●	●	●	●	●		

Note: 1/ ● Active Donor; 2/ Please note that the UNDP does not provide Budget Support as compared to other donors, but it provides us Technical Assistance/Capacity Building.
Source: MOFEE

Mauritius: Budget Support Operations Summary (all in Millions)

	2007	2008	2009	2010	2011	2012
AFD	€ 24 *(US$ 34.8)*	€ 24 *(US$ 32.4)*	€ 24 € 25 *(US$ 65.7)*	€ 50* *(US$ 67)*	€ 50* *(US$ 67)*	
AfDB	US$ 10	US$ 10	US$ 10 US$ 100**	US$ 100*	US$ 100*	
EU (GRANTS)	€ 8.6 € 6.5 *(US$ 22)*	€ 3.6 € 4.5 € 54.7 *(US$ 85)*	€ 21.2 € 32.3 *(US$ 71.7)*	€ 49.2 *(US$ 66)*	€ 39** *(US$ 52)*	€ 34** *(US$ 45)*
WB	US$ 30	US$ 30	US$ 100 US$ 50			
Total Actual and Expected	US$ 96.8	US$ 157.4	US$ 397.4	US$ 231	US$ 230	*US$ 40*

Note: 1/ Exchange-Rate € 1 = US$ 1.34 (May 2009), € 1 = US$ 1.35 (Dec 2008), € 1 = US$ 1.45 (Dec 2007). Totals in () converted; 2/ * Indicative amounts, to be confirmed; 2/ ** Indicative amounts, to be confirmed in 2010 and 2011 respectively.
Source: Development Partners

Annex 4: Mauritius –Economic and Financial Indicators

Table A1: Mauritius – Key Economic Indicators

	2007/08	2008/09	Jul-Dec 2009	2010	2011
Real Economy					
GDP Growth Rate, %	5.5	2.9	2.4	3.0	4.0
Inflation Rate as measured by CPI (Target)	8.8	7.0	3.6	5.0	5.0
Gross Domestic Investment (as % of GDP)	26.0	23.7	25.2	24.3	24.3
Unemployment Rate (%)	8.2	8.8	8	9	8.5
Public Finance (as % of GDP)					
Transactions Affecting Net Worth					
Revenue	**21.1**	**22.1**	**21.3**	**20.1**	**20.8**
o/w Taxes	18.8	18.3	17.1	17.2	17.6
Grants	0.3	1.2	1.8	1.0	1.1
Expense	**21.7**	**23.6**	**22.9**	**21.9**	**21.5**
Gross Operating Balance	-0.6	-1.5	-1.6	-1.8	-0.7
Transactions in Non-Financial Assets					
Net Acquisition of Non-Financial Assets	2.6	2.4	3.2	3.1	2.6
Net Lending (+)/Borrowing (-) (Overall Balance)	**-3.2**	**-3.9**	**-4.8**	**-5.0**	**-3.3**
Primary Spending	**20**	**22.1**	**22.7**	**21.4**	**20.6**
Primary Surplus (+)/Deficit (-)	**1.2**	**0.0**	**-1.4**	**-1.4**	**0.2**
Public Debt (as % of GDP) 2/					
Total Public Debt (End of period)	**56.6**	**58.5**	**59.3**	**60.4**	**60.1**
o/w Domestic	48.3	49.2	46.5	43.0	39.0
Foreign	8.3	9.3	12.8	17.4	21.1
Money (as % of GDP)	-				
Broad Money Liabilities (End of period)	98.0	104.9	105.8	107.0	108.9
Interest Rate (average TBs, Primary Auctions, %)	12.9	8.8	…	…	…
External Sector					
Current Account Deficit (-)/Surplus (+) % of GDP	**-5.6**	**-9.3**	**-12.3**	**-11.2**	**-11.0**
Exports of Goods & Services , growth rate, % 3/	1.4	-4.1	-2.3	0.1	2.0
Imports of Goods &Services (f.o.b), growth rate, %	8.9	-2.9	4.1	3.0	3.7
Net International Reserves (months of imports)	**8.5**	**7.7**	**-7.6**	**-7.2**	**-6.9**

Note: (1). Projections refer to percentage change compared to corresponding period of previous year; (2) Debt figures are as of end-June 2009. They have been revised after the publication of the May 2009 Transition Budget. New figures do not include the disbursement of the loan to CEB for the power Fort Victoria Redevelopment power project; (3) Export figures are as of end-June 2009.

Source: Programme-Based Budget Estimates 2009 (July-December) and Indicative Estimates 2010-2011, Ministry of Finance and Economic Empowerment 22 May 2009 and, AfDB Staff estimates.

Table A2: Mauritius – Public Finance
(In millions of US$)

	2007/08	2008/09 Estimations	Jul-Dec 2009 Estimations	2010 Planned	2011 Planned
Transactions affecting net worth					
Revenue (1)	**1,717**	**1,893**	**954**	**1,780**	**1,947**
Taxes	1,543	1,570	766	1,528	1,651
Social Contributions	6	29	15	29	30
Grants	15	99	79	87	104
Other Revenue	153	196	94	136	162
Expense (2)	**1,793**	**2,021**	**1,027**	**1,944**	**2,015**
Compensation of Employees	410	516	280	540	548
Use of Goods and Services	138	167	98	190	186
Interest 1/	344	329	151	321	328
Subsidies	45	30	14	27	26
Grants	434	525	219	380	438
Social Benefits	330	369	204	370	361
Other Expense	92	85	32	59	68
Contingencies	0	0	29	57	59
Gross Operating Balance (1-2)	**-76**	**-128**	**-73**	**-164**	**-67**
Transactions in non-financial assets					
Net Acquisition of Non-Financial Assets	**146**	**203**	**143**	**278**	**240**
Fixed Assets	138	199	141	275	237
Non-Produced Assets	9	4	2	3	3
Net Lending / Borrowing (Budget Balance)	**-223**	**-331**	**-216**	**-442**	**-308**
Net Lending / Borrowing as % of GDP	**-2.7%**	**-3.9%**	**-4.8%**	**-5.0%**	**-3.3%**
Transactions in financial assets and liabilities (Financing)					
Net Acquisition of Financial Assets	**46**	**50**	**-4**	**-12**	**-10**
Net Incurrence of Liabilities	**269**	**381**	**212**	**430**	**298**
Net Incurrence of Liabilities as % of GDP	**3.3%**	**4.4%**	**4.7%**	**4.8%**	**3.2%**
Adjustment for difference in cash and accrual	-	0	-10	2	-4
Borrowing Requirements	**269**	**381**	**222**	**428**	**302**
Borrowing Requirements as % of GDP	**3.3%**	**4.4%**	**4.9%**	**4.8%**	**3.2%**
Domestic	298	259	64	211	53
Foreign	-30	122	158	218	249
Primary Balance	**122**	**-2**	**-65**	**-121**	**21**
Primary Balance as % of GDP	**1.5%**	**0.0%**	**-1.4%**	**-1.4%**	**0.2%**
Primary expenditures as % of GDP	**20%**	**22.1%**	**22.7%**	**21.4%**	**20.6%**
Nominal Exchange rate (US$)	**31**	**32**	**33**	**34**	**35**

Notes: 1/As from FY 2008/09, interest is computed on an accrual basis instead of cash basis,
Source: Programme-Based Budget Estimates 2009 (July-December) and Indicative Estimates 2010-2011, Ministry of Finance and Economic Empowerment 22 May 2009, and AfDB staff estimates (end of June 2009).

Table A3: Mauritius – Banking Survey
(In millions of Mauritian Rupees)

	Dec-04	Dec-05	Dec-06	Jun-07	Dec-07	Jun-08	Dec-08
Net foreign assets	**124,748**	**146,603**	**239,095**	**243,085**	**266,304**	**295,283**	**284,222**
Monetary authorities	40,269	…	…	52,561	…	53,362	…
Commercial banks	84,480	…	…	190,524	…	241,921	…
Net domestic assets	**54,327**	**42,837**	**-31,574**	**-27,677**	**-26,985**	**-43,108**	**-9,741**
Domestic credit	179,101	198,708	218,007	226,550	242,190	277,278	296,098
Claims on government (net)	41,643	45,251	46,181	42,242	45,524	53,175	46,967
Monetary authorities	*-115*	*1,741*	*6,116*	*-1,417*	*-270*	*-4,362*	*-3,797*
Commercial banks	*41,758*	*43,510*	*40,065*	*43,660*	*45,795*	*57,537*	*50,764*
Claims on private sector 1	137,458	153,457	171,826	184,308	196,666	224,103	249,131
Other financial liabilities 2	-63,148	-89,715	-167,431	-172,353	-188,761	-229,974	-207,939
Other items (net)	-61,626	-66,156	-82,151	-81,875	-80,415	-90,411	-97,900
Broad money (M2)	**179,075**	**189,440**	**207,521**	**215,408**	**239,318**	**252,175**	**274,481**
Money (M1)	48,448	47,684	53,148	54,599	64,429	66,576	75,987
Quasi-money	130,627	141,756	154,373	160,809	174,889	185,599	198,494
Reserve Money	**14,734**	**13,491**	**12,208**	**16,206**	**17,424**	**19,421**	**28,047**

Notes 1/ It includes claims on public enterprises. 2/ The major component of other financial liabilities consists of restricted deposits, which largely include deposits of the offshore non-financial corporations (so-called Global License Holders, GBLs). GBLs are resident corporations licensed to conduct business exclusively with nonresidents and only in foreign currencies.
Source: International Finance Statistics (IMF), Bank of Mauritius and AfDB Statistics Department.

Table A4: Mauritius – Balance of Payments
(In millions of US$)

	2007	2008	2009	2010	2011
Current Account Balance	**-416**	**-863**	**-876**	**-1000**	**-1038**
Trade balance	-1417	-1766	-1717	-1799	-1854
Exports of goods, f.o.b.	2249	2138	2109	2083	2076
Imports of goods, f.o.b.	-3666	-3904	-3826	-3882	-3930
Services (net)	642	551	469	440	420
Income (net)	241	153	158	154	165
Current transfers (net)	119	199	215	206	232
Capital and Financial Accounts	**-184**	**652**	**876**	**1000**	**1038**
Capital account	-2	-1	-1	-1	-1
Financial account	-182	653	877	1001	1039
Direct investment (net)	284	294	214	259	315
Portfolio investment (net)	62	-152	-84	-14	14
Other investment (net)	-80	656	606	735	714
Reserve Assets	-448	-145	141	20	-5
Errors and omissions	600	212	0	0	0
Memorandum items:					
FDI (as % of GDP)	1	3	3	2	3
Current account (as % of GDP)	-5.5	-10.4	-10.2	-11.2	-11
Net international reserves	1410	1959	1619	1075	1052
NIR in months of imports	8.6	8.1	7.6	7.2	6.9
Nominal exchange rate (U.S. dollars)	31	32	33	34	35

Source: Ministry of Finance and Economic Empowerment, AfDB Statistics Department.

Annex 5: Mauritius – Millennium Development Goals Status

	1990	1995	2000	2005	2015 Target
General Social Indicators					
Population (millions)	1.1	1.1	1.2	1.2	...
Adult literacy rate (% of people ages 15 and over)	...	....	84	...	...
Life expectancy at birth (years)	69	70	72	73	...
Fertility rate, total (births per woman)	2.3	2.1	2.0	2.0	...
Goal 1: Eradicate extreme poverty and hunger					
Target: Halve between 1990 and 2015 the proportion of people whose income is less than $1/day and who suffer from hunger					
Malnutrition prevalence, weight for age (% of children under 5)	...	14.9	...	...	...
Poverty gap at $1 a day (PPP) (%)	...	...	...	...	...
Prevalence of undernourishment (% of population)	*6*	*6*	...	*5*	3
Goal 2: Achieve universal primary education					
Target: Ensure that by 2015, children everywhere will be able to complete a full course of primary schooling					
Literacy rate, youth total (% of people ages 15-24)	91	...	...	*95*	100
Persistence to grade 5, total (% of cohort)	*97*	...	99	*97*	100
Primary completion rate, total (% of relevant age group)	64	98	105	97	100
School enrollment, primary (% net)	*91*	...	93	95	100
Goal 3: Promote gender equality and empower women					
Target: Eliminate gender disparity in primary and secondary education no later than 2015					
Proportion of seats held by women in national parliament (%)	7	*8*	8	6	...
Ratio of girls to boys in primary and secondary education (%)	*101*	...	96	98	100
Ratio of young literate females to males (% ages 15-24)	100	...	...	*102*	...
Share of women employed in the nonagricultural sector (% of total nonagric. employment)	36.7	36.4	38.6	*37.5*	...
Goal 4: Reduce child mortality					
Target: Reduce by two thids, between 1990 and 2015, the under-five mortality rate					
Immunization, measles (% of children ages 12-23 months)	76	89	84	98	...
Mortality rate, infant (per 1,000 live births)	20	20	16	13	...
Mortality rate, under-5 (per 1,000)	23.0	21.0	18.0	15.0	8.3
Goal 5: Improve maternal health					
Target: Reduce by three fourths, between 1990 and 2015, the maternal mortality rate					
Births attended by skilled health staff (% of total)	91	98	100	*99*	100
Maternal mortality ratio (modeled estimate, per 100,000 live births)	...	...	24	...	...
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Target: Have halted by 2015, and begun to reverse, the spread of HIH/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases					
Contraceptive prevalence (% of women ages 15-49)	*75*	...	*76*	...	...
Incidence of tuberculosis (per 100,000 people)	69	67	64	62	...
Prevalence of HIV, total (% of population ages 15-49)	...	...	...	0.6	...
Tuberculosis cases detected under DOTS (%)	...	34	33	32	...
Goal 7: Ensure environmental sustainability					
Target: Integrate the principle of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve by 2015 the proportion of people without sustainable access to safe drinking water					
CO2 emissions (metric tons per capita)	1.4	1.6	2.3	*2.6*	...
Forest area (% of land area)	19	...	19	18	...
Improved sanitation facilities (% of population with access)	...	...	...	*94*	...
Improved water source (% of population with access)	100	...	...	*100*	...
Nationally protected areas (% of total land area)	...	...	...	*3.3*	...
Goal 8: Develop a global partnership for development					
Target: Develop further an open rule based, predictable, non-discriminatory trading and financial system. Address the special needs of the least developed countries, landlocked, and small-island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures, in order to make debt sustainable in the long-term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.					
Aid per capita (current US$)	84	21	17	26	...
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	7.3	6.0	16.4	5.4	...
Fixed line and mobile phone subscribers (per 1,000 people)	55	142	388	862	...
Internet users (per 1,000 people)	0	*2*	73	*146*	...
Personal computers (per 1,000 people)	4	32	101	*162*	...
Total debt service (% of exports of goods, services and income)	8.8	9.4	18.2	7.2	...
Unemployment, youth female (% of female labor force ages 15-24)	...	28.1	...	34.3	...
Unemployment, youth male (% of male labor force ages 15-24)	...	21.4	...	20.5	...
Unemployment, youth total (% of total labor force ages 15-24)	...	23.8	...	25.9	...

Note: 1/ Figures in italics refer to periods other than those specified.
Source: World Development Indicators database, February 2008.

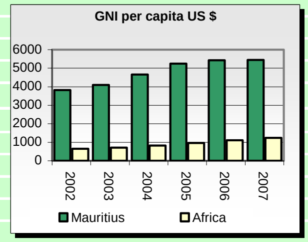
Annex 6: HIV/AIDS in Mauritius

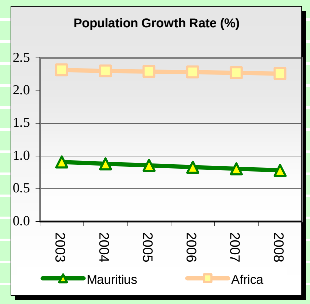
- Regarding HIV/AIDS epidemic (about 1% of the sexually active population), the sharing of contaminated injecting equipment has become a driving force behind with 66% of new infections among injecting drug users; this trend reached 92 % in 2005 with a slight reduction to 85.6% in 2006. Sex workers, among whom there is a high proportion of injecting drug users (73.8%), demonstrate extreme vulnerability in this emerging feminization of the disease and could contribute to the generalization of the epidemic.
- The Bank is already financing a regional HIV/AIDS program with the Indian Ocean Commission as executive agency (UA 6 million). The objective of this program is to prevent the spread of HIV/AIDS within and between the member states of the Indian Ocean Commission through: i) the sensitization of the populations of the sub region in order to avoid at risk behavior; ii) improving accessibility of quality preventive and curative cares; iii) follow up of the epidemic evolution in the sub region; iv) strengthening of management and monitoring capacity.

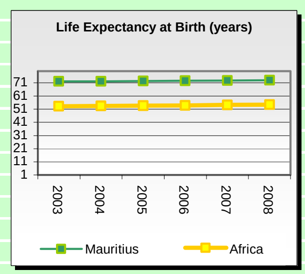
Source: AfDB – Human Development Department (2009)

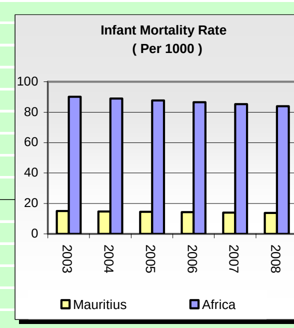
Annex 7: Mauritius – Comparative Socio-Economic Indicators

	Year	Mauritius	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)		2	30 323	80 976	54 658
Total Population (millions)	2008	1.3	985.7	5 523.4	1 226.3
Urban Population (% of Total)	2008	42.4	39.2	44.0	74.4
Population Density (per Km²)	2008	623.3	32.5	23.0	49.6
GNI per Capita (US $)	2007	5 450	1 226	2 405	38 579
Labor Force Participation - Total (%)	2005	44.4	42.3	45.6	54.6
Labor Force Participation - Female (%)	2005	34.0	41.1	39.7	44.9
Gender -Related Development Index Value	2006	0.795	0.482	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2006	74	n.a.	n.a.	n.a.
Human Poverty index (HPI-1) (% of Population)	2005	11.4	38.7	…	…
Demographic Indicators					
Population Growth Rate - Total (%)	2008	0.8	2.3	0.3	1.2
Population Growth Rate - Urban (%)	2008	0.9	3.3	2.5	0.5
Population < 15 years (%)	2008	23.1	40.9	16.6	27.4
Population >= 65 years (%)	2008	6.9	3.4	16.7	8.0
Dependency Ratio (%)	2008	42.9	79.5	47.7	53.9
Sex Ratio (per 100 female)	2008	98.4	99.3	94.3	101.5
Female Population 15-49 years (% of total population)	2008	27.3	24.2	24.3	25.8
Life Expectancy at Birth - Total (years)	2008	73.0	54.5	76.7	67.5
Life Expectancy at Birth - Female (years)	2008	76.3	55.6	67.5	80.3
Crude Birth Rate (per 1,000)	2008	14.7	35.7	11.0	20.1
Crude Death Rate (per 1,000)	2008	7.1	13.0	10.4	8.6
Infant Mortality Rate (per 1,000)	2008	13.8	83.9	7.1	48.5
Child Mortality Rate (per 1,000)	2008	16.2	137.4	8.8	72.3
Total Fertility Rate (per woman)	2008	1.9	4.6	1.6	2.5
Maternal Mortality Rate (per 100,000)	2006	23.1	683.0	450	9
Women Using Contraception (%)	2002	75.9	29.7	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2006	111.9	39.6	78.0	287.0
Nurses (per 100,000 people)	2006	245.3	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2005	99.2	51.2	59.0	99.0
Access to Safe Water (% of Population)	2006	100.0	64.3	84.0	100.0
Access to Health Services (% of Population)	2004	99.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2006	94.0	37.6	53.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	1.7	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2006	23.0	315.8	275.0	19.0
Child Immunization Against Tuberculosis (%)	2007	98.0	83.0	89.0	99.0
Child Immunization Against Measles (%)	2007	98.0	83.1	81.0	93.0
Underweight Children (% of children under 5 years)	2003	6.0	25.2	27.0	0.1
Daily Calorie Supply per Capita	2004	2 999	2 436	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	2.1	2.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2007	101.4	99.6	106.0	101.0
Primary School - Female	2007	101.4	92.1	103.0	101.0
Secondary School - Total	2007	87.8	43.5	60.0	101.5
Secondary School - Female	2007	89.7	40.8	58.0	101.0
Primary School Female Teaching Staff (% of Total)	2007	64.7	47.5	51.0	82.0
Adult Illiteracy Rate - Total (%)	2007	12.6	38.0	21.0	1.0
Adult Illiteracy Rate - Male (%)	2007	9.8	29.0	15.0	1.0
Adult Illiteracy Rate - Female (%)	2007	15.3	47.0	27.0	1.0
Percentage of GDP Spent on Education	2006	3.7	4.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-08	49.3	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000-08	0.6	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2000-08	2.0	10.9	…	…
Per Capita CO2 Emissions (metric tons)	2005-08	2.4	1.0	1.9	12.3









Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; last update : March 2009
UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports
Note : n.a. : Not Applicable ; … : Data Not Available;

Annex 8: Mauritius – MAP

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