

AFRICAN DEVELOPMENT BANK



MAURITIUS

2004-2008 COUNTRY STRATEGY PAPER

NB : This document contains errata or corrigenda (see Annexes)

**COUNTRY OPERATIONS DEPARTMENT
NORTH, EAST AND SOUTH REGION**

SEPTEMBER 2004

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LIST OF ABBREVIATIONS

ACP	African Caribbean and Pacific
ADB	African Development Bank
ADF	African Development Fund
AFD	Agence Française de Développement
AGOA	Africa Growth and Opportunity Act
APRM	African Peer review Mechanism
BADEA	Arab Bank for Economic Development in Africa
BOM	Bank of Mauritius
BPO	Business Process Outsourcing
BOT	Build-Operate-Transfer
BSL	Budget Support Loan
CAP	Common Agricultural Policy
CBI	Cross-Border Initiative
CPE	Certificate of Primary Education
COMESA	Common Market for Eastern and Southern Africa
CSP	Country Strategy Paper
EU	European Union
EIB	European Investment Bank
EIP	Environment Investment Program
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
ESW	Economic and Sector Work
FAO	Food and Agricultural Organization
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Products
GDS	Gross Domestic Savings
GOM	Government of Mauritius
HBS	Household Budget Survey
HDI	Human development Index
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
ILO	International Labor Organization
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
M2	Broad Money
MCB	Mauritian Commercial Bank
MDGs	Millennium Development Goals
MIC	Middle Income Countries
MFA	Multi-fibre Agreement
MMM	Mouvement Militant mauricien
MSM	Mouvement Socialist Militant
MTEF	Medium-term Expenditure Framework
NDC	Non communicable Diseases
NEAP	National Environmental Action Plan
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization

NPCC	National Productivity and Competitiveness Council
NSGL	Non Sovereign Guarantee Loan
NSP	National Sewerage Program
NTF	Nigeria Trust Fund
ODA	Official Development Assistance
OPSD	Operations Private Sector Department
PPP	Public Private Partnership
ROSC	Report on Observance of Standards and Codes
SADC	South African Development Community
SAFE	South Africa-Far East
SIDS	Small Island Developing States
SME	Small and Medium Scale Enterprises
SWAP	Sector Wide Approach
TAF	Technical Assistance Fund
TEST	Textile Emergency Support Team
UA	Unit of Account
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
US	United States of America
USTDA	United States Trade Development Agency
WHO	World Health Organization
WTO	World Trade Organization
VRS	Voluntary Retirement Scheme

CURRENCY EQUIVALENTS

(June 2004)

Currency Unit	=	Mauritius Rupee (Rs)
UA 1.0	=	Rs 41.3921
UA 1.0	=	US\$ 1.46882
US\$ 1.0	=	Rs 28.397

FISCAL YEAR

1 July - 30 June

EXECUTIVE SUMMARY

1. Introduction

This Country Strategy Paper for Mauritius covers the period 2004 - 2008. The design of the assistance strategy is underpinned by Mauritius' *Economic Agenda for the New Millennium (2001-2005)* whose main objective is to further diversify Mauritius into a high-tech, high income, services and knowledge economy. This Agenda would remain relevant for the CSP period. However, the short- to medium-term business plan would be limited to the period 2004-2005, to coincide with the end of the Economic Agenda for the New Millennium. The strategy will be reviewed thereafter, to incorporate possible shift in the government agenda in the next Plan.

2. Recent Economic Developments

2.1 Mauritius has been transformed from a poor, state dominated and a mono-crop economy, entirely dependent on sugar, into a private sector led upper-middle income country, built around four pillars namely sugar, tourism, economic processing zones (EPZ) and financial services, particularly in offshore enterprises. Information and Communication Technology (ICT) has now been added as the fifth pillar of development. The country has successfully sustained its economic growth over the past 20 years, with GDP per capita rising to US\$ 4,000 in 2004.

2.2 Macroeconomic aggregates remain relatively sound. Real GDP growth rate averaged 4.3% per annum during 1999/00-2003/04, while inflation has been curtailed at one-digit figure (3.9% in 2003/04). Savings and investment rates remain high, with savings rates exceeding investment rates over the last five consecutive years. The performance of the external sector has also been strong, with the current account recording surpluses since 2000/01 and the net foreign exchange reserves reaching 7.5 months of import cover by 2003/04. However, persistent budget deficits due to rising public debt service burden, needs to be reduced to preserve medium-term fiscal sustainability and macroeconomic stability and avert unsustainable debt dynamics. The high unemployment rate, reaching 10.6% in 2003/04, also requires close attention.

3. Potential for Growth

The main challenge facing Mauritius today is how to adapt to trade liberalization and globalization processes, which are bringing fierce competition. Limited future opportunities for preferential trade arrangements also pose serious constraints. Medium-term prospects are, however, encouraging. To meet these challenges, Mauritius has embarked on an ambitious development strategy to find new drivers for economic growth. In this regard, measures are being taken to modernize the sugar industry and EPZ to ensure higher productivity, and the country is also re-engineering itself to move up the value chain and build a knowledge economy based on financial services and ICT.

4. Government Development Agenda

To address these challenges, the government development agenda focuses on the following issues: (i) improvement in the competitiveness of the private sector; (ii) investment in people and society (mainly education reform); (iii) preservation of the fragile environment; (iv) improvement in economic management; and (v) the development of Mauritius into a

Cyber Island, thus making ICT a fifth pillar of the economy. The Government is also continuing with the implementation of sound macroeconomic and structural policies and has initiated a change to the Medium Term Expenditure Framework budgeting system.

5. Bank Group Assistance Strategy

The proposed Bank assistance strategy for Mauritius during the period 2004 - 2008 will be three pronged:

- (i) promotion of private sector development, including ICT development;
- (ii) support for infrastructure development, essential for the diversification and re-engineering processes, aimed at strengthening Mauritius' competitive edge and efficient functioning of the private sector; and
- (iii) non-lending activities, focusing on economic and sector work (ESW).

6. Bank Group Assistance Program

Promoting the Bank's private sector facilities to the Mauritian entrepreneurs would be intensified to identify viable private sector operations (including ICT projects), while public sector lending for infrastructure development will target two main sectors: (i) agriculture (irrigation infrastructure) and (ii) Transport. Non-lending activities will focus on ESW. These focus areas will complement the activities of other development partners in the country such as India, the EU, UNDP and the World Bank.

7. Areas Requiring Dialogue

Dialogue with the authorities will focus on poverty reduction and portfolio management. The Bank has financed a study on **Poverty, gender and social exclusion**. This will be followed through and is expected to lead to the elaboration of an appropriate Action Plan for poverty reduction. There would also be a follow-up micro-finance study. The Bank would also update its competitive study on Mauritius conducted in October 2000, as a basis for further dialogue on portfolio management.

8. Conclusions and Recommendations

8.1 Mauritius has a strong economic performance track record. The medium-term outlook is also encouraging but the new challenges facing the country are daunting because of the developments in the international arena. Accordingly, the Government is taking measures to re-invigorate the economy including, the vision to transform Mauritius into a Cyber Island and the re-engineering process. The Government is also implementing reforms in all sectors and is strengthening and modernizing the infrastructure.

8.2 The Board is requested to approve the 2004-2008 Bank's assistance strategy for Mauritius aimed at assisting the country in addressing its new development challenges, through support for private sector development (including ICT development); modernization of economic infrastructure necessary for the diversification and re-engineering processes; and support for the MTEF process. The Board is also invited to note the proposed lending program of UA 100-150 million for Mauritius over the period 2004-2008, for both public and private sector operations.

1. INTRODUCTION

1.1 The last Bank's Country Strategy Paper (CSP) for Mauritius ADB/BD/WP/2000/117), covering the period 2000–2002, was approved by the Board on 8 November 2000. The Bank's assistance strategy for the country during the period focused on the improvement of the transport, social and public utilities sectors. In its deliberations, the Board commended the authorities for the sustained success story in terms of economic performance. Concerns were, however, raised about the frequent cancellations of approved Bank loans. To address this issue, management intensified dialogue with the Government on portfolio management, using its competitive study on Mauritius. The study focused on how operations in Mauritius could be enhanced through the new loan products (especially the single loan products and the floating interest rate), which the Bank had then recently developed. The study also investigated the reasons for the frequent loan cancellations.

1.2 In the past, Bank loans were based mainly on the fixed interest rate, which clients perceived to be too expensive. Thus, some loans were cancelled once cheaper ones became available to the country. The dialogue with the Government focused on marketing the Bank's new loan products and demonstrating their price competitiveness. This has mitigated the risk of cancellations and has enhanced Bank's operations in Mauritius in general. The Government also issued its *Economic Agenda for the New Millennium (2001-2005)*, which sets out its strategy to transform Mauritius into a diversified, hi-tech, high income, services and knowledge-based economy; and this has provided the Bank with new lending opportunities.

1.3 This CSP is underpinned by the Economic Agenda, which would remain relevant over the CSP period. The CSP analyses Mauritius' recent developments, new policy orientations, medium-term prospects and the performance of the Bank Group's portfolio. Based on the analyses, the Bank's strategy and lending program for the 2004–2008 period are proposed. The report is based on data and information obtained from official sources by the Bank's CSP preparation and dialogue missions, which visited Mauritius in October/November 2003 and July 2004 respectively. During these missions, the strategy outlined in this CSP was extensively discussed with the various stakeholders, including the resident development partners. The CSP also benefited from the 2004–2005 Budget Speech, the UN Common Country Assessment for Mauritius and the MDGs Status report, the Annual Reports of the Bank of Mauritius and the IMF Article IV Consultation Report for 2004 issued in June 2004.

1.4 The CSP is organized into six chapters. After this introduction, Chapter 2 examines recent developments in Mauritius. Chapter 3 discusses the Government's development agenda, Chapter 4 articulates the Bank's Medium-term Strategy, while Chapter 5 presents the assistance program. Chapter 6 contains the conclusions and recommendations.

2. RECENT DEVELOPMENTS

2.1 Political Situation

Mauritius enjoys a stable political system based on a multiparty democratic republic. Legislative power is vested in the National Assembly, which comprises 62 elected and up to 8 designated representatives. Mauritius has enjoyed political and social stability since independence. Over the past 35 years, several free and fair elections have been held. In the last general elections of 11 September 2000, a coalition of the Movement Militant Mauricien

(MMM) and Mouvement Socialiste Militant (MSM) won. In October 2003, based on a pre-election coalition agreement to share the post of Prime Minister, the premiership was transferred smoothly from the leader of MSM to the leader of MMM, who until then was the Deputy Prime Minister and Minister of Finance. This is the first time that Mauritius experienced a sharing of power between two parties in one mandate, thus demonstrating the stability of Mauritius' democracy. The next general election will be held in 2005.

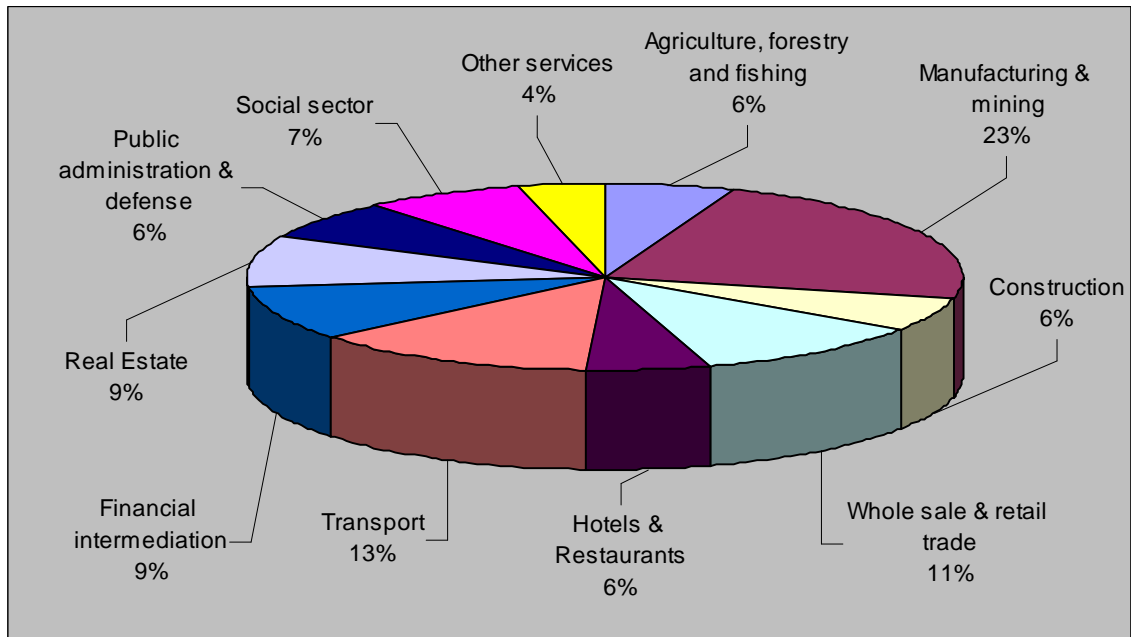
Box 1: Country Snapshot

Mauritius is a small island country (2,040 km², consisting of the island of Mauritius, Rodriguez and other smaller islands), which lies to the east of Madagascar in the Indian Ocean. Attaining independence on 12 March 1968 and becoming a Republic on 12 March 1992, Mauritius remains a member of the Commonwealth. It has a sub-tropical and humid climate. The average annual temperature is 23 degrees Celsius at sea level, which falls to 19 degrees Celsius at an altitude of 600 meters. Mauritius is affected by cyclones from time to time, which are severe enough to damage the economic activities of the country. Drought is also a constraint, not only in agriculture, but also in people's lives. The population of Mauritius was estimated at 1,223,074 as at 1 July 2003 with a density of 600 persons per square kilometer. The country has three main ethnic groups: European, Asian and African. Indo-Mauritius account for about 70% of the population. The political system is based on the Westminster model, characterized by parliamentary democracy. There are 70 members in the National Assembly elected by universal suffrage every five years. Following two decades of increased output at an average of 5.6% per year, Mauritius now ranks among the group of middle-income developing countries with GDP per capita of about \$4,000 in 2004. The 2001/02 *Household Budget Survey* (HBS) shows that, after the deterioration in the distribution of income as measured by the Gini coefficient, from 0.379 in 1991/92 to 0.387 in 1996/97, 2001/02 recorded an improvement to 0.371. It also revealed that the average household nominal income has gone up by 40%. Only 11% of the households earn less than Rs5, 000 a month (equivalent to about US\$192) compared to 24% in 1996/97. In the 2003 Human Development Report (HDR) prepared by the UNDP, Mauritius was ranked 64th among 177 countries with a Human Development Index (HDI) of 0.785, a life expectancy at birth of 72 years (based on 2001 data) compared to 63 years in 1970, and an adult literacy rate of 84.3%.

2.2 Macroeconomic, Sectoral and Structural Developments

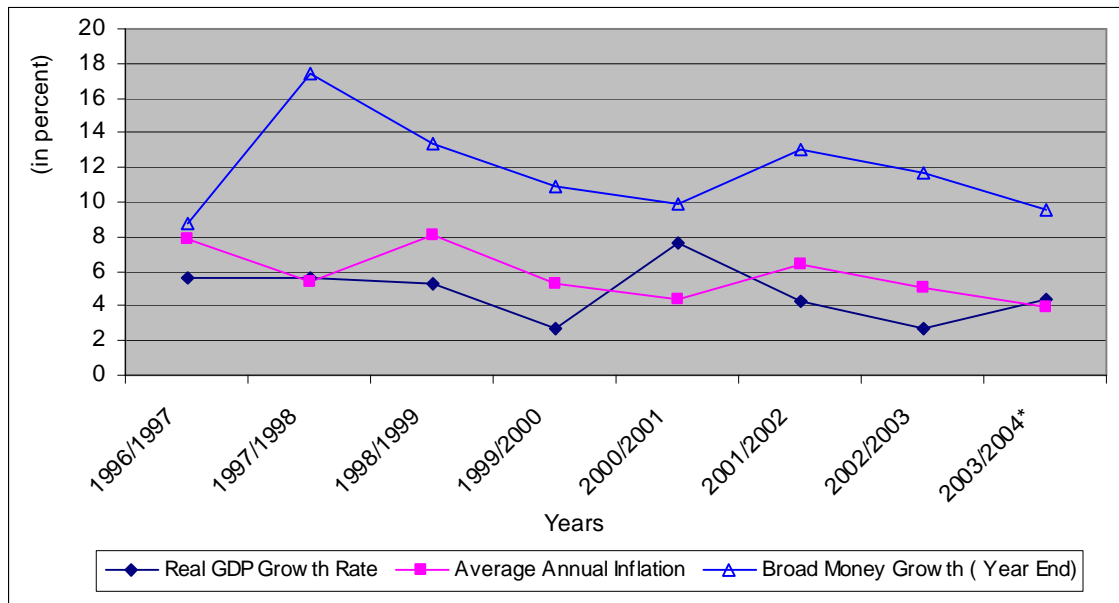
Recent Economic Developments

2.2.1 Mauritius has been transformed from a poor, state dominated and underdeveloped mono-crop economy, entirely dependent on sugar for foreign exchange earnings, into a private sector led upper-middle income country, built around four pillars namely sugar, tourism, export processing zones (EPZ) and financial services, particularly in offshore enterprises. Information and Communication Technology (ICT) has now been added as the fifth pillar of development. Sectoral composition of GDP in 2002/03 revealed that manufacturing and mining contributed the largest proportion (23%), followed by Transport and wholesale and retails trade. Figure 1 presents the details.

Figure 1: Sectoral composition of GDP at current prices, 2002/2003

Source: Mauritius: National Statistical Office

2.2.2 Mauritius has successfully sustained its economic development over the past 20 years, with real GDP per capita reaching US\$4000 in June 2004. Mauritius has also largely maintained sound macroeconomic aggregates. Annual real GDP growth rate averaged 4.3% during 1999/00-2003/04. The inflation rate (measured by the consumer price index) has been curtailed at one-digit figure (3.9% in 2003/04), reflecting the cautious easing of monetary policy since 2002. Thus, broad money (M2) growth rate declined from 13% in 2001/02 to 9.6% in 2003/04 (see figure 2).

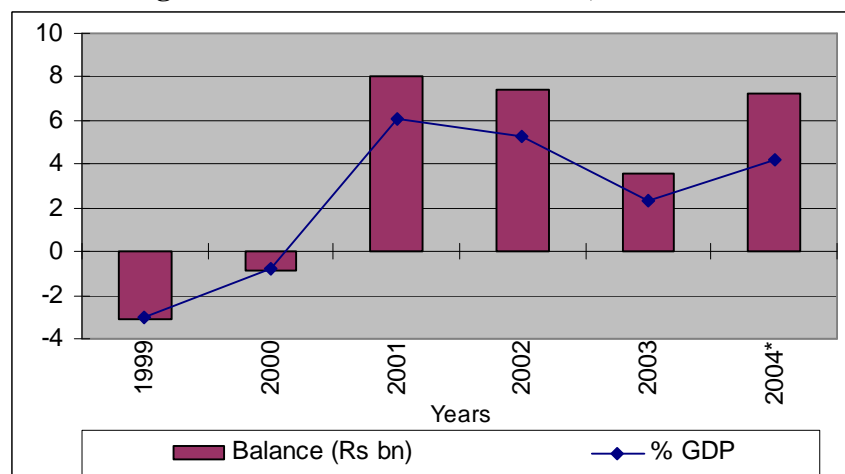
Figure 2: Trends in Real GDP, Inflation and Liquidity Growth.

Source: Ministry of Finance and Economic Development; Central Bank of Mauritius

2.2.3 The strong real GDP growth performance was largely due to relatively high **savings and investment rates**, with the savings rates exceeding the investment for the past five consecutive years (1999/00-2003/04). Remarkably, Mauritius development has been financed almost entirely from domestic savings, which have been intermediated through an efficient domestic banking system. The excess savings are channeled towards productive investments outside the country, thus promoting south-south cooperation. Figure 1 shows the highest **real GDP growth rate** of 7.6% for 2000/01 and the lowest rate of 2.7% for 2002/03. The low GDP growth rate was due to the 19.3% contraction in the output of sugar in 2002/03, on account of the cyclone Dina, and the decline of 6% in the EPZ growth rate, due to political unrest in Madagascar and the dampened activities in the Mauritius main export markets. Exports to Madagascar fell by 77% during the year, while exports to other main markets namely, France, Germany and Italy dropped by 1.5%, 22% and 12% respectively. The tourism sector recorded 3.2% growth rate, but this could not compensate for the huge decline in the other two key pillars of growth (sugar and EPZ). However, real GDP growth rate improved to 4.4% in 2003/04 reflecting the recovery of tourism and sugar production, the later due to favorable weather, and strong construction activities.

2.2.4 However, the EPZ, which recorded a negative growth rate for the second consecutive year in 2003/04, would continue to face difficulties when the Multi-Fibre Agreement is phased out in January 2005, leading to loss of trade preferences for the textile industry. Also, given its relatively high per capita income, Mauritius is not qualified for the third-country fabric provision under the Africa Growth and Opportunity Act (AGOA)¹, thus putting the country in relative disadvantage. The future performance of the sugar sector would also be affected by the reform of the EU sugar regime, with the guaranteed price of sugar expected to fall by 37% over the next three years. These developments could worsen the performance of the external sector, which still remains strong. Reflecting the recovery in sugar exports and the surplus on the services account, the current account balance has recorded surpluses for the last four consecutive years (see figure 3). Net foreign exchange reserves have also been rising steadily from 4.1 months of import cover in 1990/00 to 7.5 months in 2003/04.

Figure 3: Current account balance, 1999-2004



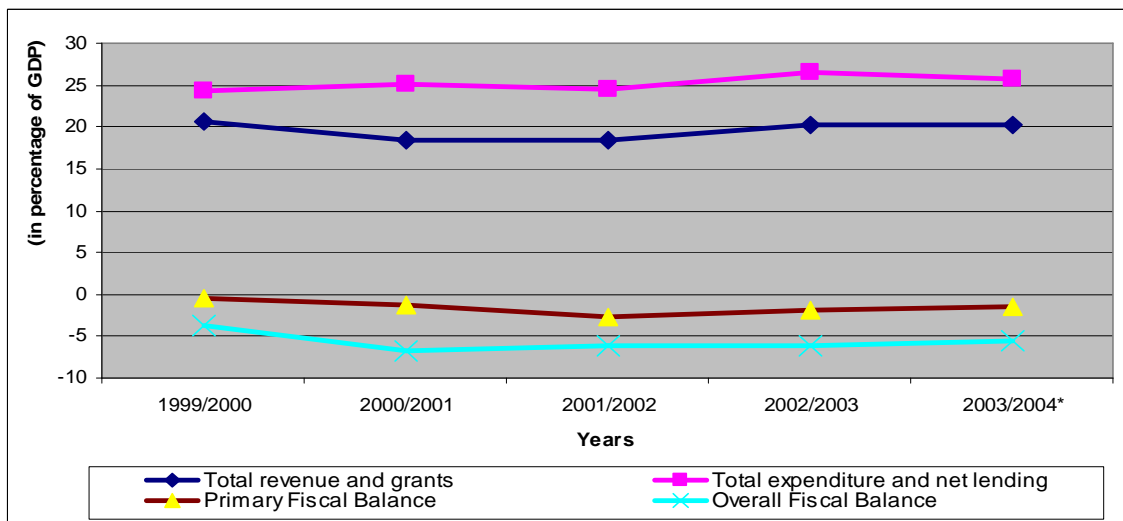
Source: Central Bank of Mauritius.

¹ AGOA came into force in 2001 and would be in force until 2015 in view of the approval of AGOA III in June 2004. However, unlike other nations benefiting from the market access preference into the US market conferred by AGOA, Mauritius cannot import raw fabric from non-AGOA countries.

2.2.5 **Inflation rate** (as measured by the CPI) has remained at one digit level, falling from 6.4% in 2001/02 to 3.9% in 2003/04, and is projected to remain at a low level (4%) in the medium term, due to prudent monetary policy. Since November 2002, the Bank of Mauritius has embarked on a cautious easing of **monetary policy**. Consistent with the long-term objective of achieving price stability, the benchmark Lombard rate (the Bank's signaling mechanism for its monetary policy stance) had been cut on several occasions. The last reduction of 25 basis points from 9.75% to 9.50% per annum was with effect from 29 January 2004. The prime lending rates of banks have also been falling accordingly (dropping from 10% in September 2002 to 7.5%–8.0% in June 2004). Given the weaknesses in the key sectors of the economy, banks have also been cautious in advancing credits, thus resulting in slower growth in credit to the private sector and a situation of excess liquidity in the banking sector. Overall, monetary policy has been geared towards the stimulation of investment and enhancement of business confidence, thereby supporting growth.

2.2.6 A close attention however needs to be paid to the persistent budget deficits in order to preserve medium-term fiscal sustainability and macroeconomic stability. The primary fiscal balance² had been moderate, rising from -0.4 of GDP in 1999/00 to -1.5% in 2003/04, largely due to the higher capital costs of financing education and training. However, overall fiscal deficits had been substantial, worsening from 3.8% of GDP in 1990/00 to 5.6% in 2003/04, reflecting increasing public debt service burden, which accounted for 20% of recurrent expenditure in 2002/03. Figure 4 presents the trend in the fiscal indicators. The concerns being raised about the rising public debt relates to the high domestic debt, which reached 61.2% of GDP in 2003/04 and 55% in 2003/04³, largely due to a 33% increase in the government short-term obligations during 2003 made up of Treasury Bills. However, external debt sustainability is not a problem as the total external debt represented only 19.3% of GDP in 2002/03 and 17.8% in 2003/04, while external debt serving ratios⁴, in both years were limited to 8.2% and 6% respectively.

Figure 4: Trends in Fiscal Indicators



Source: Ministry of finance and economic development.

² This is the overall central government fiscal balance, excluding interest payments.

³ In the 2004 Article IV Consultation Report, the IMF raised concerns about the danger that the public debt could become unsustainable as a result of continuing central government fiscal deficits and stressed the need for medium-term fiscal consolidation to avert unsustainable debt dynamics that could jeopardize the economic growth prospects and macroeconomic stability of the country.

⁴ Defined as a percentage of exports of goods and non factor services.

2.2.7 The Government has started taking measures aimed at fiscal consolidation. With the assistance of the World Bank, the Government has initiated the Medium Term Expenditure Framework (MTEF) budgeting system in order to restructure the public expenditure, strengthen expenditure controls and improve budgetary processes. This new system will enable Government to be more focused on objectives, results and performance. The MTEF is to be implemented in phases, in five pilot sectors, starting with Education and Training in the 2004-2005 budget. The health, social aid, environment and public infrastructure sectors are earmarked to undergo a similar transformation in the second phase. Revenue collection is also to be enhanced by consolidating revenue collection agencies under one authority, the newly established Mauritius Revenue Authority, thus eliminating overlapping, duplication of functions and wastes.

2.2.8 Another area requiring close government attention is the **high unemployment rate** which has been rising steadily since the early 1990s, reaching 10.6% in June 2004, and also reflects gender differentials. While male unemployment rose from 8.5% in 2002 to 9% in 2003, female unemployment rose from 12% to 12.6%. The unemployment problem is due to labor market rigidities and structural skills mismatch, as reflected by: (i) the evolution from a low-skilled/low-technology economy to an increasingly highly skilled specialized economy, resulting in a mismatch between job skills requirements and the skills profile of the majority of jobs seekers; (ii) increasing capital-intensive production in the EPZ; and (iii) high unit labor costs unrelated to productivity due to rigid labor regulations and wage determination mechanisms. To address the unemployment problem, the Government is promoting Small and Medium Scale Enterprises (SME) development to enhance self-employment. To correct the mismatch in the labor market, the Government is accelerating specialized training in areas of high job demands such as ICT, hotel and tourism, horticulture, air-conditioning and refrigeration. With the assistance of the World Bank, the Government is also in the process of finalizing a labor market study focusing on four key areas, namely (i) the extent of unemployment in Mauritius; (ii) the profile of the unemployed; (iii) the role of the institutional set-up for wage determination; and (iv) job preferences in the public and private sectors.

Sectoral Developments:

2.2.9 **Agriculture:** The agricultural sector made up essentially of sugar production (the first pillar of the economy) has been the backbone of the Mauritian economy for a long time until the establishment of the Export Processing Zone (EPZ). Over 80% of arable land is devoted to sugar cane cultivation and the industry employs about 9.4% of the country's labor force. In 2003, its contribution to GDP was estimated at around 3% and in terms of export earnings, sugar exports constituted 20% of total domestic exports compared to about 70% two decades ago. In recent years, the horticultural industry (flowers, pineapples etc) has gained importance.

2.2.10 *The Sugar Industry* has long benefited from guaranteed price and preferential access into European markets under the EU Sugar Protocol, the Lome Convention, and subsequently, the Cotonou Agreement. However, the protocol will expire in 2006, and with duty-free access to the EU market for least developed countries' sugar taking effect from July 2009, the price Mauritius obtains for its sugar will fall significantly. Meanwhile, the EU has announced a reduction in the guaranteed price of sugar by 37% over the next three years. To address these unfavorable developments on the international scene, the Sugar Industry Efficiency Act was passed in 2001. In the same year, the implementation of the ***Sugar Sector Strategic Plan (2001-2005)*** that was embedded in the Act started. It comprises a number of cost reducing and revenue enhancing measures aimed at increasing competitiveness of the sugar industry by the year 2008. In parallel to reducing labor costs through a Voluntary Retirement Scheme (VRS) for sugar related

companies, the centralization of sugar factories is also being pursued to achieve economies of scale. It is estimated that the sugar industry has cut its production costs from US\$0.20/lb in 2000 to US\$0.14/lb in 2003, but the current cost level is still much higher than the world market price of US\$0.08/lb. Further cost cuts are therefore imperative through efficiency gains, to enhance competitiveness and survival of the sugar industry.

2.2.11 The *Non Sugar Sector Strategic Plan (2003-2007)* lays the foundation for restructuring all non-sugar agriculture sector, which is increasingly being called upon to assume a greater role in the agricultural economy, given the difficulties currently being encountered by the sugar industry. Mauritius however faces several constraints that impede agricultural development in general, including vulnerability to climatic shocks; loss of cultivable land resources to more remunerative economic activities; and high cost of labor and agricultural inputs. With a multi-pronged approach however, the Strategic Plan seeks to focus on diversification of production to attain a certain degree of self-sufficiency, meet quality exigencies, develop the local agro-processing industry, promote entrepreneurship, optimize export opportunities and conform to international standards governing food safety.

2.2.12 A large-scale diversification program is underway aimed at the production of high-value products and food crops as well as enhance the quality of horticultural exports. In order to improve market access for the new products, Government is in the process of setting up a Food Laboratory to enable local food processing industry and exporters of food commodities to comply with export quality requirements. Government also plans to establish a National Biotechnology Institute to raise productivity and enhance competitiveness of non-sugar agriculture. The legislation on Genetically Modified Organisms is also to be enacted to improve productivity. Also, the FAO is assisting Mauritius to develop a national agriculture sector investment program, which also has a regional dimension, to further enhance the development of the sector.

2.2.13 The irrigation network is also being expanded and modernized to promote the new variety of crops. In the northern part of Mauritius, a water-deficit area that suffers from recurrent droughts, the Government embarked on the first phase of the Northern Plains Irrigation project in 1982, which is now completed. To further improve the living conditions of farmers in the area, the Government has started implementing the second phase of the project, which will lead to an increase in irrigable land in the northern plains, to enhance the development of new high-value crops. This is one important area in which the Government requires the assistance of the ADB in its diversification and re-engineering processes.

2.2.14 **Manufacturing:** The manufacturing sector, the second pillar of the Mauritian economy, has been the main driving force behind the success of the economy. Overall, the manufacturing sector accounted for about 20% of GDP in 2003, of which the EPZ accounted for nearly half. EPZ exports represented 76% of total domestic exports in 2003, remaining by far the largest foreign exchange earner for the country. Currently, this sector employs over 22,627 people, which represents around 17% of the workforce. Approximately half of all EPZ enterprises are engaged in the textile industry, accounting for over 83% of total EPZ employment. Raw materials (fabrics and yarn) are imported mainly from China and India, while the two principal export markets are the EU and USA. Other EPZ based manufacturing includes jewellery, leather products, footwear, electronic goods, pharmaceuticals and wood. The sector is facing new challenges, such as severe international competition and erosion of preferences for textile and clothing, which has affected its growth rate in recent years. However, the

manufacturing sector still managed to grow by 1% in 2003 compared to a decline of 1.3% in 2002.

2.2.15 Mauritius was able to increase its textile production during the 1980s and 1990s largely due to preferences it enjoyed on the EU market. Textiles and clothing exports into the EU enjoyed duty and quota free access. Taking the WTO perspective, which foresees an end to all textiles and clothing quotas by the end of 2004, into consideration, it is obvious that Mauritius would suffer erosion of preferences on its traditional export markets. Low cost garment products from South East Asian countries are also exacerbating competition. However, in view of the emerging challenges, the Mauritian enterprises have seen the need to be innovative, forward-looking and be prepared to adjust to rapid developments in the international scene, hence the new emphasis on re-engineering of the production processes, overhaul of the management system and optimization of resource use.

2.2.16 A recent study commissioned by the Textile Emergency Support Team⁵ (TEST) and carried out by the National Productivity and Competitiveness Council (NPCC), points to ways of enhancing the competitiveness of the sector in areas such as: (i) procurement of raw materials; (ii) human resource management; (iii) operations planning to improve productivity; (iv) improving financial and inventory management; and (v) improving technology, marketing; and price setting. TEST is elaborating an Action Plan for the sector. Also, to enable the sector to operate successfully in a fiercely competitive environment, Government had prepared a *Strategic Plan for the Textile and Clothing Sector (2002–2005)*. The strategy focuses on technology upgrading, development of clusters and linkages, regional cooperation, product and market diversification including setting up of spinning mills, development of seafood hub, human resource and skills development, business process re-engineering (i.e. restructuring enterprises to raise productivity), promotion of SMEs in export oriented enterprises to enhance export development, and putting in place schemes and funds at the disposal of enterprises to facilitate restructuring.

2.2.17 **Tourism:** The tourism sector, the third pillar of the economy, accounted for about 65% of the GDP in 2003. Tourism is an important source of employment, providing jobs for 22,261 people by March 2003, which represents about 7% of the total workforce. It is also a major earner of foreign exchange. The number of tourists visiting Mauritius increased to 702,018 in 2003 compared to 681,648 in 2002, an increase of about 3%. Gross earnings from tourism amounted to Rs19.4 billion in 2003, thus contributing substantially to the external current accounts. The majority of tourists came from Europe (about 66% of total arrivals in 2003) and particularly France (28.5%), followed by Reunion Island (21%) and South Africa. The Government's policy has been to emphasize low-impact, high spending quality tourism so as to maintain the Island's up-market profile and protect the environment.

2.2.18 **Financial Sector:** Over the last decade, the share of financial and business services in GDP has increased significantly. The financial and offshore sector grew by an average of over 9% a year between 1999 and 2003 and contributed approximately 10% of GDP in 2003. In 2001, a Financial Services Commission was set up and is the authority responsible for licensing and regulating non-banking financial services, including insurance companies and the stock exchange. In early 2003, the financial institutions in the country consisted of 10 commercial banks and 13 offshore banks, 23 insurance companies, 10 investment companies and 6 unit

⁵ A joint private/public sector initiative set up with a view to assisting textile and clothing enterprises to restructure leading to the enhancement of their international competitiveness

trusts. There were 44 companies (including one mutual fund and three debentures) listed on the stock exchange with a total market capitalization of about US\$ 1.5 billion. Since the beginning of 2001, Mauritius has introduced a number of changes to its financial legislation. It has implemented a new Financial Services Development Act, Companies Act, Trusts Act, and Financial Intelligence and Anti-Money Laundering Act with a view to consolidating the effectiveness of the financial system. During 2002, Mauritius participated in the Financial Sector Assessment Program (FSAP). The FSAP concluded that Mauritius has a well-developed financial system and a sound-banking sector. In the light of these sound financial conditions, Mauritius financial ratings have been impressive. Moody's rating for Mauritian long bonds, denominated in foreign currency, is Baa2, while the long bonds in local currency, is A2 rating.

2.2.19 The objective of the financial legislations is to provide the legal framework for developing Mauritius into a leading regional center for business and financial services. The Financial Services Development Act established a Financial Services Commission, which oversees the regulation of the Stock Exchange Commission and the Mauritius Offshore Business Activities. It also supervises hitherto partly regulated activities of the non-bank financial services, including pension and asset management. The Companies Act provides for a more friendly investment climate for the corporate sector.

2.2.20 **Transport.** The transport sector faces a number of challenges. Some of these are: (i) acute urban traffic congestion due to rapid growth in private automobile (ii) poorly organized transit and para-transit services; (iii) poorly implemented traffic management measures including weak vehicular parking regulation; and (iv) inadequate major roads and road maintenance. Traffic congestion is a matter of growing concern particularly in Port Louis. Journey to work trips are often constrained by excessive delays in the city. The cost of congestion is high and the Government is planning to divert traffic from the city center through effective traffic management measures, public transport system such as light rail transit, and the construction of bypasses.

2.2.21 In order to address the transportation problems in the country in a holistic manner, Government conducted in 2001, *the Integrated National Transport Strategy Study*, which reviewed the existing policies and developed strategies for all modes of transport. The implementation strategy elaborated a comprehensive investment program to be implemented in the medium and long term. The transport sector policy combines land use strategy to give people and enterprises the accessibility to the activities and supplies they need as easily and cheaply as possible; to use economic resources efficiently; to sustain environmental goals; and to minimize accidents, and solve the problem of urban traffic congestion. Government has also continued to implement reforms aimed at creating an enabling environment for private sector participation in Cargo Handling, Freeport Development and Operations and Airport Development. Key parastatals in the sector have also been granted autonomy.

2.2.22 However, there is no adequate capacity to fully implement the on-going institutional restructuring and reforms in the sector. As a way forward, Government plans to further support transport infrastructure that promotes economic growth, poverty reduction, environmental and social concerns. It is encouraging public-private participation in mobilizing the required financial resources and for human capacity development in the sector.

2.2.23 **Water and Sanitation.** The average annual precipitation is estimated at 3,900 million cubic meters. About 30% of the annual precipitation is lost through evaporation, 10 per cent goes towards annual ground water recharge and about 60 per cent flows as surface water.

Currently, there are ten man-made reservoirs with a combined total storage capacity of 70.2 million cubic meters and a regulated annual yield of about 265 million cubic meters. Besides, there are about 340 abstractions from rivers/streams, and 260 developed bore holes to abstract ground water. The present annual water utilization in the country is 850 million cubic meters, made up of municipal utilization (155 million cubic meters); irrigation utilization (460 million cubic meters) and hydropower generation (235 million cubic meters). This total water utilization amounts to about 22 per cent of the average annual precipitation over the island. In 2040, the water requirement for municipal and irrigation utilization alone, will reach 720 million cubic meters. In order to increase water supply capacity, the Government envisages building six dams; the construction of which will be in the short, medium and long run, through public-private participation arrangements.

2.2.24 The National Environmental Action Plan (NEAP), formulated in 1990 and updated in 1999, clearly identified inadequate urban wastewater disposal facilities as a growing threat to the quality of groundwater and marine and coastal zones. Consequently, the Government has started implementing the National Sewerage Program (NSP), which was formulated with assistance of the African Development Bank. Under the NSP, the Government plans to rapidly increase the sewerage connections from the current 22% to 50% in the medium term and eventually to 80%. To this end, a new legislation making it compulsory for households to connect to the national sewerage system will soon be enacted. Sewerage infrastructure expansion program is also being implemented in collaboration with the island's development partners including the African Development Bank, World Bank, European Investment Bank, European Union, Nordic Investment Bank, Nordic Development Fund, KfW, Kuwait Fund, Arab Bank for Economic Development (BADEA), Agence Française de Développement (AFD) and the Chinese Government.

2.2.25 **Information and Communication Technology (ICT):** The Government views ICT as the fifth pillar of the Mauritian economy. With the assistance of India, Mauritius has invested US\$100 million in the Ebene Cyber city, including the construction of a Cyber Tower, a state of the art technology park. Although the ICT facilities are government sponsored, the operations are by the private sector. Before the commissioning of the Cyber Tower in April 2004, more than 30 percent of the space had been rented out. Some 57 companies are currently operating ICT services, among which 22 are call centers, 15 are business process outsourcing (BPO) and 10 are software-developing companies. Government has also embarked on an e-government program to link all departments, agencies and service providers. Appropriate legislations on data security and protection, intellectual property rights and human resources development have also been enacted. The ICT is a potential source of employment in the country and the existing companies currently employ some 2000 persons. To meet the ICT skills requirements, the Government, in the 2004-2005 Budget Speech, announced the launching of a national program of training of 5,000 school certificate and higher school certificate holders in skills related to Call Centers and BPO. In addition, some 100 University of Mauritius graduates would benefit from government support to undertake high-level training courses in ICT at the Infosys Campus in Mysore, over the next two years.

2.2.26 To ensure efficient ICT operation, a comprehensive legal framework is being put in place to support the development of a vibrant and strong ICT industry. This includes the Electronic Transactions Act of 2000 and ICT Act of 2002. Also, an ICT Authority, ICT Advisory Council and ICT Appeal Tribunal have been established. Legislation would also be introduced to ensure privacy and data protection, electronic consumer protection and prevention of computer misuse and cyber crime. The ICT Authority has been empowered to ensure fair competition. In this

regard, the telecommunications sector has been liberalized with effect from January 2003. As part of opening up of the sector, new entrants now operate in the cell phone sub-sector and the Government solicited a strategic partnership in the ownership of the Mauritius Telecom. The fiber optic cable (safe cable) is now jointly owned by the Mauritius Telecom and the French Telecom holding 60% and 40% of the shares respectively. A draft sector policy is also currently under discussion and has been posted on the web site of the Ministry of Information and Technology for wider consultation.

2.2.27 **Health:** There has been considerable progress in the health status of the population over time. Available data⁶ shows that, between 1990 and 2000, infant mortality rate declined from 20.4 to 15.9 per 1000 live births, under-five mortality rate declined from 23.1 to 18.2, while maternal mortality rate fell from 0.66 to 0.20. Thus, life expectancy at birth increased from 63 years in 1970 to 72 in 2002. However, the health sector is currently facing new challenges in the form of the high incidence of Non Communicable Diseases (NCDs) among the population, namely heart disease, cardiovascular diseases and diabetics; the rising incidence of sexually transmitted diseases (especially HIV/AIDS) and infant mortality (especially in Rodrigues Island), while low birth-weight rates also remain at a high level. To address this new pattern of diseases, the Government is currently in the process of reforming and modernizing the health sector. To this end, a White Paper on Health Sector Development and Reform has been prepared and consultations on it were held with all stakeholders in 2003. An Action Plan comprising health development policies, programs and projects as well as other activities is currently being prepared. A 3-year investment program will also be prepared in line with the requirements of the MTEF and the Ministry of Health and Quality of Life is in the process of prioritizing and costing the program. To facilitate this process, Government, with the support of WHO, will undertake four major studies, starting from October 2004, in the following areas: (i) the introduction of a 24-hour Family Doctor scheme; (ii) options for health financing; (iii) review of the management structure of health services; and (iv) the design of a human resources planning system.

2.2.28 The problem of HIV/AIDS has not reached the epidemic proportion that it has attained in some other southern African countries since less than 0.1% prevalence rate has so far been recorded. Since October 1987 when the first case was registered, the number of HIV/AIDS cases by May 2004 was limited to 729 (522 males and 207 females), out of which 108 had died, leaving about 621 people currently living with HIV/AIDS. However, the rising incidence in recent years has been alarming, largely due to heterosexual and intravenous drug needle sharing. New cases reported in 2002 represented a rise of 100% over those reported in 2000. To nip the problem in the bud, the Government has designed the National Strategic HIV/AIDS Plan (2001-2005) to combat the pandemic. The situation is constantly being monitored by the WHO and monthly reports are prepared by the Ministry of Health.

2.2.29 **Education and Training:** Mauritius has one of the highest literacy rates among the developing countries. Education is free up to University level and attendance at primary school among the 6-11 age group is universal, but the enrolment ratio at secondary school had, by 2003, fallen to 63%. The major problem was the Certificate of Primary Education (CPE) examination, which was used to determine the access of pupils to secondary education. In a normal year, some 35% usually fail the CPE and dropout of education. In order to improve the standard of education, the Government has taken comprehensive measures to reform the education system at all levels to increase access, quality and relevance. Specifically, ranking at the CPE level has been abolished and replaced by a grading system. Access to secondary education is being

⁶ See United Nations: millennium Development Goals – Status Report for Mauritius (October 2002), page 25.

increased through decentralization. For this purpose, the country has been divided into five zones including Rodrigues and a vast program of construction of new state secondary schools is ongoing. Modernization of the curriculum is also being undertaken to meet the future job requirements of the economy. The ultimate vision of the education and training reform is to transform Mauritius into a knowledge hub. Thus, tertiary education segment is being called upon to play a critical role in fostering the emergence of a knowledge industry in Mauritius. To this end, a White Paper on the Reform of Tertiary Education would be issued later in 2004. Institutions of international repute, for example, the Indian Institute of Technology (IIT Bombay), are being encouraged to locate part of their activities to Mauritius. Furthermore, with the setting up of the Human Resource Development Council, training is being re-oriented to respond more effectively to the skill requirements of the economy. Thus, Government plans to increase the number of polytechnics to intensify technical skills development.

2.2.30 Structural developments: The government is currently in the process of implementing structural reforms necessary to sustain growth in the medium term. The major policy reforms with implications for the future development of the country include (i) the education sector reform; (ii) the modernization/re-engineering of the sugar and textile industries to reduce costs and increase value added; (iii) upgrading of the regulatory environment of the financial sector; and (iv) development of ICT. In this context, the Ebene “*Cyber City*” was commissioned in April 2004. It is envisaged that a center for disaster recovery operations will also be set up within the next three years. The change from the traditional line budgeting system to the MTEF, is also a major structural shift in public expenditure management.

2.3 Private Sector Business Climate

2.3.1 Mauritius has built its past success on a free market economy and preferential access to markets, especially in Europe. Among its many strengths are political and social stability, law and order, modern infrastructure, a bilingual workforce, strong legal institutions, respect for property rights, modern company laws and a liberal pro-business environment. A wide range of incentives and facilities are geared towards attracting foreign direct investment and institutional investors. Incentives are offered in the areas of manufacturing, services, Freeport, information technology, tourism, construction, agriculture and offshore services. Companies operating in these various sectors pay a lower tax rate of 15 percent (instead of 25 percent) and, depending on the type of incentive scheme, loans can also be obtained at preferential rates. A program of modernization of the legislative and regulatory framework is underway to introduce greater flexibility in the operation of enterprises. The government has passed wide-ranging legislation including the Companies Act, the Financial Services Development Act, the Trusts Act and the Investment Promotion Act. Mauritius also has a longstanding tradition of Government/private sector dialogue, which allows the private sector to voice its views on the development strategy of the country.

2.3.2 Independent assessments uniformly rank Mauritius as one of the most competitive countries in Africa. In the 2003-2004 Global Competitiveness Report, Mauritius was ranked 35th overall (out of 102 countries surveyed) in the Global Competitiveness Index and 49th in the Microeconomic Competitiveness Index. In terms of the Business Competitiveness Index, Mauritius was ranked 44th overall (third in Africa behind South Africa and Tunisia). In the Economic Freedom of the World 2003 Annual Report, Mauritius was ranked 20th among 123 countries, the best record in Africa, with a rating of 7.3 on a 10-point scale of this index.

2.3.3 Mauritius has a liberal private sector business climate the delays in granting business licenses and work permits still need to be addressed. The Government confirmed in the 2004-2005 Budget Speech, that private investors still face some delays in the implementation of their projects. To address this concern, the Board of Investment has announced a 'Framework for Declared Projects' within which investment projects in selected sectors would be approved in less than 24 hours, rather than stay in abeyance for weeks or months as before.

2.4 The Evolution of Poverty

2.4.1 There is no officially established poverty line in Mauritius and the Central Office of Statistics (COS) neither tracks nor reports on the proportion of people who earn less than US\$ 1 a day. However, the COS reports the incidence of lower-expenditure households, which establishes a cut-off point below which a household is considered as poor. According to the 2001/02 Household Budget Survey, only 11% of the households were earning less than Rs5,000 (equivalent to about US\$ 192) a month, compared with 24% in 1996/97 and 22% in 1991/92. Existing data also show that poverty in Mauritius is localized (pockets of poverty) rather than wide spread. There are also significant gender and regional differences. The incidence of poverty is relatively higher among female-headed households (33.8%) than among male-headed households (8.9%) and on the island of Rodrigues (30.2%). Also, the incidence of poverty in the rural areas is over three times that of urban areas.

2.4.2 However, in general, and in tandem with the sustained economic growth over the past two decades, the overall quality of life in Mauritius has improved considerably. The total life expectancy at birth in 2002 was 72 years (75.8 years for women) compared with 63 years in 1970, while the total adult illiteracy rate was 14.8% (17.8% for female). The 2003 Human Development Report (HDR), ranked Mauritius 62nd among 175 countries and indicated with a Human Development Index (HDI) of 0.779. Thus, Mauritius ranks among the countries that have achieved medium human development. The 2001/02 HBS also revealed an increase of 40% in the average household nominal income since 1991/92 and a decline in income inequality. After the deterioration in the distribution of income, as measured by the Gini coefficient, from 0.379 in 1991/92 to 0.387 in 1996/97, 2001/02 recorded an improvement to 0.371. The overall improvement in quality of life is the result of an extensive welfare system, providing for free and universal healthcare, free education up to the university level, basic pensions as of the age of 60 at a rate of US\$ 1.75 a day, and specific social benefits for the underprivileged (widows, orphans, handicapped persons, etc).

2.4.3 An Action Plan for Poverty Alleviation was formulated in 2001 with the participation of various stakeholders. The Action Plan lays emphasis on the empowerment of the poor through access to education, provision of housing in poor neighborhoods, and their integration into productive activities through micro-finance programs. Some micro-finance initiatives under implementation include: (i) the Trust Fund for the Social Integration of Vulnerable Groups for the financing of community development projects, micro-credit schemes and loans to needy students; (ii) the EU funded Micro project Program for Poverty Alleviation focusing on social infrastructure development, income-generating projects and technical assistance; (iii) the IFAD Rural Diversification Program covering micro-enterprises and micro-finance development as well as community development projects; and (iv) the UNDP/Afro-Asian Rural Development Organization (AARDO) program. In the 2004-2005 Budget Speech, Government also elaborated its economic democratization strategy whose overall objective is avoiding exclusion and creating

strong mechanisms to ensure that economic prosperity translates into social development and social justice for all citizens⁷.

2.4.4 Prospects for Achieving MDGs: Summary progress towards the MDGs is given in annex 4 as contained in the first *Millennium Development Goals Status Report* for Mauritius issued by the United Nations in 2002. For most of the MDGs, the report indicated a high probability of achievement (probably or potentially). Between 1995/97 and 2001/02, Household and Budget Surveys revealed that the proportion of people living in poverty (people earning less than Rs5,000, equivalent to about USD 192) a month, was more than halved (down from 24% to 11%). Progress has also been achieved in meeting the target on hunger with particular attention to addressing malnutrition among children in deprived areas. Mauritius has also already achieved or is on the way to achieving, the MDGs relating to universal primary education, reduction of child mortality and improvement of maternal health, through sustained policies on free primary and secondary education and free health care. Efforts to reverse the loss of environmental resources are also very strong. Appropriate legislation has been enacted and follow-up actions are being implemented, though there is still need to enhance institutional capacity in this area. The development in the area of global partnership has also been strong and this has been supported by trading arrangements for integration into the global economy and measures to facilitate access to ICT. The report however pointed attention to the less favorable conditions in the Island of Rodrigues compared to the rest of the country, but also noted the improvements in the island in recent years. Furthermore, the report observed that, while equal access for boys and girls to primary and secondary schooling will probably be met, it is unlikely that gender equality with respect to all indicators will be met by 2015 (see para. 2.5.5 and 2.5.6).

2.5 Cross-cutting Themes

Population

2.5.1 As at 1 July 2003, the population of Mauritius was estimated at about 1,223,074, with a low average annual growth rate of about 1% for the period 1990-2003. About 49% of the population are males while 51% are females. With a total land area of 2,040 square kilometers, the country has one of the highest population densities in the world, 600 people per square kilometer as at 1 July 2003. About 97% of the population lives on the island of Mauritius, and 3% in Rodrigues. Rapid demographic transitions from high levels of fertility and mortality to lower ones (see para. 2.2.28) have led to a fast growing proportion of elderly people (those aged 60 years and above) relative to the active population (15-59 years). Demographic projections show that the proportion of the elderly would rise from 9% of the population in 1999 to 24% by 2041. It also shows that the proportion of the working ages (15-59 years) will reach a peak (66% of total population) around 2006, after which it will undergo a gradual decline. This demographic dynamics have both positive and negative implications. On the positive side, the low population growth rate, coupled with the high investments on education and health, could result in a population bonus whereby the low dependency ratio boosts savings and investments and increases social capital. On the negative side, the ageing population is expected to reduce the labor force growth to less than 1% per annum over the next 10-15 years and about 0.6% thereafter⁸, thus posing a potentially serious labor problem, in terms of availability and cost, Mauritius being a high labor cost economy already. It is also expected to result in a drastic fall in the pension support ratio, from 7.5 in 1999

⁷ The thrusts of the strategy are to widen access to land, employee participation, equal opportunities in employment, promotion of entrepreneurship, SMEs development and its access to finance and infrastructure, ad support for cooperative societies.

⁸ United Nations: Common Country Assessment II, Mauritius, December 2003; page. 6.

to 2.4 by 2041. Government has thus initiated a process of the reform of the pension system to address this problem.

Environment

2.5.2 Mauritius shares the inherent environmental vulnerabilities of Small Island Developing States (SIDS). Specifically, the key environmental problems in Mauritius include: (i) over use of the land resources; (ii) industrial pollution; (iii) air pollution; (iv) degradation of environmentally sensitive areas and loss of wildlife habitat; (v) deterioration of freshwater and marine systems; and (vi) degradation of coastal zone. Environmental degradation could become a serious impediment to economic growth if appropriate measures are not taken to ensure sustainable management of the environment. In order to attain the goals of Agenda 21 and address the environmental issues in a holistic manner, and building on the foundations of the National Environmental Action Plan (NEAP 1) initiated in 1988, the Government has approved National Environmental Strategies for 2000-2010. The latter include the second National Environmental Action Plan (NEAP II), which constitutes a major step towards integrating environmental concerns into national planning and development. The NEAP II outlines measures needed to ensure government involvement in creating sustainable development strategies for dealing with environmental problems, including several cross-sectoral initiatives, institutional arrangements for implementing the plan and financial and budgetary requirements.

2.5.3 NEAP II is being implemented through the second Environment Investment Program (EIP 2) comprising seventy two (72) projects clustered under four headings: (i) Management and Coordination Program aimed at capacity building; (ii) the Resource Management Program providing for the protection and preservation of land, water, biodiversity, coastal and marine resources; (iii) the Sector Programs aimed at maintaining a balance between the environment and development activities in the various sectors; and (iv) the Rodrigues Program meant for the promotion of protection and conservation of the environment on the island.

2.5.4 The Government has reinforced the legal and institutional framework by establishing norms for air and water quality as well as for hazardous waste disposal. The extraction of coral sand from the lagoon, the use of leaded petrol and high sulphur diesel and certain types of plastic bags, have been phased out. Since the 2003/04 budget, priority has been given to the wastewater development program, including the rehabilitation of waste disposal sites and construction of new ones.

Gender

2.5.5 The female-male ratio in Mauritius is 51:49 percent. The rapid improvement in living conditions in Mauritius has been accompanied by the improvement in educational attainment of girls. In 2002, the enrolment rates at the secondary and tertiary levels were higher for girls than for boys (67% for girls against 61% for boys at the secondary level, and 20% for girls against 17% for boys at the tertiary level). However, compared with men, women are still disadvantaged in the labor market. In 2001, only 30% of women aged 15 years and above were in formal employment against 67% among men of the same age bracket. The classification of employed women by industry and occupation shows that they are mostly in the manufacturing sector (particularly EPZ) as they represented 36.9% of its work force. Regarding the level of remuneration, employment income is significantly lower for women than men, with the average monthly income derived from work in 2001 estimated at around Rs 8,000 for men compared to Rs 5,000 for women.

2.5.6 There is also a marked gender inequality regarding political participation. Among the parliamentarians, women comprise only 3.9% compared with the 30% requirement by SADC. At the Ministerial level, there is only one-woman minister among a total of 24 ministers. Twelve (12) out of the 25 permanent secretaries are, however, women and three (3) of the top five (5) posts in the civil service are filled by women. Following the World Women Conference held in Beijing in 1995, the Government prepared a National Gender Action Plan intended to serve as a guideline for the attainment of greater gender equality between men and women. Priority areas in the Action Plan include gender mainstreaming, economic empowerment, domestic violence and education. In this context, many laws in favor of women have been enacted. These include those against domestic violence and sex discrimination, while laws on sex offences are being prepared.

Good Governance

2.5.7 The macroeconomic framework of Mauritius is being strengthened by adopting fundamental principles of good governance – the dominant features of which are: (1) the rule of law, an independent judiciary and separation of powers (ii) transparency and accountability; and (iii) respect for human rights. In addition, Mauritius has made impressive strides in advancing towards a more democratic and fairer society. The achievements and ongoing programs for better governance extend to almost every sphere of activity. New institutions have also been set up to combat corruption and money laundering. In its effort to fight corruption, Government, in 2002, established an Independent Commission Against Corruption. The national strategy for combating corruption comprises three elements namely: (i) investigation and enforcement of the laws against corruption; (ii) corruption prevention by eliminating opportunities for corruption from systems and procedures, and (iii) corruption prevention by public education and support. The newly-created National Economic and Social Council is providing a new platform for dialogue between the social partners and is endowing civil society with a new medium of influence. Mauritius has long enjoyed a free press and the liberalization of radio broadcasting has allowed the free and vocal expression of views and opinions by all sections of the population. The existence of an independent judiciary, which is firmly established in the Mauritian legal system, has remained the best guarantee for the enforcement of constitutional and human rights of the citizens. Mauritius has ratified most United Nations Conventions relating to human rights. The objectives of transparency and accountability are being achieved through parliamentary democracy and judicial control. The Public Accounts Committee scrutinizes public finance and there is an effective system of both internal and external audits.

2.5.8 In 2002, Government, with assistance of the World Bank, embarked on three “Reports on the Observance of Standards and Codes” (ROSCs) namely (i) Corporate Governance; (ii) Accounting and Auditing Practices; and (iii) Insolvency and Creditor Rights. A Code of Corporate Governance for Mauritius, which was adopted in 2003, emanated from the recommendations of the first ROSC. Mauritius is also one of the four pilot countries, among countries that have signed up for the African Peer Review Mechanism (APRM) of the New Partnership for Africa’s Development (NEPAD). The first country mission, in which the ADB NEPAD Unit participated, was undertaken in June 2004.

2.5.9 Mauritius enjoys credible ratings on good governance by international ranking agencies. Rankings released by the World Economic Forum in June 2003 revealed that Mauritius, with a score of 4.61, was the fifth country (behind Botswana, Tunisia, Gambia and South Africa) among 21 African countries in terms of the quality of public institutions, an index that consists of the perceived degree of corruption and the rule of contracts and law. In 2002 and 2003, Transparency International also ranked Mauritius as the 40th and 48th least corrupt country respectively. This

however does not imply an increase in corruption perception, since the number of countries included in the rankings increased from 102 in 2002 to 133 in 2003.

Core Labor Standards

2.5.10 Mauritius has ratified the seven core labor standards and the Ministry of Labor monitors implementation of these core labor standards. The Government labor policies conform to the core labor standards. The protection of workers, their rights to work under equitable and satisfactory conditions and the guarantee of a fair treatment are affirmatively guarded by detailed legislation. There are law enforcement bodies, appropriate dispute settlement mechanisms and easy access to tribunals and adjudicating bodies for the effective safeguard of workers' rights and the respect of working standards and conditions. The right to join and form trade unions is also constitutionally guaranteed. Also, the legal minimum age for employment of children is 15 years, thus preventing children from working before completion of secondary school. As such, child labor is not widespread in Mauritius. Forced or bound labor involving children is prohibited by law and does not exist in practice. The authorities are reviewing the labor laws to ensure that it fully reflects the core labor standards.

Regional Integration

2.5.11 As a Small Island Developing State (SIDS), Mauritius is constrained in its development by a series of factors including small domestic market, diseconomies of scale and heavy dependence on international trade. Consequently, regional integration and cooperation arrangements have become critical aspects of the country's development strategy. Mauritius thus perceives regional cooperation and integration as a powerful development tool, which has allowed it to expand its economic space and boost its productive capacity. As a regional player, Mauritius has been undertaking investment ventures in other African countries such as Mozambique, Cote d'Ivoire, Madagascar and Senegal. Such investments contribute towards forging greater regional cooperation in the continent and providing other countries with the know-how in manufacturing operations, marketing and technology, thus strengthening south-south cooperation. Mauritius has also been a leading advocate in a number of international organizations such as the WTO and ACP/EU meetings canvassing for the need to address the vulnerability of small island states.

2.5.12 Mauritius is a party to a number of regional arrangements/initiatives such as the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), Indian Ocean Commission (IOC), Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), and the Cross Border Initiative (CBI). As an ACP member state, Mauritius has been involved in the negotiation of the Economic Partnership Agreement (EPA) with the EU. However, as Mauritius faces increasing international competition in its key pillars of development (especially sugar and textile) and erosion of market access preferences, it is increasingly turning to regional organizations such as the Southern African Customs Union (SACU) and the Common Market for Eastern and Southern Africa (COMESA). Thus, Mauritius is preparing itself to fully operate within COMESA Customs Union by 2008 and in the SADC free trade area by 2012⁹. Within SADC, only Mauritius and the SACU member states¹⁰ have reached a very high level of macroeconomic stability and convergence, essential for the success of regional integration.

⁹ The SADC Trade Protocol became effective in October 2000 after it was ratified by two-thirds of the member states.

¹⁰ SACU member states are Botswana, Lesotho, Namibia, South Africa and Swaziland.

2.6 Major Constraints to Sustainable Growth and Poverty Reduction

2.6.1 The success story of the Mauritian economy had been based largely on international trade preferences the country enjoyed in its main pillars of development, especially sugar and textiles. However, at the international level, Mauritius currently faces serious constraints emanating from increasing competition, falling product prices, and erosion of market access preferences. Adapting to these pressures would, therefore, be a major challenge for Mauritius in the years to come. Some of the major developments on the international scene which would impact on future development prospects of Mauritius include: (i) the phasing out of the Multi-Fibre Agreement (MFA) in December 2004, which would negatively affect the textile sector and could also eliminate AGOA's quota free advantage; (ii) the reform of the EU Common Agriculture Policy (CAP), which would, among other things, reduce the guaranteed price of sugar to the EU market by 37% over the next three years; (iii) the expiry of the Cotonou agreement in 2007 and the ongoing ACP-EU EPA negotiations, which would reinforce international competitive pressure, especially from cheaper producing Asian countries, since the agreement has to be WTO compatible; and (iv) the implementation implications of the provisions of the Doha Development Agenda (especially the Singapore Issues) when the agenda is successfully concluded and if major concessions are not granted to developing countries in its pace of implementation.

2.6.2 At the domestic level, Mauritius also faces a number of constraints including:

- (i) the environmental pressure in the face of conflicting demand for land use, which could increase the environmental fragility of the Island and constrain further growth of tourism;
- (ii) rising unemployment, which has currently reached 10.6%, a level not witnessed in the 1980s;
- (iii) relatively high unit costs of labor and agricultural inputs; and
- (iv) the rising costs of social obligations, which are worsening fiscal deficits;
- (v) pockets of poverty and changing pattern of disease, the solution of which would impose additional fiscal burden.

2.7 Potential for Growth and Poverty Reduction

2.7.1 The above constraints and challenges notwithstanding, medium-term prospects are encouraging. The economy is forecast to post a GDP growth rate of about 4.8 % in 2004/05, 3.8% in 2005/06, 4.0 % in 2006/07 and 4.1% in 2007/08, thus maintaining an average real GDP growth of 4.2% in the medium term. The overall budget deficit is forecast to decline gradually from 5.6% in 2003/04 to 2.0% in 2.0% in 2007/08. The sugar industry is expected to grow by about 15% per annum while growth in the tourism sector would be by about 4%. The current account balance will also continue to show surpluses and the inflation rate is expected to be maintained at about 4% in the medium term.

2.7.2 To diversify the economy, the country has embarked on a clear and ambitious development strategy to find new drivers for economic growth. Measures are being taken to modernize the traditional pillars of the economy (sugar and EPZ) through higher productivity, better

technology and increased capitalization. The country is also re-engineering itself to move up the value chain (for example in the agriculture sector) and to build a knowledge economy based on financial services and ICT. In the 2004/2005 budget, the Government also announced measures to democratize the economy, to ensure social justice and permit larger segments of the population to contribute positively to the process of economic growth and poverty reduction.

3. THE GOVERNMENT'S DEVELOPMENT AGENDA

3.1 Key Elements of the Government's Development Agenda

3.1.1 The economic policies of the Government are stated in its '*Economic Agenda for the New Millennium (2001-2005)*'. The policy document sets out the Government's strategy to further diversify Mauritius into a "high-tech, high income, services and knowledge economy" in about five years. The key elements of the strategy include: (i) improvement in the competitiveness of the private sector; (ii) investment in people and society; (iii) preservation of the fragile environment; (iv) improvement in economic management; and (v) the development of Mauritius into a Cyber Island, thus making ICT the fifth pillar of the economy.

3.1.2 **Improvement in the competitiveness of the private sector:** Government is continually improving the regulatory and institutional framework for the private sector through the modernization of legislative and regulatory framework thereby introducing flexibility in the operation of enterprises. Government had passed legislations such as the Companies Act 2001, the Financial Services Development Act, the Trusts Act and the Investment Promotion Act. The Board of Investment, which is charged with the promotion and facilitation of investment in Mauritius was established in 2001. Modernization and consolidation of the sugar and manufacturing sectors is on going. Equity funds have been established. These institutional developments are expected to attract domestic and foreign investment.

3.1.3 **Investment in people and society:** Reform of education and training has been given top priority (see para. 2.2.30). In the health sector, the Government is also in the process of reforming and modernizing the health system to enable it address more effectively the new pattern of diseases (see para. 2.2.28). An Action Plan for Poverty Alleviation has also been formulated and the economic democratization strategy initiated (see para. 2.4.3).

3.1.4 **Preservation of the fragile environment:** The protection of the environment has continued to feature high on Government's agenda. Government is currently implementing the second National Environment Action Plan (NEAP 2). The National Development Strategy for sustainable land management was approved in January 2003. Investments in the areas of biodiversity and coastal zone management, as well as land conservation and management, are also ongoing.

3.1.5 **Improvement in economic management:** The Government plans to restore soundness in public finances, improve its effectiveness and bring down the budget deficit to a sustainable level. To this end, the Government has embarked on a phased introduction of MTEF, which will guide budget formulation and execution (see para. 2.2.7). The Government has decided to integrate Public Private Partnership (PPP) with the process embedded in the MTEF, as an instrument to reform and restructure certain strategic sectors of the economy to bring in competition and expand the range of services available. The following key areas of development have been identified in the early stages: transport, public utilities (energy and water), solid and

liquid waste management, health, education and vocational training, and ICT. The public sector is also being encouraged to enter into strategic alliances to enhance technology know-how, improve marketing and management competence.

3.1.6 *The Development of Mauritius into a Cyber Island:* Building on its strategic location between Africa and South Asia in the Indian Ocean, the Government's vision is to become a regional ICT center. In this connection, Mauritius has since May 2002 been connected to the South Africa - Far East (SAFE) submarine fiber-optic cable linking the island to Europe/South Africa/Malaysia with high-speed connectivity. This has improved the island's attractiveness for IT business. The telecommunications infrastructure has thus improved significantly and the Government has opened up the sector for competition. It envisages to export IT services by attracting Indian and international firms to set up call centers, BOP and programming centers in Mauritius. The Island is thus positioning itself as a dotcom hub, whereby facilities for development of software and multimedia, IT training, data encrypting, electronic archiving, back-up centers, and website development will be provided. Mauritius also hopes to become a regional center for the manufacture of computer hardware.

3.2 Assessment of the Government's Program and Poverty Reduction Agenda

3.2.1 The Economic Agenda for the New Millennium (NEA) is comprehensive, and on the whole, relevant and sound in that it lays emphasis on the need for further economic diversification and re-engineering to tap into new sources of growth as many of the existing ones face serious long-term challenges. It addresses the emerging needs of the economy with the hope of moving it to a higher growth trajectory. The Economic Agenda provides for a major re-orientation of macro-economic and sectoral policies to create an environment conducive to increased investment and business growth. Significant progress has already been made in the implementation of the NEA. Implementation of the Sugar Sector Strategic Plan has progressed smoothly. The centralization process, whose objective is to reduce the number of sugar factories from 14 to 7-8 in 2008, is progressing well. Three factories have to-date been closed bringing the total down to 11, while two more factories are earmarked for closure over the next two years. The target for the first phase of the voluntary retirement scheme has also been attained with about 7,879 employees taking advantage of the scheme against payment of cash and land compensation. Mechanization is also ongoing. Weaknesses underlying the manufacturing sector have been identified and new approaches designed to restructure enterprises and promote vertical integration in textiles. The EPZ is encouraging investment in new technology, stimulating vertical integration and restructuring with a view to becoming more competitive.

3.2.2 The step taken by the Government to shift from the traditional line budgeting system, to the MTEF is also commendable. In order to prepare the MTEF, the Government has recruited a Lead Advisor who will assist in setting-up the institutional structures, developing local capacities and implementing the work plan. There are also sector consultants who will review policies, translate activities into programs, cost the programs and develop mechanisms for monitoring outcomes.

3.2.3 The Government is on course with the education reform. Ranking at the CPE examinations level has been abolished, access to secondary education is being increased through decentralization. The number of State Secondary Schools increased from 34 in 2000 to 63 in 2003. Consequently, admission to Form 1 almost doubled from 3700 in 2000 to 6600 in 2003. The Government is also currently in the process of reforming and modernizing the health sector

with a view to making it more adaptable to the requirements of the population and to address more effectively the new pattern of diseases (see para. 2.2.28).

3.2.4 The Government has undertaken several initiatives to target pockets of poverty in the country (see section 4). As Mauritius continues to grow in affluence, there is also a growing concern about impoverishment of vulnerable groups. However, there has been no consistent definition of vulnerability, and as a result, no consistent identification of the target groups. A UN Report showed that even though a number of projects have been implemented, their efficacy is yet to be demonstrated.¹¹

3.3 Challenges and Risks

3.3.1 The economy of Mauritius is facing three main challenges namely: (i) international competition; (ii) the necessity to further improve the overall business environment of the country to cope with the international pressures and (iii) the urgent need for the corporate re-engineering to deliver results in this new environment. In order to address these challenges, the Government has since the 2003-2004 budget been putting emphasizes on: (i) creating a more friendly business environment to stimulate private investment, growth and employment; (ii) speeding up the restructuring of key sectors to cope with the constantly evolving world trading and economic environment; (iii) providing opportunities for self enhancement and improved quality of life; and (iv) fostering a more inclusive society by focusing state assistance on the needy and vulnerable citizens.

3.3.2 Mauritius faces a number of risks in ensuring the success of its economic transformation efforts. First, the intensified competition from the international environment for its key pillars of development (sugar and textile) could further depress export prices. Second, the knowledge-based economy that is being envisioned can be seriously hampered if there is lack of adequate qualified professionals in the country in view of current limited high-level manpower. Skills upgrading therefore remains a major challenge to fulfill the requirements of the new economy. Third, the re-engineering process may worsen the already high unemployment rate, thus creating a period of jobless growth as more emphasis is placed on knowledge-intensive activities. This may further widen economic and social gaps, at least in the short run. Fourth, inability to contain the fiscal deficit could raise domestic indebtedness and crowd out the private sector.

3.4 2004 - 2006 External Financial Requirements

Consultations held with the Government during the CSP preparation and dialogue missions revealed that Mauritius would not have external financing gap for the next three years. Annex 11 shows residual resource availability of US\$240 million in 2004, US\$314.20 million in 2005 and US\$200.70 in 2006. The lack of financing gap notwithstanding, the Government has expressed its willingness to continue to seek the Bank's assistance in limited key areas, because of the policy advice and capacity building, which come with such assistance. The Government also called on the Bank to play more role in the area of private sector investment, the private sector being the key engine of growth in Mauritius.

¹¹ See United Nations: Millennium Development Goals Status Report, Mauritius, October 2002, page 12.

3.5 Strategic Partnership

Official development assistance to Mauritius has declined considerably since the 1990s due to the country's progress and much-improved access to the international capital market. There is thus no official aid coordination mechanism currently in place. Formerly, the responsibility for coordinating grant and technical assistance was vested in the defunct Ministry of Economic Development, Financial Services and Corporate Affairs, now merged with the Ministry of Finance and Economic Development (MFED). The Ministry used to prepare grant aid requests and their processing for technical assistance. To fill this gap, the UN Resident Coordinator initiated the preparation of a donors' profile of programs and projects in Mauritius in 2001. The profile is intended to be a device for better coordination among donors and an instrument to foster resource mobilization and partnership. Box 2 presents the current sectors of intervention and future areas of interest of Development Partners in Mauritius.

Box 2: Current Sectors of Interventions of Development Partners in Mauritius

Information Communications and Technology (ICT): India is the major partner of Mauritius in the area of ICT development. In this regard, India has given Mauritius a loan of US\$ 100 million for the construction of the Cyber Tower and is also involved in capacity building in the sector. Both the **UNDP** and the **World Bank** are supporting an ICT Incubator project. The **UNDP** has also been approached to support the formulation of a National ICT Strategy and Action Plan and also envisages preparing a National Human Development Report on ICT for Development. The current ADB strategy seeks an entry point into ICT development through support for private operators, including capacity building.

Infrastructure: In the Water and Sanitation sub-sector, an ongoing operation, the Plaines Wilhems Sewerage Project, is being co-financed by the **ADB** (UA 7.99 million), **European Union** (UA 19.28 million), **EIB** (UA 26.52 million), **Kuwait Fund** UA 7.62 million) and **China** (UA 13.73 million). Sanitation is also a major sector in the ninth **EU** 2002–2007 EDF accounting for 85% of the National Indicative Program. The Kuwaiti Fund has also been involved in water and sewerage and the energy sectors, while the ADB is financing an ongoing road project - the Southeastern Highway.

Social: Within the MTEF, the **World Bank** is supporting expenditure restructuring reforms starting with the education and training. To this end, The World Bank has approved a Public Expenditure Reform Loan of US\$ 40 million to Mauritius and capacity building is an integral part of this support. In the health sector, WHO is providing technical and financial support for Mauritius in five areas: (i) non-communicable diseases - surveillance, prevention and management; (ii) communicable diseases, especially HIV/AIDS – advocacy, technical support and policy; (iii) enhancement of health system performance; (iv) maternal and child health; and (v) reproductive health. The **ADB** also has an ongoing project (UA 16.6 million), in support of the implementation of the National Health Plan.

Finance: An ADB private sector line of credit (LoC) to the Commercial Bank of Mauritius (US\$ 100 million) approved in 2000 is ongoing.

Agriculture: Support for the Agriculture sector is ongoing from the **EU** eight EDF. The ADB has also appraised an agriculture project, the Northern Plains Irrigation, which is expected to be presented to the Board before the end of the year. FAO is currently assisting Mauritius to develop a national agriculture investment program, which also has a regional dimension.

Regional Cooperation and Integration: The Secretariat of the **Indian Ocean Commission** (IOC) is one of the organizations providing a platform for Mauritius in regional issues, for example HIV/AIDS. The IOC is also supporting the EPA negotiation process in three key areas: regional integration; coastal and marine resources; and monitoring, control and surveillance of the Exclusive Economic Zones.

Governance and Poverty Reduction Initiatives: Under the NEPAD Program, UNDP is collaborating with the AU, ADB and ECA on the African Peer Review Mechanism (APRM), for which Mauritius is one of the four pilot cases. India has also pledged US\$2million for NEPAD activities. On poverty reduction, the **UNDP** is supporting the preparation of a Sustainable Integrated Development Plan for Rodrigues and an action plan for its implementation. Also, the remaining 15% of **EU** ninth EDF is allocated to decentralized cooperation programs (channeled through NGOs) and SME development, aimed at poverty reduction and good governance. **UK's** development cooperation in Mauritius involves mainly poverty reduction, environment and good governance, for which limited funding is available for grass roots projects. Central funds in UK can also be accessed for these programs, but Mauritius faces competition from poorer countries in the region. **India** is involved in the areas of poverty, gender and SME development. Funding is also available from the **United States** Trade and Development Agency (USTDA) for feasibility studies provided US companies are potentially able to bid competitively for goods and services identified by the study. An **ADB** study on poverty, gender and social exclusion is also under preparation.

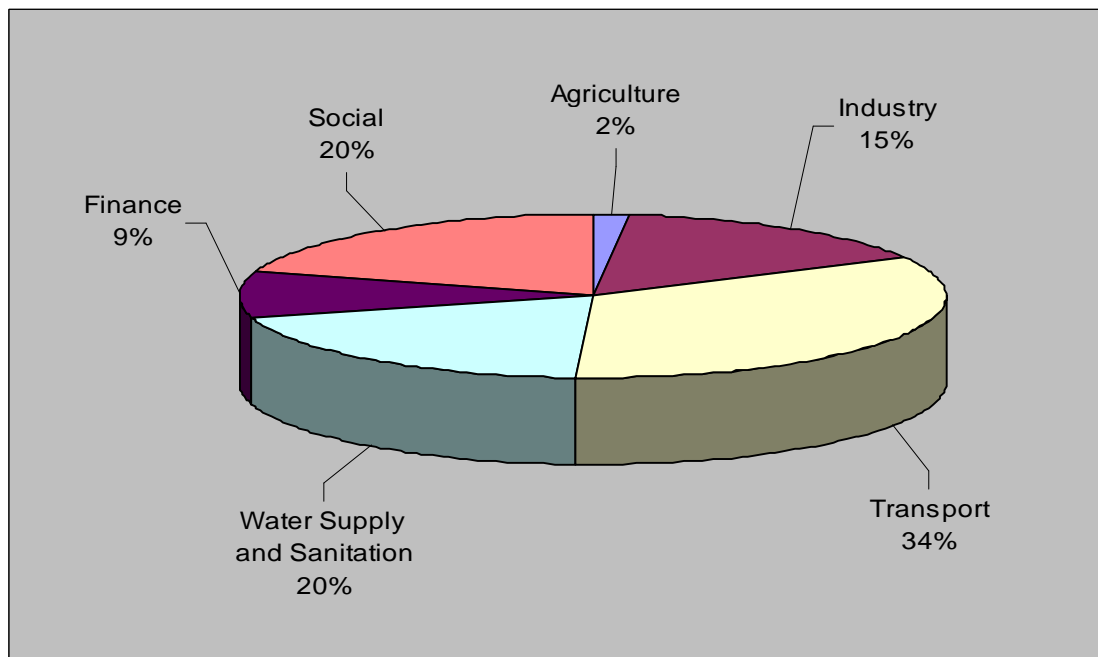
4. BANK GROUP STRATEGY

4.1 Bank Group Portfolio and Portfolio Management

4.1.1 The Bank Group commenced operations in the Republic of Mauritius in 1975. To date, it has approved 25 operations comprising 19 projects, 1 policy-based operation, 1 study and 4 lines of credit. As at 31 August 2004, total Bank Group commitments amounted to UA187.99 million. However, about 49 per cent of the total commitments were cancelled, resulting in net commitments of UA96.65 million, of which UA85.20 million is from ADB resources, UA7.98 million from NTF resources and UA 3.47 million from ADF resources. Total disbursements as at 31 August 2004 amounted to UA57.58 million, representing 59.6% of Bank Group commitments net of cancellations.

4.1.2 As figure 5 shows, the transport sector is the largest recipient of the Bank Group financing with a share of 34 %, followed by Water Supply and Sanitation (20%), Social (20%), Industry (16%) Finance (9%) and agriculture (2%). To date, 14 public sector projects have been completed, 8 cancelled and 3 are on going. Of the three ongoing projects, procurement actions are ongoing on two while the loan agreement of the third one has only recently been signed. Therefore, disbursements are yet to commence on all the three projects.

Figure 5: Bank Group Operation in Mauritius, by sector (1976-2004)



Source: African Development Bank.

4.1.3 As regards the private sector operations, the Bank has equity investments in the Infrastructure Fund (US\$50.00 million) and the Indian Ocean Regional Fund (US\$3.00 million). In addition, the Bank has provided a LoC to the Mauritian Commercial Bank (US\$100.00 million), which is ongoing but for which disbursement has been suspended pending the resolution of the irregularities uncovered at the MCB.

4.2 Assessment of the Previous Strategy

During the 2000–2002 period, the Bank’s strategy for Mauritius was geared at assisting the Government in easing the constraints in the infrastructure and social sectors with a view to ensuring sustainable development. In addition, the Bank also provided support for the private sector. The level of lending envisaged was in the range of UA100 million to UA150 million. The actual Bank’s commitment during the period was in line with this expectation. Three public sector operations amounting to UA39.46 million and a private sector loan amounting to USD100 million (equivalent to UA67.51 million) were approved. The public sector projects supported the Government’s investment programs aimed at easing the infrastructural bottlenecks in the transport, sanitation and social sectors. The three approved projects were the Southeastern Highway, Plaines Wilhems Sewerage, and Support to the National Health Plan. The lending objective was thus met and the risk of cancellations was mitigated by the effective marketing of the Bank’s new loan products and effective dialogue with the Government.

4.3 Bank Group Medium-Term Strategy

4.3.1 Context: The CSP is prepared through a wide-ranging consultative process (see box 3) and it is under-pinned by the Government development agenda, which would remain relevant during the CSP period. The analysis of Government development agenda points to the fact that Mauritius is turning to a new development paradigm centered on higher value-added activities and process re-engineering in order to meet new challenges facing the country (section 2.6) and maintain it on a sustained growth path. This strategy involves diversification into new production areas and continued upgrading of production processes in the traditional sectors to enhance efficiency gains. The Agenda also points to the need for technological upgrading, correction of the mismatch in the labor market, and modernization of economic infrastructure, which are essential for the efficient operation of the private sector, reduction of cost of doing business and enhanced competitiveness. Accordingly, the country is giving a high priority to the development of the ICT, re-engineering into high-value products and skills development to meet the requirements of the key sectors. Particular emphasis is being put on the upgrading of economic infrastructure (energy, transport, water supply and sanitation facilities) in order to prevent capacity and supply constraints that could further increase the cost of doing business.

4.3.2 The Strategy: Within this context, the Bank will continue to develop partnership with Mauritius in a few key areas bearing in mind the principles of selectivity, development effectiveness and donor collaboration. Therefore, the Bank’s assistance strategy in Mauritius during the period 2004-2008 would focus on assisting the country in addressing its emerging development challenges through support for private sector development (including ICT development) and the modernization of economic infrastructure essential for its diversification and re-engineering processes. This strategic focus is further elaborated upon below.

4.3.3 Promotion of private sector development: The private sector is the key engine of growth in Mauritius. Therefore, one critical area in which the Bank’s contribution to the Mauritian economy could have maximum value-added for growth and poverty reduction is support for private sector development. This point was emphasized at every level of the CSP consultative process. The Bank will therefore pro-actively explore private investment opportunities in key sectors of the economy such as financial services, tourism, manufacturing and SMEs. Furthermore, the Bank will continue to provide support to the Mauritian businesses seeking to expand their operations to other African countries, thereby promoting regional integration and south-south cooperation. The Bank will also seek to support the efforts of the

Government to develop Public-Private Partnerships to deliver infrastructure and services in Tertiary Education, Health, Transport, solid waste management, energy and ICT.

Box 3: Consultative Process for the Bank's Strategy

To ensure that the Bank's strategy has wide support, both the CSP preparation and dialogue mission held consultations with the various stakeholders. Three separate meetings enriched the consultative process during the CSP dialogue mission undertaken in July 2004. First, the mission had a joint working session with a cross section of government officials to review the draft CSP in detail and to secure their agreement on its content and strategic focus. Second, the mission met with the Chambers of Commerce on its perception of the investment climate in the country and potential areas where the Bank could meaningfully assist private investors in Mauritius. Third, to strengthen the Bank's aid coordination effort, the mission arranged, with the assistance of the UNDP, a joint meeting with the resident development partners in Mauritius to share the draft CSP with them and receive their comments and areas of intervention, as well as pro-actively seek collaboration and co-financing opportunities. During the consultations, Bank's initiatives on its middle-income countries (MICs) were highlighted namely, the single currency loan products including the local currency lending initiative, the Non-Sovereign Guarantee Loan (NSGL), the Budget Support Loan (BSL), and the MIC Trust Fund.

The meeting with development partners was particularly useful. The main issues emanating from the discussions centered on the need for donor collaboration in addressing the key challenges and constraints currently facing Mauritius. These include unemployment; increasing competition and loss of market access preferences for sugar and textile; the need for environmental sustainability; gender equality; pockets of poverty; growing urban traffic congestion; health problems, especially the high incidence of Non Communicable Diseases (NCDs) among the population (heart disease, cardiovascular diseases and diabetics) and the very low but sharply rising HIV/AIDS incidence since 2000; governance (APRM) in the context of NEPAD framework; ICT development and the need for capacity building and training to meet job market requirements; private sector/SME development; and regional integration. Each Development Partner highlighted its areas of intervention (see box 2) and most indicated the willingness to cooperate with the Bank in its areas of strategic focus. The representative of the USA Embassy indicated that the US Government is prepared to fund feasibility studies for public and private projects as long as American firms are free to compete in the ensuing projects.

Finally, the Bank and the Government identified a number of possible focal areas for Bank's interventions during the period 2004-2008 namely, the private sector development (including ICT) and infrastructure development in the agriculture and transport sectors. Possible non-lending activities were also identified in the areas of economic and sector work (ESW) namely, poverty and micro-finance studies; capacity building and training, especially for micro-enterprise operators; and policy advice in the context of the MTEF. In particular, the Government emphasized the importance of the Bank playing an active role in the country's private sector development effort, the private sector being the key engine of growth in Mauritius.

4.3.4 The Cyber Tower has been constructed with the loan from the Government of India and the Government has also launched the process of skills development in the ICT sector with own resources. Like in the other pillars of development in Mauritius, the strategy is for the Government to develop the infrastructure and leave direct operational activities to the private sector. To date, some 57 companies are providing ICT services, in the areas of call centers, BPO and software development. These and other potential private investors would, no doubt, require resources for investment and capacity building. This is a potential gap, which ADB support could help to fill. Apart from the general promotion of private sector development highlighted above, the Bank's strategy for ICT development would focus on investment and capacity building support for the private operators. To this end, the Bank's Private Sector Department's sensitization and project identification missions in Mauritius, will put particular emphasis on the ICT, so as to identify potential viable private investment opportunities in this respect, including opportunities for capacity building and skills development, possibly through public-private partnership. India has expressed an interest to collaborate with the Bank in the area of ICT capacity building.

4.3.5 Support for Infrastructure Development: The support for infrastructure development during the period would focus on two areas namely the expansion of irrigation infrastructure for the non-sugar agriculture sector and development of efficient transportation infrastructure:

- (i) **The expansion of irrigation infrastructure:** With the sugar industry encountering problems due to depressed prices and erosion of market access preferences, a large-scale agriculture diversification program is ongoing to enhance the production of new variety of crops and the quality of horticultural exports. To boost production, Government is expanding and modernizing the irrigation network and a Food Laboratory is to be set up to facilitate compliance with export quality requirements and enhance market access for the new products. The Bank's strategy in the agriculture sector will therefore focus on providing support for this diversification process through the expansion of irrigation infrastructure, especially in the Northern region of Mauritius, which is a water deficit area that suffers from recurrent droughts. The Bank would also provide institutional support to the Irrigation Authority and the Agricultural Research and Extension Unit. The development of irrigation facilities will thus enhance the productivity of the local farmers and their quality of life, thereby contributing to poverty reduction.
- (ii) **The Development of efficient transportation infrastructure:** Urban traffic congestion is a major problem, especially in Port Louis, and is affecting the cost of doing business since time is money. It has also become a major source of concern to both the Government and Development Partners alike. The objective of the Bank's strategy in the transport sector will be to provide support for the Government's transport management program aimed at relieving traffic congestion on the existing motorway. This would facilitate the reduction of vehicle operating costs, travel time costs and road maintenance costs. Thus, in the medium term, the Bank would collaborate with other partners in providing support for an urban transport management program.

4.4 Risks Associated with the Bank Group Strategy

4.4.1 One major risk, which has long been associated with the Bank's strategy in Mauritius in the past, and which is still relevant, is constant loan cancellations. It should, however, be noted that this risk was somehow mitigated during the last CSP period by the dialogue with the Government based on the competitiveness study and effective marketing of the new loan products. To further mitigate this risk, the study would be updated to provide the basis for further dialogue on portfolio management. Also, possible erosion of political support for the critical reform programs that the Government is implementing is another potential risk, given that 2005 is an election year. The strategy is formulated under the assumption that the Government will continue to implement necessary reforms to restructure the economy.

4.4.2 Furthermore, there may be the need for Mauritius to further extend its safety nets to address the needs of the newly unemployed, if Mauritius has to maintain the gains it has made in poverty reduction and this would have budgetary implications. The experience gained from the implementation of the sugar sector Voluntary Retirement Scheme shows that the government is handling these pressures quite well.

5. BANK GROUP ASSISTANCE PROGRAMME

5.1 Focus of the Assistance Program

In line with the proposed strategy outlined above, the 2004-2008 Bank's assistance program for Mauritius will combine lending and non-lending activities. In the short to medium term covering 2004-2005 (coinciding with the end of the Economic Agenda for the New Millennium), the assistance program would focus on infrastructure development in the agriculture and transport sectors while opportunities for private sector investments, including for ICT development, will also be explored. The non-lending activities would concentrate on ESW (focusing on poverty reduction) and continued dialogue on portfolio management. There will be a review of the strategy after 2005 to reflect possible shifts in government development agenda in its next development plan to further respond to emerging challenges.

5.2 Lending Activities

5.2.1 The Business Plan for the 2004-2005 Period: The business plan for this period would be modest, involving two possible operations: (i) The Northern Plains Irrigation Project and (ii) An Urban Traffic Management and Congestion Relief Program (which could include a light train transit system and/or by passes). The irrigation project is a top priority of the Government and was included in the 2004-2005 Budget. The project is also already being processed by the Bank. During the CSP consultative process, both the Government and the Development Partners also indicated the urgency of implementing a transport management program to relief the serious traffic congestion in Port Louis and the need for donor collaboration in the process. Resource requirements from the Bank for these two operations would be about UA 20 million. In addition, dialogue with the private sector would be intensified so as to identify possible viable operations, including ICT projects.

5.2.2 Longer-Term Prospects: In the longer term beyond 2005, there would be further investment opportunities. The Government is extending MTEF to five pilot sectors, which would require donor support. The Government is also in the process of finalizing an Agriculture Sector Investment Program, which would open up further investment opportunities for the Bank. The seafood hub, is also emerging as an industry that has great potential for further diversification of the economic base, and would also open up further investment opportunities in the agriculture/fisheries sector. The seafood hub would involve the development of a center for transshipment, processing, storage, distribution and re-exportation of high value-added seafood products. In the transport sector, three other potential projects have also been identified. These are the Phoenix-Beaux Songes Road project, the Belair Road Project and the East Coast Trunk Road. The feasibility studies on these projects have already been completed.

5.2.3 Country Risk-based Scenarios and Sustainable Lending Limits: Based on country risk assessment, the sustainable annual lending limits for Mauritius range from UA 183 million (for low case scenario) to UA 261million (for base-case scenario) and UA 380 million (for high case scenario). These are however theoretical available resources, which give an indication of the Bank's lending capacity to Mauritius, but they are completely unrelated to resource requirements by Mauritius from the Bank. They are therefore inappropriate to the case of Mauritius.

5.2.4 Proposed Lending Scenario for 2004-2008: Based on past experience of low level of borrowing by Mauritius from the Bank and the absence of external financing gap over the next three years (see section 3.4), a modest lending scenario is proposed for the period 2004-2008, subject to revision during the mid-term review after 2005. Even though there would be no

financing gap, the Government has indicated its willingness to continue to seek the Bank's assistance in limited key areas because of possible benefits, such as policy advice and capacity building, which could be derived from such assistance. In addition, the Government has urged the Bank to play an active role in the area of private sector investment, since the private sector is the key engine of growth in Mauritius.

5.2.5 From the consultations with the authorities, it is envisaged that the Bank could process five public sector operations over the five-year period, giving an average of one operation per year. These envisaged operations are two agriculture and two transport projects/programs and a policy-based operation in support of the MTEF. In addition, a few private sector operations are also envisaged, including LoCs to the financial intermediaries for SME development. The total possible public sector lending would be around UA 50 million, while private sector lending could range from UA 50 million to UA 100 million. Thus, the total lending envisaged during the five-year period would be in the range of UA 100 million to UA 150 million. This gives an average of UA 30 million per year.

5.2.6 *Lending Instruments and efforts needed to realize the proposed lending scenario:* For the envisaged private sector operations and two of the public sector operations (one agriculture and one transport), the lending instrument would be project lending. For the second envisaged operations in each of the two sectors (the transport management and the agriculture sector investment programs), the sector wide approach (SWAP), would be more appropriate, in view of their possible policy reforms and capacity building elements, as well as the need for close coordination of the donor interventions. For the policy-based operation in support of the MTEF, a direct budget support would be more appropriate given that Mauritius has a sound macroeconomic framework and high fiduciary standards. To ensure the success of both the SWAP and budget support operations, the Bank would have to launch ESW in areas necessary to enhance policy advice and capacity building for the programs. In the area of private sector investment, the Bank would need to take proactive measures to market its private sector facilities to the Mauritian entrepreneurs, if it is to take a good advantage of the significant private sector investment opportunities in the country.

5.2.7 *The Trigger Mechanism:* In view of the above, triggers appear irrelevant in extending the supply of investment resources to a country like Mauritius. This notwithstanding, however, the triggers that could determine Mauritius transition from one scenario to another, if necessary, would be measured by progress in three group of indicators: (i) macroeconomic framework, (ii) poverty and social exclusion, and (iii) portfolio management. Two indicators would be used to evaluate macroeconomic management, namely, the implementation progress of the MTEF and the level of budget deficit. Progress with reduction of poverty and social exclusion will be measured by the design and implementation of the action plan of the Bank's poverty, gender and social exclusion study. Portfolio management would be determined by avoidance of cancellations and increase in disbursement ratios on the on-going projects. These indicators are summarized in Table 5.1.

Table 5.1 Trigger Mechanisms

Trigger Criteria	Low Scenario	Base Scenario	High Scenario
Macroeconomic Framework			
(i) Implementation of the MTEF	MTEF process is abandoned.	Pilot case in one sector starting with the 2004/05 Budget.	MTEF extended to all five pilot sectors by 2007.
(ii) Budget Deficit	Sharp deterioration to 8% of GDP.	Maintained at about 5% of GDP	Reduced to 3% of GDP by 2006/07.
Poverty and Social Exclusion	Maintain status quo	Action Plan for implementing the outcome of the Bank's Study elaborated.	Implementation of Action Plan started.
Portfolio Performance			
(i) Loan Cancellation	One or more cancelled project.	No cancellation	No cancellation
(ii) Disbursement rate on ongoing projects	Less than 30% over the 2005 to 2007 period.	30-60% over the 2005-2007 period.	Above 60% over 2005-2007 period.

5.3 Non-Lending Activities

5.3.1 The non-lending activities will concentrate on ESW to facilitate policy advice and broaden the scope of the diversification agenda. One area of ESW agreed with the Government, and which is already ongoing, is the study on *Poverty, Gender and Social Exclusion*. The study is aimed at highlighting the links between poverty, gender and social exclusion in Mauritius, fill the existing gaps as regards better understanding of poverty and vulnerability in the country, analyze the dynamics of poverty and make recommendations on appropriate interventions aimed at addressing the identified issues. The study was launched in January 2004 and a stakeholders' workshop to review the draft report would be organized before the end of 2004. Both the Government and the development partners are eagerly awaiting the outcome of this important study. In particular, the UNDP expressed interest in collaborating with the Bank in the area of poverty reduction in the context of the MDGs.

5.3.2 Another area of ESW deemed essential by the Government for its diversification agenda is a micro-finance study given the role of SMEs in employment creation and poverty reduction. Discussions during the CSP dialogue mission revealed that SME operators are incapable of making effective business choices, leading to over-concentration of small businesses in the textile industry. The proposed study would, among others issues, analyze alternative micro-finance opportunities to enhance effective business choices, examine the training needs of small businesses and how best to deliver them, and evaluate the current micro-credit programs and make recommendations on an appropriate institutional framework, including the merit or otherwise of establishing a Dedicated

Institution for the implementation of micro-credit schemes. This study is an extension of the outcome of the Poverty, Gender and Social Exclusion Study.

5.3.3 The Bank undertook a competitiveness study on Mauritius in 2000, which has proved very useful in improving Bank's operations in the country. To further enhance portfolio management, this study would be updated. Also, the possibility of preparing a Country Governance Profile (CGP) for Mauritius was discussed with the Government during the CSP consultative process. The Government indicated that it has conducted several studies on Governance but is not opposed to the Bank undertaking an independent assessment of good governance situation in Mauritius. Apart from proposing possible areas of improvement, the Bank could also use it as a best practice case, in view of the good ratings Mauritius enjoys on good governance. However, since the APRM process is ongoing at the moment, both the Government and the Development Partners advised that the preparation of the CGP should await the outcome of the APRM, to avoid duplication of efforts.

5.4 Co-financing and Catalyzing External Resources

Within the limit of the low level of development assistance flows to Mauritius, the Bank would continue to seek co-financing opportunities. Of the three public sector operations financed during the previous CSP period, the Plaines Wilhems Sewerage Project was co-financed with the European Union, EIB, Kuwait Fund, and China. For the potential projects under the current CSP, the Northern Plaines Irrigation Project will be co-financed with BADEA, contributing UA3.92 million against the ADB's UA8.41 million. During the meeting with the Development Partners, possible areas of future collaboration were discussed, both in the areas of lending and non-lending activities (see Box 3).

5.5 Country Solvency and Bank Risks

Mauritius continues to have a good performance with the Bank and its key exposure and creditworthiness indicators portend a strong credit rating and debt-service capacity. The indicators are all projected to remain below the Bank's critical thresholds. Mauritius has a country exposure limit of 6% and the country is well within this limit with 1% projected share of the maximum sustainable portfolio in 2004 and 2005. Mauritius outlook also continues to be strongly positive, with the country rated very low risk (1), and scoring significantly higher than the overall African average.

5.6 Monitoring Outcomes

The indicators for monitoring outcomes are spelled out in the CSP Matrix in Annex 1. These include quantitative indicators on macroeconomic aggregates and project/program outcomes. The timeframes for the achievement of these targets are also indicated in the Matrix. During the mid-term review of the strategy, the implementation of the MTEF, aimed at linking expenditures to strategic priorities and intended outcomes, would provide additional monitoring indicators. In terms of post evaluation, the indicator of relevance would be the extent to which the strategy addresses the identified challenges of the country while that of efficacy could be judged by the attainment by the country of the macroeconomic indicators indicated in the matrix; as well as the relevance and the efficacy of the projects/programs undertaken in the specified sectors.

5.7 Areas Requiring Dialogue

5.7.1 Since a number of significant policy measures have already been taken and other Development Partners are already assisting the Government in dealing with issues pertaining to the unemployment, introduction of the MTEF, HIV/AIDS e.t.c, dialogue with the authorities by the Bank would be pursued in the following two areas: (i) poverty, gender and social exclusion; and (ii) portfolio management.

5.7.2 **Poverty, Gender and Social Exclusion:** The Bank plans to follow through the implementation of the recommendations emerging from the ongoing study on Poverty, Gender and Social Exclusion. This is expected to lead to the elaboration of an appropriate action plan for poverty reduction, gender and social inclusion.

5.7.3 **Portfolio Management:** There are disbursements so far on the three on going public sector operations, which were approved under the previous CSP due to delays in the project implementation start-up. The Support to National Health Plan is yet to disburse because the recruitment of staff for the project implementation unit is yet to be finalized. The start-up of the Southeastern Highway was delayed by the complaint by one of the bidders, which took time to be resolved through litigation. Now that the problem is over, procurement actions are ongoing. The loan agreement for the Plaines Wilhems Sewerage Project has only recently been signed, but disbursement on the loan would not start until late 2005 or early 2006, since some components of the EU project, currently under implementation, have to be completed first. Overall, dialogue with the Government in the area of portfolio management would focus on the speeding up of project implementation process (including the on-going LoC to MCB on which disbursement had been suspended) and the building of sound pipeline of projects/programs for future financing. The updating of the Bank's competitive study will facilitate this dialogue process.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Mauritius has a strong economic performance track record. The medium-term outlook is also encouraging but the new challenges facing the country are daunting because of the developments in the international arena. Accordingly, the Government is taking measures to re-energize the economy including, the vision to transform Mauritius into a Cyber Island and the re-engineering process. The Government is also implementing reforms in all sectors and is strengthening and modernizing the infrastructure.

6.2 Recommendations

The Board is requested to approve the 2004-2008 Bank's assistance strategy for Mauritius aimed at assisting the country in addressing its new development challenges, through support for private sector development (including ICT development); modernization of economic infrastructure necessary for the diversification and re-engineering processes; and support for the MTEF process. The Board is also invited to note the proposed lending program of UA 100-150 million for Mauritius over the period 2004-2008, for both public and private sector operations.

BANK GROUP OPERATIONS IN MAURITIUS
(UA Million)

PROJECT NAME	DATE APPROVED	DATE SIGNED	DATE EFFECTIVE	AMOUNT APPROVED			AMOUNT DISBURSED	%	AMOUNT CANCELLED	%	NET AMOUNT	STATUS
				ADB	ADF	NTF						
1. AGRICULTURE												
1. Northern Plains Irrigation	28-Aug-78	25-May-80	-	8.00	-	-	-	0%	8.00	100%	-	Cancelled
2. Flour Mill & Grain Storage	11-Dec-81	25-Feb-82	31-Dec-83	10.00	-	-	0.05	1%	9.95	100%	0.05	Cancelled
3. Rose Belle Sugar Rehabilitation	17-Jun-91	2-Aug-91	6-Nov-92	6.30	-	-	0.67	11%	4.68	74%	1.62	Completed
4. Farmers' Services Centers	13-Dec-93	24-Feb-95	-	-	-	2.00	-	0%	2.00	100%	-	Cancelled
Sector Sub-total				24.30	-	2.00	0.72	3%	24.63	94%	1.67	
2. INDUSTRY												
1. Industrial Sector Loan I	25-Mar-87	11-May-87	24-Sep-87	30.00	-	-	15.00	50%	15.00	50%	15.00	Cancelled
Sector Sub-total				30.00	-	-	15.00	50%	15.00	50%	15.00	
3. TRANSPORT												
1. First Highway	10-Feb-76	5-May-76	-	2.70	-	-	2.70	100%	-	0%	2.70	Completed
2. Roads - Bridges Rehabilitation	27-Mar-80	25-Jun-80	-	-	3.41	-	3.40	100%	0.01	0%	3.40	Completed
3. Grand River Northwest Bridge	24-Aug-82	18-Mar-83	31-Dec-83	-	-	3.30	2.88	87%	0.42	13%	2.88	Completed
4. Port Louis Road	22-Aug-84	25-Feb-85	7-Apr-86	4.18	-	-	4.17	100%	0.01	0%	4.17	Completed
5. Nouvelle - France Plaisance Road	19-May-87	2-Nov-87	4-Apr-89	6.52	-	-	4.65	71%	1.87	29%	4.65	Completed
6. Rose - Hill Reduit Roundabout	15-Dec-94	23-May-95	-	11.50	-	-	-	0%	11.50	100%	-	Cancelled
7. Southeastern Highway	8-Nov-00	19-Nov-01	-	14.87	-	-	-	0%	-	0%	14.87	Ongoing
Sector Sub-total				39.77	3.41	3.30	17.80	38%	13.81	30%	32.67	

4. WATER SUPPLY AND SANITATION												
1. Port Louis Water Supply I	18-Feb-75	2-Jul-75	-	4.00	-	-	4.00	100%	-	0%	4.00	Completed
2. Port Louis Sewerage	23-Feb-77	29-Apr-77	31-Dec-79	5.00	-	-	5.00	100%	-	0%	5.00	Completed
3. Port Louis Water Supply II (Suppl.)	8-Jun-78	20-Jun-78	-	1.60	-	-	1.60	100%	-	0%	1.60	Completed
4. Development of Waste Water	23-Feb-89	30-May-89	29-Oct-91	0.91	-	-	0.79	87%	0.12	13%	0.79	Completed
5. Plaines Wilhems Sewerage	6-Feb-02	-	-	7.99	-	-	-	0%	-	0%	7.99	
Sector Sub-total				19.50	-	-	11.39	58%	0.12	1%	19.38	
5. POWER SUPPLY												
1. Electricity Transmission	19-Nov-97	19-Feb-99	-	9.30	-	-	-	0%	9.30	100%	-	Cancelled
Sector Sub-total				9.30	-	-	-	0%	9.30	100%	-	
6. FINANCE												
1. First Line of Credit to DBM	16-Dec-75	5-Jan-76	31-Dec-76	2.00	-	-	2.00	100%	-	0%	2.00	Completed
2. Second Line of Credit to DBM	25-Feb-82	18-Feb-83	9-Jan-83	3.00	-	-	2.96	99%	0.04	1%	2.96	Completed
3. Third Line of Credit to DBM	23-Feb-88	2-Aug-88	31-Dec-89	5.00	-	-	3.93	79%	1.07	21%	3.93	Completed
4. Fourth Line of Credit to DBM	25-Nov-91	-	-	10.00	-	-	-	0%	10.00	100%	-	Cancelled
Sector Sub-total				20.00	-	-	8.89	44%	11.11	56%	8.89	
7. SOCIAL												
1. Education I	25-Dec-91	12-Jan-92	22-Feb-93	9.25	0.40	-	2.31	24%	7.21	75%	2.44	Completed
2. Regional Hospital & Training Center	23-Feb-94	26-Oct-94	-	10.16	-	-	-	0%	10.16	100%	-	Cancelled
3. Support to the National Health Plan	5-Dec-01	1-Aug-02	-	11.50	-	5.10	-	0%	-	0%	16.60	
Sector Sub-total				30.91	0.40	5.10	2.31	7%	17.37	55%	19.04	
Grand-total				173.78	3.81	10.40	56.11	30%	91.34	49%	96.65	

MAURITIUS – CSP 2004 – 2008 MATRIX

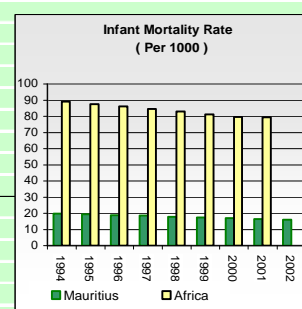
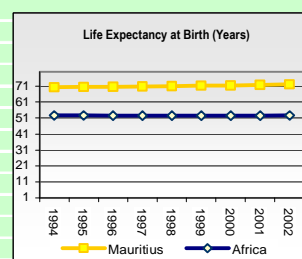
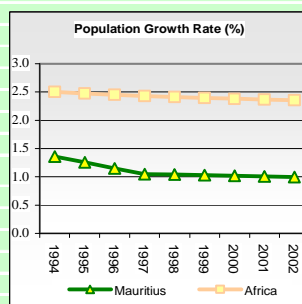
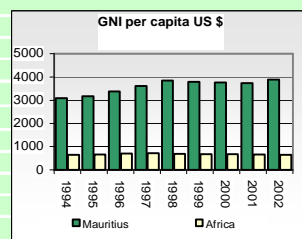
Vision/Theme/Sector/ Policy Reforms	Government Strategy and Measures	Bank Assistance Strategy: Overall Objectives and Goals	Bank Assistance Expected Results and Intermediate Outcomes	Critical Success Factors/Risks and Assumptions	Performance Risk Indicators and Results Measurement	Schedule of Implement ation	Bank Group Instruments		
							Project Lending	Policy based Loan	TA Grants and non- lending instruments
Macroeconomic Framework	GDP Growth Rate: maintained at about 5% annually by 2007. Fiscal deficit: Down to 3.5% of GDP by 2006/07 from 5.5% of GDP in 2003/04. Inflation: Contained at the current rate of 4% by 2006/07.	Collaboration with the IMF and the World Bank in policy dialogue on the MTEF.	Support for the MTEF process through possible Budget support incorporating capacity building for the MTEF process.	Government sustained interest in policy reforms	GDP Growth Rate: maintained at about 5% annually by 2007. Fiscal deficit: Down to 3.5% of GDP by 2006/07 from 5.5% of GDP in 2003/04. Inflation: Contained at the current rate of 4% by 2006/07.	Continuous		Possible Budget Support Loan	
Reduce Poverty	Existing Poverty alleviation Programs Development of Micro-finance	Increase the knowledge base on poverty, gender and social exclusion. Increase in knowledge base to enhance effective business choice.	Action Plan on Poverty, gender and social Exclusion. Design of Training Program for small entrepreneurs.	Implementation of action Plan for Poverty Reduction. Implementation of training program.	Enhanced knowledge base on poverty, gender and social exclusion. More effective small and medium scale business choices.	2004-2006 2005-2007			ESW ESW

<p>INFRASTRUCTURE DEVELOPMENT</p> <p>i) Irrigation</p>	<p>Expanding and modernizing the irrigation network to facilitate the production of high-value crops and horticultural exports.</p>	<p>Support for the expansion of irrigation infrastructure for the non-sugar agriculture sector in the northern region of Mauritius.</p> <p>Institutional support for the irrigation Authority and the Agricultural Research and Extension Unit.</p>	<p>1,800 farmers benefit from new system</p> <p>Improvement in farmers knowledge and yields on land</p>	<p>Amendment of the Irrigation Authority Act to give it explicit borrowing power</p>	<p>1,800 farmers benefit from new system</p> <p>Improvement in farmers knowledge and yields on land</p>	<p>2004-2005</p>	<p>Phase II of the Northern Plains Irrigation Improvement Project</p>		
<p>(ii) Water and sanitation</p>	<p>Increase in the connection to the national sewer from the current rate of 22% in 2004 to 50% by 2009.</p>	<p>support for sewerage infrastructure development.</p>	<p>Increase in the connection to the national sewer from the current rate of 22% in 2004 to 50% by 2009.</p>	<p>Successful completion of the ongoing sewerage project.</p>	<p>Increase in the connection to the national sewer from the current rate of 22% in 2004 to 50% by 2009.</p>	<p>2008-2009</p>	<p>Possible follow-up loan.</p>		
<p>(iii) Transport</p>	<p>Improved Traffic management to relief urban traffic congestion.</p>	<p>Support for the government traffic management program.</p>	<p>Improved urban Traffic management.</p>		<p>Improved urban Traffic management</p>	<p>2005-2007</p>	<p>Project loan.</p>		
<p>Information and Communications Technology</p>	<p>Transforming Mauritius into a high-tech, knowledge economy</p>	<p>Support for private operators and capacity building in the ICT sector.</p>	<p>Approval of loans for private ICT operations.</p>	<p>Effective project identification process initiated.</p>	<p>Approved loans for ICT development to the private operators.</p>	<p>2005-2009</p>	<p>Private sector loan</p>		<p>Grant for capacity building</p>
<p>Private Sector</p>	<p>Private sector and SME development.</p>	<p>Support for private sector and SME development.</p>	<p>LoCs to the banking sector and other private sector loans.</p>	<p>Effective sensitization program by OPSD.</p>	<p>Approved private sector loans</p>	<p>2005-2009</p>	<p>Private sector loan</p>		

Mauritius

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Mauritius	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		2	30 061	80 976	54 658
Total Population (millions)	2002	1.2	831.0	5,024.6	1,200.3
Urban Population (% of Total)	2002	40.8	38.6	43.1	78.0
Population Density (per Km ²)	2002	593.1	27.6	60.6	22.9
GNI per Capita (US \$)	2002	3 900	650	1 154	26 214
Labor Force Participation - Total (%)	2002	44.0	43.1	45.6	54.6
Labor Force Participation - Female (%)	2002	33.3	33.8	39.7	44.9
Gender -Related Development Index Value	2001	0.770	0.484	0.655	0.905
Human Develop. Index (Rank among 174 countries)	2001	62	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	1995	...	46.7	23.0	20.0
Demographic Indicators					
Population Growth Rate - Total (%)	2002	1.0	2.2	1.7	0.6
Population Growth Rate - Urban (%)	2002	1.6	3.9	2.9	0.5
Population < 15 years (%)	2002	25.5	43.2	32.4	18.0
Population >= 65 years (%)	2002	6.3	3.3	5.1	14.3
Dependency Ratio (%)	2002	46.2	86.6	61.1	48.3
Sex Ratio (per 100 female)	2002	98.8	98.9	103.3	94.7
Female Population 15-49 years (% of total population)	2000	...	24.0	26.9	25.4
Life Expectancy at Birth - Total (years)	2002	72.0	50.6	62.0	78.0
Life Expectancy at Birth - Female (years)	2002	75.8	51.7	66.3	79.3
Crude Birth Rate (per 1,000)	2002	16.2	37.3	24.0	12.0
Crude Death Rate (per 1,000)	2002	6.7	15.3	8.4	10.3
Infant Mortality Rate (per 1,000)	2002	16.0	81.9	60.9	7.5
Child Mortality Rate (per 1,000)	2002	18.0	135.6	79.8	10.2
Maternal Mortality Rate (per 100,000)	1995	112	641	440	13
Total Fertility Rate (per woman)	2002	2.0	4.9	2.8	1.7
Women Using Contraception (%)	1995	75.0	40.0	59.0	74.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1995	86.6	57.6	78.0	287.0
Nurses (per 100,000 people)	1995	232.9	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1994	97.0	38.0	56.0	99.0
Access to Safe Water (% of Population)	2000	100.0	60.3	78.0	100.0
Access to Health Services (% of Population)	1991	99.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2000	99.0	60.5	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2001	0.1	5.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2000	13.8	198.0	144.0	11.0
Child Immunization Against Tuberculosis (%)	2001	89.0	76.4	82.0	93.0
Child Immunization Against Measles (%)	2001	90.0	67.7	73.0	90.0
Underweight Children (% of children under 5 years)	1995	14.9	25.9	31.0	...
Daily Calorie Supply per Capita	2001	2 995	2 444	2 675	3 285
Public Expenditure on Health (as % of GDP)	1998	1.8	3.3	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2000	109.0	89.2	91.0	102.3
Primary School - Female	2000	108.6	83.7	105.0	102.0
Secondary School - Total	2000	77.0	40.8	88.0	99.5
Secondary School - Female	2000	75.0	38.2	45.8	100.8
Primary School Female Teaching Staff (% of Total)	1998	53.0	49.9	51.0	82.0
Adult Illiteracy Rate - Total (%)	2002	14.8	37.9	26.6	1.2
Adult Illiteracy Rate - Male (%)	2002	11.7	29.2	19.0	0.8
Adult Illiteracy Rate - Female (%)	2002	17.8	46.4	34.2	1.6
Percentage of GDP Spent on Education	1998	4.0	3.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2002	49.3	6.2	9.9	11.6
Annual Rate of Deforestation (%)	1990-95	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1990	2.0	4.0
Per Capita CO2 Emissions (metric tons)	1998	1.5	1.1	1.9	12.3



Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable ; ... Data Not Available.

MDGs STATUS AT A GLANCE

Goals/Targets	Will the Goal/Target be Met				State of Support Environment			
	Probably	Potentially	Unlikely	No data	Strong	Fair	Weak but Improving	Weak
Extreme Poverty Halve the proportion of people living in below the national poverty line by 2015		X					X	
HIV/AIDS Halt and reverse the spread of HIV/AIDS by 2015		X				X		
Hunger Halve the proportion of underweight five-year olds by 2015	X					X		
Basic Amenities Halve, by 2015, the proportion of people without access to safe drinking water.	X				X			
Universal Primary Education Achieve universal primary education by 2015.	X				X			
Gender Equality ¹² Achieve equal access for boys and girls to primary and secondary schooling by 2005	X		X			X	X	
Maternal Health Reduce maternal mortality ratio by three-quarters by 2015.	X							
Environmental Sustainability Reverse loss of environmental resources by 2015	X				X			
Develop a Global Partnership for Development Make available the benefits of new technologies, esp. ICT.	X				X			

Source: United Nations: Millennium Development Goals Status Report, 2002

Mauritius October 2002.

¹² While equal access for boys and girls to primary and secondary schooling will probably be met, it is unlikely that gender equality with respect to all indicators will be achieved.

MAURITIUS
Selected Macroeconomic Indicators, 2000 – 2003

	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Real Economy (%)					
Real GDP	2.7	7.6	4.3	2.7	4.4
CPI (period average)	5.3	4.4	6.4	5.1	3.9
Unemployment Rate (in %)	7.7	8.8	9.1	9.7	10.6
Gross National Savings (% of GDP)	25.8	28.5	27.3	25.1	25.2
Gross Domestic Investment (% of GDP)	23.5	22.6	22.1	23.9	23.5
Public Finance (% of GDP) - fiscal year ended June					
Total Revenue and Grants	20.9	18.2	18.4	20.3	20.9
Overall Expenditure	24.7	23.9	24.4	26.5	26.4
<i>Primary Fiscal Balance*</i>	-0.4	-1.3	-2.6	-1.9	-1.5
Overall Fiscal Balance	-3.8	-5.7	-5.9	-6.2	-5.6
Money, Interest Rate and Exchange Rate					
M2/GDP (%)	79.5	79.7	83.4	83.7	83.5
Change in Broad Money (M2) in %	10.9	9.9	13.0	11.7	9.6
Domestic Credit (annual change in %)	12.9	10.4	7.8	5.3	5.2
Interest Rate (in %)	11.0	11.1	10.6	9.0	7.0
Nominal Exchange Rate (1 USD in LCU) average	26.3	29.1	29.9	28.4	26.5
Change in Real Effective Exchange Rate (1995= 100)	5.7	2.7	-1.9	-1.0	...
Balance of Payments (in % of GDP)					
Exports of Goods	34.2	36.0	38.6	34.5	33.1
Imports of Goods	42.7	40.7	42.5	39.3	37.3
Balance of Goods	-8.5	-4.7	-3.9	-4.8	-4.3
External Current Account Balance	-1.6	3.4	5.4	2.6	2.7
International Reserves (in months of imports)	4.1	5.0	5.4	6.9	7.5
Public Debt (5 of GDP)					
Total Public Debt	65.8	64.4	70.5	80.5	72.8
Domestic Debt	40.3	42.0	48.7	61.2	55.0
Total External Debt Stock (EDT)	25.5	22.4	21.8	19.3	17.8
External Debt Service (% of Goods and Non Factor Services)	7.9	9.8	8.4	8.2	6.0

Source (s): National Accounts Estimates (2000-2003), December 2003 Issue, Central Statistics Office; Monthly Statistical Bulletin, Bank of Mauritius; 2004 IMF Article IV Consultation Report

* Overall Central Government Balance, excluding interest payments

MAURITIUS
Gross Domestic Product at current prices, 2000 – 2004
(R million)

	2000	2001	2002	2003	2004
	Actual	Actual	Revised Estimate	Revised Estimate	Forecast
Agriculture, hunting, forestry and fishing	7,144	8,469	7,928	8,546	9,385
Sugarcane	3,742	4,646	4,102	4,517	5,215
Other	3,402	3,823	3,826	4,029	4,170
Mining and quarrying	142	150	75	80	85
Manufacturing	24,702	27,423	28,277	29,402	30,935
Sugar	840	1,436	1,268	1,395	1,610
E.P.Z products	12,523	13,681	13,600	13,447	13,575
Other	11,339	12,306	13,409	14,560	15,750
Electricity, gas and water supply	1,820	2,634	3,012	3,453	3,605
Construction	6,225	6,540	7,319	8,384	9,125
Wholesale & retail trade; repair of motor vehicles, motorcycles and personal and household goods	13,009	13,745	14,715	15,825	17,050
Wholesale and retail trade	12,464	13,125	14,000	15,000	16,100
Other	545	620	715	825	950
Hotels and restaurants	5,860	7,430	7,550	7,990	8,600
Transport, storage and communications	13,577	15,124	16,894	18,845	21,085
Financial intermediation	9,556	11,473	11,890	13,627	15,640
Insurance	2,400	2,851	3,251	3,750	4,325
Other (mainly banking including offshore)	7,156	8,622	8,639	9,877	11,315
Real estate, renting and business activities	9,372	10,499	11,727	13,118	14,700
Owner occupied dwellings	4,672	5,034	5,406	5,805	6,220
Other	4,700	5,465	6,321	7,313	8,480
Public administration and defense; compulsory social security	7,000	7,455	8,118	9,315	10,485
Education	4,833	5,224	5,746	6,493	7,380
Health and social work	3,032	3,311	3,730	4,314	4,905
Other community, social and personal service activities and private households with employed persons	3,952	4,407	4,871	5,464	6,145
FISIM	-5,707	-6,290	-6,900	-7,650	-8,480
Gross Domestic Product at basic prices	104,517	117,594	124,952	137,206	150,645
Taxes on products (net of subsidies)	14,977	14,498	16,951	19,700	22,000
Gross Domestic Product at market prices	119,494	132,092	141,903	156,906	172,645

SOURCE: Central Statistics Office

MAURITIUS
Gross Domestic Product at constant 1992 prices, 1999 – 2003

	2000	2001	2002	2003	2004
	Actual	Actual	Revised Estimate	Revised Estimate	Forecast
Agriculture, hunting, forestry and fishing	5,147	5,516	4,771	4,887	5,281
Sugarcane	2,639	2,900	2,341	2,413	2,785
Other	2,508	2,616	2,430	2,474	2,496
Mining and quarrying	102	105	53	54	56
	15,60				
Manufacturing	9	16,341	15,880	15,914	16,229
Sugar	1,193	1,311	1,058	1,091	1,259
E.P.Z products	7,891	8,238	7,744	7,434	7,285
Other	6,525	6,792	7,078	7,389	7,685
Electricity, gas and water	2,133	2,372	2,427	2,565	2,722
Construction	4,276	4,341	4,670	5,142	5,384
Wholesale & retail trade; repair of motor vehicles, motor cycles, personal and household goods	8,317	8,582	8,855	9,138	9,431
Wholesale and retail trade	8,020	8,261	8,509	8,764	9,027
Other	297	321	346	374	404
Hotels and restaurants	3,801	3,839	3,962	4,080	4,301
Transport, storage and communication	9,199	10,018	10,679	11,352	12,158
Financial intermediation	4,703	5,222	5,331	5,716	6,137
Insurance	1,233	1,356	1,465	1,572	1,686
Other	3,470	3,866	3,866	4,144	4,451
Real estate, renting and business activities	6,156	6,559	6,968	7,398	7,880
Owner occupied dwellings	3,334	3,454	3,565	3,679	3,789
Other	2,822	3,105	3,403	3,719	4,091
Public administration and defense; compulsory social security	3,768	3,926	4,169	4,370	4,588
Education	2,727	2,853	3,038	3,190	3,404
Health and social work	1,668	1,765	1,915	2,039	2,170
Other services	2,186	2,341	2,481	2,662	2,875
FISIM	-2,726	-2,917	-3,077	-3,250	-3,432
	67,06				
Gross Domestic Product at basic prices	6	70,863	72,122	75,257	79,184
Taxes on products net of subsidies	9,312	9,545	9,831	10,225	10,736
	76,37				
Gross Domestic Product at market prices	8	80,408	81,953	85,482	89,920
<i>Annual growth rates (fixed base index - constant 1992)</i>	<i>9.9</i>	<i>5.7</i>	<i>1.8</i>	<i>4.3</i>	<i>5.2</i>

Source: Central Statistics Office

MAURITIUS
Public Finance, 1990/00 - 2003/04
(in Million Rupees)

	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Provisional	Estimate
Total Revenue and Grants	23,500	22,809	25,270	30,298	33,401
Tax revenue	20,613	20,190	21,519	25,879	28,814
Non tax revenue	2,726	2,421	3,435	4,056	3,985
External Grants	161	199	317	363	602
Total Expenditure and Net Lending	27,811	31,088	33,569	39,533	42,558
Current Expenditure	23,379	26,435	27,881	31,538	34,709
Capital Expenditure and Net Lending	4,432	4,652	5,688	7,995	7,849
Overall balance after Grants	-4,311	-8,278	-8,299	-9,235	-9,157
Financing			8,299	9,235	9,157
External (net)			1,030.1	86.7	(55)
Disbursement			1,737.9	922.9	827
Amortization			(707.8)	(836.2)	(882)
Domestic			7,268.7	9,148.0	9,212
Banking system (net)			1,401.7	2,496.1	12,000
Non bank			4,805.6	6,802.8	(2,800)
Others			1,061.4	(150.9)	12
			(Annual changes in percent)		
Total revenue and grants	10.2	-2.9	10.8	19.9	5.4
Total expenditure and net lending	8.2	11.8	8.0	17.8	-24.2
			(In percent of GDP)		
Total revenue and grants	20.9	18.2	18.4	20.3	20.9
<i>of which: tax revenue</i>	18.0	16.3	15.7	17.4	17.8
Total expenditure and net lending	24.7	23.9	24.4	26.5	26.4
current expenditure	20.8	20.1	20.2	21.1	21.6
capital expenditure and net lending	3.9	3.8	4.2	5.4	4.8
Overall balance after grants	-3.8	-5.7	-5.91	-6.2	-5.6
GDP at Current Market Prices	114,325	123,556	136,816	149,418	165,800

Source: Ministry of Finance

MAURITIUS
MONETARY SURVEY (1999 - 2003)
(In millions of Mauritian Rupees, end period)

	1999	2000	2001	2002	2003
Foreign Assets (net)	25,545.20	33,027.70	35,211.40	43,466.50	48,052.10
Domestic Credit	81,007.60	84,842.50	97,900.00	104,378.80	114,818.70
Net Claims on Central Government	17,696.70	13,632.70	19,509.00	19,985.90	26,072.10
Claims on Private Sector	62,520.70	70,569.60	77,891.50	83,976.70	88,424.20
Claims on Category 2 Banks	283.80	283.80	283.80	360.80	306.60
Claims on non-Bank Deposit Taking Institutions	506.40	356.40	215.70	55.40	15.80
Total Assets	106,552.80	117,870.20	133,111.40	147,845.30	162,870.80
Aggregate Monetary Resources (M2)	86,898.70	94,989.80	105,269.00	118,385.00	131,299.40
Money Supply (M1)	12,004.00	13,300.70	15,453.50	18,158.70	20,402.80
Quasi Money	74,894.70	81,689.10	89,815.50	100,226.30	110,896.60
Other items (net)	19,654.10	22,880.60	27,842.30	29,460.30	31,571.40
Total Liabilities	106,552.80	117,870.40	133,111.30	147,845.30	162,870.80

Source: Bank of Mauritius

MAURITIUS
Balance of Payments, 1999 – 2003
(in millions of Rupees)

	1999	2000	2001	2002	2003
Current Account:	-3,128	-899	8,038	7,455	3,581
Goods and Services					
Goods and nfs	-5,321	-2,122	5,681	4,805	2,858
Goods					
C(i). Merchandise (net): C-D	-12,912	-10,117	-6,205	-5,502	-7,548
Exports (fob)	40,025	40,882	47,511	54,762	54,164
Imports (fob)	-52,937	-50,999	-53,716	-60,264	-61,712
C(ii). Non Monetary Gold	-151	-84	-131	-125	-142
Services (net)	7,742	8,079	12,017	10,432	10,548
D(i). Transportation	-1,193	-997	-745	-380	-1,820
D(ii). Travel	8,956	9,471	12,397	12,205	13,562
D(iii). Other Services	-21	-395	365	-1,393	-1,194
<i>Private</i>	74	-129	563	-1,255	-510
<i>Government</i>	-95	-266	-198	-138	-684
Income (net)	-417	-437	393	295	-821
E (i). Direct Investment Income	-98	-188	-80	-729	-896
E (ii). Other Investment	-319	-249	473	1,024	75
Current Transfers (net)	2,610	1,660	1,964	2,355	1,544
F (i). Private	2,338	1,473	1,861	2,056	1,048
F (ii). Government	272	187	103	299	496
Capital and Financial Account	-268	737	-5,792	-6,292	-3,528
Capital Account (net)	-12	-16	-40	-58	-22
H (i). Capital Transfers	-12	-16	-40	-58	-22
<i>Migrant Transfers</i>	-12	-16	-40	-58	-22
Financial Account (net)	-256	753	-5,752	-6,234	-3,506
Financial A/c (Exclu Reserves)	4,547	7,168	-7,066	3,645	2,699
I (ia). Direct Investment	1,081	6,932	-830	793	1,874
I (ib). Portfolio Investment	1,112	-3,695	-563	-522	-499
I (ic). Other Investment	2,354	3,931	-5,673	3,374	1,324
<i>General Govt (long term)</i>	-288	-598	-3,341	1,047	-237
<i>Other Sectors (long term)</i>	1,031	632	-1,473	-3,168	-2,377
<i>Banks</i>	-1,341	-1,067	-1,805	2,142	601
<i>Other Sectors (short term)</i>	2,952	4,964	946	3,353	3,337
<i>Use of Fund credit</i>					
Reserve Assets	-4,803	-6,415	1,314	-9,879	-6,205
<i>Foreign Exchange</i>	-4,768	-6,379	1,353	-10,192	-5,898
J. Net Errors and Omissions	3,396	162	-2,246	-1,163	-53

Source: Bank of Mauritius

MAURITIUS: EXTERNAL FINANCING REQUIREMENTS
in US\$ Million

	2004	2005	2006
A. Available resources	380.00	447.60	332.00
Current Account (excl. Official transfers)	155.60	106.80	95.60
Loans	69.60	20.40	20.40
Grants	20.40	0.00	0.00
Increase in net Official Reserves	110.80	132.80	74.60
Direct Investment	23.60	20.00	18.00
B. External Financing Requirements	139.40	133.40	131.30
Scheduled Amortization	139.40	133.40	131.30
IMF Repayments	0.00	0.00	0.00
Payment of Arrears	0.00	0.00	0.00
C. Net Resource Availability/Gap (A-B)	240.00	314.20	200.70
D. Debt Rescheduling and Cancellation	0.00	0.00	0.00
E. Residual Resources/Gap (C-D)	240.00	314.20	200.70

Source: African Development Bank and Ministry of Finance

MAURITIUS
Medium-Term Projections, 2003/04-2007/08

	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008
National Income and Prices (Annual Changes)					
Real GDP	4.4	4.8	3.8	4.0	4.1
CPI (period average)	3.9	4.0	4.0	4.0	4.0
GDP deflator	5.0	4.0	4.0	4.0	4.0
External Sector (in US dollars terms)					
Exports, f.o.b	9.4	-2.3	-1.3	0.3	1.2
Imports, f.o.b	11.3	-1.1	2.7	3.7	3.9
Central Government Budget (in % of GDP)					
Revenue and grants	20.9	19.7	20.1	19.9	2.0
Of which: tax revenue	17.8	18.1	18.1	17.9	18.1
Expenditure and net lending	26.4	24.4	23.6	22.5	22.0
Current Balance (including grants)	-0.3	-1.1	-0.2	-0.3	-0.3
Overall Balance (including grants)	-5.5	-4.7	-3.5	-2.5	-2.0
Total Public Debt (in % of GDP)	72.8	71.5	69.7	67.0	65.5
Gross Domestic Investments (in % of GDP)	23.5	25.2	25.9	25.8	26.0
Public	8.4	5.7	5.6	4.1	3.3
Private	15.1	19.5	20.3	21.7	22.6
Gross Domestic Savings (in % of GDP)	25.5	26.4	26.2	25.4	24.9
Public	-0.2	-0.9	0.0	-0.1	-0.1
Private	25.3	27.2	26.2	25.5	25.0
External Sector					
External Current Account Balance (in % of GDP)	2.6	2.5	1.8	1.0	0.4
Net International Reserves of the Bank of Mauritius (in US Dollars)	1,549	1,682	1,757	1,795	1,788
In months of prospective Imports	7.5	7.9	8.0	7.9	7.5

Source (s): IMF: 2004 Article IV Consultation Report

Annex

MAURITIUS - 2004-2008 COUNTRY STRATEGY PAPER

CORRIGENDUM

1. Executive Summary

Paragraph 2.2: The sentence “inflation has been curtailed at one-digit figure” should read “inflation has been curtailed **to** one-digit figure”

2. Main document

Paragraph 2.2.2: The sentence “inflation has been curtailed at one-digit figure” should read “inflation has been curtailed **to** one-digit figure”

Paragraph 2.2.3: The first part of the paragraph should read “The strong real GDP growth performance was largely due to relatively high savings and investment rates, with the savings rates exceeding the investment **rates** for the past five consecutive years (1999/00-2003/04). In addition, reference to Figure 1 in the paragraph should be **Figure 2**.”

Paragraph 2.2.4: The first sentence should read “However, the EPZ, which recorded a negative growth rate for the second consecutive year in 2003/04, would continue to face difficulties when the Multi-Fibre Agreement is phased out in **December 2004**, leading to loss of trade preferences for the textile industry”.

Paragraph 2.2.17: The second sentence should read “Tourism is an important source of employment, providing jobs for 22,261 people by March 2003, which represents about **17%** of the total workforce.”

Paragraph 2.2.28: The last but one sentence should read “To **nip** the problem in the bud, the Government has designed the National Strategic HIV/AIDS Plan (2001-2005) to combat the pandemic”.

Paragraph 2.3.3: The first sentence should read “Mauritius has a liberal private sector business climate, **however**, delays in granting business licenses and work permits still need to be addressed.”

Paragraph 2.4.2: The third sentence should read “The 2003 Human Development Report (HDR), ranked Mauritius 62nd among 175 countries and indicated a Human Development Index (HDI) of 0.779”.

Paragraph 2.4.3: Footnote 7 should read “The thrusts of the strategy are to widen access to land, employee participation, equal opportunities in employment, promotion of entrepreneurship, SMEs development and its access to finance and infrastructure, **and** support for cooperative societies”.

Paragraph 2.5.12: The third sentence should read “However, as Mauritius faces increasing international competition in its key pillars of development (especially sugar and textile) and erosion of market access preferences, it is increasingly turning to regional organizations such as SADC and COMESA”.

Paragraph 2.7.1: The second sentence should read “The overall budget deficit is forecast to decline gradually from 5.6% in 2003/04 to 2.0% in 2007/08”.

Paragraph 5.7.3: The first sentence should read “There are **no** disbursements so far on two ongoing public sector operations, which were approved under the previous CSP due to delays in the project implementation start-up”.

Annex 12: The figure for revenue and grants for the year 2007/2008 should be **20%** of GDP and not 2% of GDP. Annex 4: A revised version is attached.

MDGs Status at Glance

Goals/Targets	Will the Goal/Target be Met				State of Support Environment			
	Probably	Potentially	Unlikely	No data	Strong	Fair	Weak but Improving	Weak
Extreme Poverty Halve the proportion of people living in below the national poverty line by 2015		x					x	
HIV/AIDS Halt and reverse the spread of HIV/AIDS by 2015		x				x		
Hunger Halve the proportion of underweight five-year olds by 2015	x					x		
Basic Amenities Halve, by 2015, the proportion of people without access to safe drinking water.	x				x			
Universal Primary Education Achieve universal primary education by 2015.	x				x			
Gender Equality ¹ Achieve equal access for boys and girls to primary and secondary schooling by 2005	x		x				x	
Maternal Health Reduce maternal mortality ratio by three-quarters by 2015.	x					x		
Child Mortality Reduce under-five mortality by two-thirds by 2015	x				x			
Environmental Sustainability Reverse loss of environmental resources by 2015		x			x			
Develop a Global Partnership for Development Make available the benefits of new technologies, esp. ICT.	x				x			

Source: United Nations: Millennium Development Goals Status Report, 2002

Mauritius October 2002

¹ While equal access for boys and girls to primary and secondary schooling will probably be met, it is unlikely that gender equality with respect to all indicators will be achieved.