



<b>1. Project Data:</b>		<b>Date Posted :</b> 05/13/2003	
<b>PROJ ID:</b> P075070		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Mauritius: Public Expenditure Reform Loan	<b>Project Costs (US\$M)</b>	40	40
<b>Country:</b> Mauritius	<b>Loan/Credit (US\$M)</b>	40	40
<b>Sector(s):</b> Board: PS - General education sector (25%), Other social services (25%), Central government administration (24%), Oil and gas (13%), General transportation sector (13%)	<b>Cofinancing (US\$M)</b>	0	0
<b>L/C Number:</b> L7115; LP392			
	<b>Board Approval (FY)</b>		02
<b>Partners involved :</b>	<b>Closing Date</b>	09/30/2002	09/30/2002

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

To support Government's New Economic Agenda which aims to maintain the country's growth performance and improve welfare in an inclusive way by facilitating the transition of Mauritius into a high -income high-tech service economy in the next 5 years by strengthening the private sector, investing in people, protecting the environment, and modernizing economic management.

**b. Components**

(1) Education and Training: Design an education reform and obtain public support for that reform, and make the necessary infrastructure, curriculum and institutional changes to support the reform . (2) Poverty alleviation and pensions: (a) develop a comprehensive approach to poverty alleviation and to expeditiously provide assistance to the island of Rodrigues, and (b) Complete background work for a strategy to reform the national pension scheme . (3) Environment and Transport: (a) obtain limited cost recovery in wastewater management, and (b) make important decisions on transport to alleviate congestion on Mauritius' main urban corridor . (4) Economic Management: (a) stabilize the economy, and (b) define a course for improved public expenditure management over the medium term, (c) promote private sector development.

**c. Comments on Project Cost, Financing and Dates**

The project cost US\$40 million financed by a US\$40 million IBRD loan. This one tranche project was approved by the Board on May 7, 2002, declared effective on May 23, 2002, and closed on September 30, 2002 on schedule.

**3. Achievement of Relevant Objectives:**

(1) Education and Training: (a) government decided to extend compulsory education from 6 to 11 years to be implemented by 2005, (b) new examination system introduced for primary schools based on grades instead of ranking, (c) primary education curriculum has been largely revised, 300 teachers hired and trained to teach information technology, and (d) Development and implementation of a Medium-Term Education Financing plan, and (e) A budget of Rs. 40 million was allocated to 27 low-performing schools for infrastructure improvement, teacher incentives, and student transportation. (2) Poverty Alleviation: (a) Budget Law for FY 2001/02 allocated more than Rs. 1 billion for island of Rodrigues, and (b) a review was initiated of the impact of the 10 largest welfare programs. (3) Environment: (a) Wastewater Management Authority Act was enacted, (b) tendering process initiated for multiple-criteria analysis for the selection of the most appropriate alternative mode of transport for the Port Louis-Curepipe corridor, and (c) a feasibility study was completed for a landfill extension . (4) Economic Management: (a) Finance Act raised VAT from 10 to 12 percent, (b) domestic petroleum prices adjusted to reflect market rates, (c) government decided to establish high level committee for development of MTEF and an action plan produced by consultants (although it has not yet been approved by government), (d) The Information and Communication Technology authority for regulating telecommunications sector was established, and is expected to provide licenses to operate mobile lines in the near future, and (e) the Telecommunications sector was completely

liberalized in January 2003, one year ahead of schedule .

**4. Significant Outcomes/Impacts:**

The increase in compulsory education could be a watershed in the country's development, but needs to be supported with budget resources, which have suffered substantial shortfalls . The increase in the VAT seems to be an important step to stabilization, projected to yield resources equivalent to 0.9 percent of GDP . The complete liberalization of the telecommunications sector should have an important impact on private sector development .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

The reprioritization of government expenditures within the social sectors did not materialize as expected . Capital expenditure in the health sector forged ahead despite the fact that the Health Sector White Paper had not been approved by the government . The increased budget allocation for education for 2002 was not implemented, and school construction lagged . An action plan to reform the national pension scheme was not completed . However, a lead advisor was appointed to complete the action plan . Tariff rate increases for wastewater have not been implemented as foreseen . The new procurement legislation not yet enacted,

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	This project is quite wide-ranging, and outcomes range from exceeding expectations to no progress . A few key outcomes such as the increase in compulsory education, VAT increases, petroleum price adjustment, and liberalization of the telecommunications sector warrant a moderately satisfactory outcome rating, despite a number of significant shortfalls listed in section 5 above.
<b>Institutional Dev .:</b>	Substantial	Substantial	The increase in compulsory primary school education is likely to have a substantial impact on the use of human resources, and with the change in institutional arrangements in telecommunications and other sectors warrant a rating for IDI of "substantial".
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

1. Program support operations such as PERLs face trade-offs between focus and responsiveness . This PERL was apparently quite responsive to Government proposals, but ended up as a fairly wide -ranging operation . The fact that only 7 of the 15 milestones reported in Table A.1.3 were achieved as anticipated shows that the project may have been too ambitious . 2. Ensuring a good match between implementation of reforms specified in an adjustment operation and supporting studies for further reforms may require a separate TA loan . The government noted that TA is difficult to find and faces "inevitable delays". In fact, a TA operation could have preceded the PERL and with that head start the results of studies and reports could have been better aligned with the operational needs of the reform and some of the slippages noted above could have been reduced . (See also Annex 10 for a number of examples of such slippages.) 3. A CAS can and should in many cases be a useful monitoring device for an adjustment program . In this case, the government's preparation of a policy matrix for the CAS was an important step in preparing and then implementing the reform program supported by the PERL .

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The project was wide-ranging with many components, and was therefore difficult to capture in an ICR . However, the ICR covers this complex project adequately .