Report Number : ICRR13971

IEG ICR Review

Independent Evaluation Group

1. Project Data :		Date Posted : 10/23/2012		
Country :	Mauritius			
	Is this Review for a Programmatic Series?		● Yes ○ No	
	How many operations were planned for the series?		3	
	How many were approved?		4	
Series ID :	S116608			
First Project ID :	P101570		Appraisal	Actual
Project Name :	Mauritius Development Policy Loan	Project Costs (US$M):	$30M	$30M
L/C Number :	L7416	Loan/Credit (US$M):	$30M	$30M
Sector Board :	Economic Policy	Cofinancing (US$M):		
Cofinanciers :		Board Approval Date :		01/12/2006
		Closing Date :	12/31/2006	12/31/2006
Sector(s):	Central government administration (41%); General industry and trade sector (41%); Other social services (12%); Information technology (6%)			
Theme(s):	Export development and competitiveness (29% - P); Public expenditure; financial management and procurement (29% - P); Micro; Small and Medium Enterprise support (14% - S); Regulation and competition policy (14% - S); Tax policy and administration (14% - S)			
Second Project ID :	P106650		Appraisal	Actual
Project Name :	Mauritius Second Development Policy Loan (fy08)	Project Costs (US$M):	$30M	$30M
L/C Number :	L4889	Loan/Credit (US$M):	$30M	$30M
Sector Board :	Economic Policy	Cofinancing (US$M):		
		Board Approval Date :		02/28/2008
Cofinancers :		Closing Date :	12/31/2008	12/31/2008
Sector(s):	Central government administration (41%), General industry and trade sector (34%), General education sector (17%), General water sanitation and flood protection sector (8%)			
Theme(s):	Export development and competitiveness (25% - P), Public expenditure, financial management and procurement (25% - P), Regulation and competition policy (24% - P), Education for the knowledge economy (13% - S), Improving labor markets (13% - S)			
Third Project ID :	P112369		Appraisal	Actual
Project Name :	Mauritius Third Development Policy Loan	Project Costs (US$M):	$100M	$100M
L/C Number :	L7679	Loan/Credit (US$M):	$100M	$100M
Sector Board :	Economic Policy	Cofinancing (US$M):		
		Board Approval Date :		03/31/2009
Cofinancers :		Closing Date :	12/31/2011	12/31/2011
Sector(s):	Central government administration (45%), General industry and trade sector (30%), General education sector (15%), General water sanitation and flood protection sector (5%), Power (5%)			
Theme(s):	Administrative and civil service reform (27% - S), Public expenditure, financial management			

	and procurement (19% - S), Education for the knowledge economy (18% - S), Export development and competitiveness (18% - P), Debt management and fiscal sustainability (18%)			
Fourth Project ID :	P116608		Appraisal	Actual
Project Name :	Mauritius Fourth Development Policy Loan	Project Costs (US$M):	$50M	$50M
L/C Number :		Loan/Credit (US$M):	$50M	$50M
Sector Board :	Economic Policy	Cofinancing (US$M):		
		Board Approval Date :		11/12/2009
Cofinancers :		Closing Date :	12/31/2011	12/31/2011
Sector(s):	Central government administration (43%), General industry and trade sector (29%), General finance sector (14%), Information technology (14%)			
Theme(s):	Regulation and competition policy (33%), Vulnerability assessment and monitoring (22%), Export development and competitiveness (22% - P), Macroeconomic management (12% - P), Public expenditure, financial management and procurement (11%)			
Evaluator :	Panel Reviewer :	ICR Review Coordinator :	Group :	
Ismail Dalla	Robert Mark Lacey	Navin Girishankar	IEGPS2	

2. Project Objectives and Components:

a. Objectives:

According to the Program Document, the objective of the program was to support comprehensive structural reforms that respond to two major challenges: (i) the trade shock due to erosion of trade preference (ending of Multi-fiber Agreement) and high oil prices and (ii) the transition from low wage, low skill sugar and apparel exporter to innovative, knowledge and skill based services economy .

The reform program was anchored in four pillars: (i) consolidating fiscal performance and improving public sector efficiency; (ii) improving trade competitiveness; (iii) improving the investment climate; and (iv) democratizing the economy through participation, social inclusion and sustainability (Development Policy Letter 1, para. 34, Nov 14, 2006), and was supported by a series of four DPLs.

This ICRR uses this overall objective set out in the Program Document, and assesses relevance and efficacy in relation to the four pillars stated above.

b. If this is a single DPL operation (not part of a series), were the project objectives/ key associated outcome targets revised during implementation?

No

c. Policy Areas:

Each of the four DPLs covered the four policy areas, which correspond to the program objective, pillars, and performance evaluation framework stated above. These four policy areas are discussed below.

I. Consolidating fiscal performance and improving public sector efficiency : This first policy area sought to improve fiscal performance and reduce the level of debt as a percentage of GDP through less borrowing and improvement in debt management. The DPLs supported the government in adopting a Medium Term Expenditure Framework to implement Program Based Budgeting (PBB) to increase predictability of resource envelopes for planning purposes and to upgrade its financial management information system . In order to contain debt, the government imposed fiscal rules in the budget of 2006/07 which stipulated that government should borrow only for investment and not for recurrent expenditures and that the level of public debt to GDP should decline. The Bank through its Treasury Department provided technical assistance to the government in debt management. This led to the enactment and proclamation of the Public Debt Management Act of 2008, which limits the Borrower's public sector debt to a maximum of 60-percent of gross domestic product and provides for public sector debt reduction to 50-percent by the end of 2013 (DPL 3).

II, Enhancing trade competitiveness : Industries in Mauritius servicing the domestic market were not competitive

and were highly protected. The cost of information technology was very high compared to other countries and process innovation was not encouraged. Under this policy area, the Bank supported the government's program of drastically reducing tariffs and opening up the domestic economy to foreign direct investment. Several policy measures were taken to deregulate the Information Technology and Communications (ITC) industry to reduce cost and improve efficiency. Mauritius faced ineffective regulation, anti-export biased policy distortions, red tape and discretionary interventions, which impacted negatively on trade competitiveness, thereby impeding flow of resources to growth sectors. Small Medium Enterprises (SMEs) were also promoted and given access to finance and other resources to foster their growth.

III, Improving the investment climate : Under this policy area, the DPL series aimed to improve the investment climate in Mauritius to enable the country to attract foreign capital and talent. Reform programs addressed major bottlenecks which included shortage of skilled workers, rigidity in regulation on entry of foreign workers, an inflexible labor market, poor linkage between wage setting to productivity, poor infrastructures and ineffective bureaucracy. The program provided technical assistance to the government in some of these areas.

IV, Democratizing the economy through participation, social inclusion and sustainability. This policy area focused on helping Mauritius make better use of existing human capital, create job opportunities, empower people through active labor market programs, and provide adequate social safety nets for the vulnerable. To soften the impact of trade and labor market reforms on its population, the government introduced an empowerment program to address the following: (i) land for social housing; (ii) land for small entrepreneurs; (iii) a workfare program emphasizing training and re-skilling; (iv) special programs for unemployed women; (v) tourist villages; (vi) assistance for outsourcing; and (vii) support for development of new entrepreneurs and SMEs. The government has been largely successful in these areas except for the special programs for unemployed women.

The four DPLs included 25 result indicators (see table below). However, four macroeconomic indicators (GDP growth, unemployment rate, total number employed and FDI as % of GDP) were not related to specific policy actions. Out of the remaining 21 indicators, 17 were fully met and three were substantially met. Only one indicator, special program for unemployed women, was not met.

Indicators by Components	Completed	Partially/ Substantially Completed	Not Completed	Total
I. Consolidate fiscal performance and improve public sector efficiency	3			3
II. Improve trade competitiveness	2	1		3
III. Improve investment climate	9	1		10
IV. Democratize the economy through participation, social inclusion, & sustainability	9	1	1	6
Total	17	3	1	21
Macro indicators (not related to policy actions)				4

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Financing: Total financing of this series (4 loans) amounted to US$210 million. Initially the series consisted of three operations of US$30 million each. However, to respond to the unexpected fiscal impact on the government from the financial crisis of 2008, the Bank increased the amount for the third operation to US$ 100 million with a Deferred Drawdown Option. A fourth loan of US$ 50 million was added to this series to continue supporting the reform program.

Dates: The first loan was approved in January 2006, became effective on January 31, 2007 and closed on December 31, 2006. The second loan was approved on February 28, 2008, became effective on May 29, 2008

and was closed on December 31, 2008. The third loan of US$100 million was approved on March 31, 2009, became effective on May 22, 2009 and closed on December 31, 2011. The fourth loan of US$50 million ($20 million higher than planned in the Country Partnership Strategy) was approved on September 21, 2009, became effective on January 28, 2010 and closed on December 31, 2011.

Other Donors: In addition to the Bank, three other donors (European Commission, Agence Française de Développement and African Development Bank (AfDB) are active in Mauritius. In 2009, the AfDB approved a three-year budget support operation of US$700 million. The first tranche of US$200 million was disbursed in 2009. The second tranche of US$300 million was disbursed by June 2010 and third tranche of US$200 million was disbursed in June 2011. The Bank worked closely with AfDB in preparing their respective operations.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

IEG Rating: High. The objectives of the DPL series were highly relevant in 2006 and remain so today. The main objective of the Country Partnership Strategy (2006) was to help the government deal with short-term trade shocks and the transition to a more competitive and sophisticated economy, and was centered on the four pillars of the government's strategy. They are consistent with the 2006 and 2011 Country Partnership Strategies and the reform programs of the government as set out in the Presidential Address to the Nation (2010-2015) in 2010. The continuing relevance of the four pillars of the program is reflected in the Country Partnership Strategy Progress Report (2011).

b. Relevance of Design:

IEG Rating: High. There was a clear linkage and causal chain between the specific policy measures supported by the DPLs and the intended attainment of their objectives. The first DPL (2006) focused on key measures to tackle major constraints. The subsequent DPLs built on these measures and expanded the scope to associated areas. Under the first DPL, the focus was on reducing primary spending and tax expenditures to control the spiral of deficits and rising debt. In this connection, the Mauritius Revenue Authority was strengthened. The first phase of tariff reform was introduced and expanded under the subsequent DPLs. Tariff reform was adopted to increase price competitiveness of exports. To improve the investment climate, several key measures were introduced to simplify and streamline business registration, merging building and land use permits, simplification of issuance of development permits and trade licenses. To minimize the impact of the reforms on the affected groups, the government introduced the Empowerment Program with a budget of MUR 5.0 billion (US$ 156 million) over 5 years. Several key legislation were passed during 2006-2011 to remove regulatory impediments that were hindering competitiveness and to create new institutions that were needed to enable effective functioning of the transformed economy.

4. Achievement of Objectives (Efficacy):

IEG rates the achievement of the program's overall objective -- ***to support the comprehensive structural reforms which respond to two major challenges : (i) the trade shock due to erosion of trade preference (ending of Multi-fiber Agreement) and high oil prices and (ii) the transition from low wage, low skill sugar and apparel exporter to innovative, knowledge and skill based services economy*** -- as **substantial**. The implementation of the reform program was successful and most outcome targets were met or exceeded. Momentum for reform was high throughout the program. Notwithstanding external shocks from 2008 global financial crisis and the on-going Euro zone crisis, the government has been able to maintain macroeconomic stability and stayed the course of reforms. Economic activity did slow down during the crisis period but government was able to deal with the crisis because of the fiscal space created by undertaking the necessary fiscal reforms and improved debt management. The policy actions supported by the program were critical in achieving the project objective. Mauritius has succeeded in transforming itself from a low wage, low skill economy to an innovative and skill based economy. The success of the reform program can be attributed to (i) continued strong commitment by the government to the reform program, (ii) soundness of background analysis, (iii) flexibility in adapting to changing global market condition and (iv) ability to manage risks that were identified during the appraisal stage. The reform agenda had the political backing at the highest level, and consultations with stakeholders were thorough. The private sector was kept well informed of the relevance of policy changes. Government's ownership throughout this series grew as key government officials gained more capacity and

understanding of the necessity for the reforms, and built confidence to discuss policy changes with the Bank .

Achievement of specific objectives is discussed below .

Objective 1: Consolidating fiscal performance and improving public sector efficiency . The main objective of this reform was to improve fiscal and debt conditions and to contain current expenditures . Measures were taken to stabilize revenue and reduce expenditure. (**Prior actions supported by the DPL series included passing of legislation to abolish ministerial discretion over tax and duty exemptions, building capacity at the Mauritius Revenue Authority (MRA) to strengthen tax administration, reducing primary spending and enacting and applying the Public Debt Management Act**).

- ***Fiscal performance and debt condition*** . On the revenue side, a number of policy changes in the tax system were introduced to stabilize revenue above 19% of GDP. Discretionary power to grant preferential import duty rates at ministerial level were abolished and tax administration was strengthened . Personal income tax was simplified by consolidating allowances and exemptions into a single general exemption set based on household income. The objective of raising revenue was achieved, and revenue as a percentage of GDP stabilized above 19 percent during the course of the program and rose to 21.3 percent in 2011. The objective of containing recurrent expenditure was to be achieved by annual cuts in primary spending by an additional 0.5% each year. The aim was to reduce debt to GDP ratio below the 68.8 percent (the 2006 level). In 2007, the government took a decisive step to cut primary spending by 2 percent of GDP, far exceeding the target of 0.5 percent envisaged. Lower government spending along with strong GDP performance led to a reduction of debt-to-GDP ratio from 69.2 percent of GDP in 2006 to 57.5 percent of GDP in 2011. In 2008, the government established a Debt Management Unit and adopted a debt management strategy . The Debt Management Act of 2008 was passed in the same year. The reforms implemented helped the government build fiscal buffers and weather the impact of the financial crisis by introducing a stimulus package of Rs 10.4 billion. The target on primary spending was not reached by the end of the operation due to use of public funds to stimulate the economy during the crisis period.
- ***State Enterprises .*** To improve public sector efficiency, the program supported the preparation of sector strategies, implementation (on a pilot basis) of performance management system, and preparation and implementation of reform plan for five state owned enterprises. The implementation of the performance management system was piloted within the Civil Service Ministry. Implementation of the action plans produced to address the challenges faced by the five government owned companies have been slow due to politically sensitivity.

IEG assesses the efficacy of the first objective as **high.**

Objective 2: Enhancing trade competitiveness

The Government's objective in this area was to transform Mauritius into an open, globally connected, low tax, business friendly country (duty free island). This was to be achieved through enhancement in trade competitiveness by (i) reducing anti-export bias that impedes private investment in internationally competitive activities; (ii) revitalizing existing sectors to raise productivity and release resources for higher productivity sectors and (iii) facilitating development of export sectors through reducing costs and making selected public investments. (**Phased tariff reduction by cutting top ad valorem rate from 65 to 30 percent, reducing number of top rated tariff lines and reducing average tariffs by 2 percent were prior actions supported by this program**).

- ***Tariff Reforms .*** During 2006-2010, the government aggressively implemented this reform. The number of tariff lines with zero rated tariffs increased from 74 percent in 2006 to 87 percent in 2010. In 2012 the Government abolished duties on a further 80 tariff lines (0.64% percent of total tariff lines). The authorities planned to eliminate tariffs on 95 percent of tariff lines. However, this was unrealistic to achieve, as analyses were not undertaken to assess the negative impacts of tariff reductions on domestic producers . There were no accompanying policies to mitigate this impact, nor were producers given enough lead -time to accommodate the policy changes. To counteract these effects, the government allocated budgetary resources in 2007/08 to support local firms in strengthening their capacity in product innovation, marketing and export promotion . Besides elimination of tariffs for 87 percent of tariff lines, the highest tariff band was also reduced from 60 percent to 30 percent. In 2005/06, 13 percent of tariff lines were subject to a tariff rate of 30 per cent or above and this reduced to 1 percent in 2010.
- ***Non-tariff barriers .*** In addition to tariff reforms, the government also took action to remove regulatory impediments that were holding back trade competitiveness. The government set up a permanent regulatory review committee (the Non-Tariff Barriers (NTB) Review Committee). The responsibility of the Committee was to: (i) define the general principles of regulatory reform based on international best practice and to ensure that these are applied consistently across line ministries and departments; (ii) review all new and important

existing regulations; (iii) oversee the introduction of regulatory impact analysis as a key tool across the government; (iv) facilitate the intra-ministry coordination that is essential to address a wide range of the regulatory constraints, including duplication of requirements; and (v) encourage and assist the roll out of Information and Communications Technology solutions for trade facilitation across ministries and agencies. This committee effectively served as a platform for private sector to voice their complaints. The reforms include revamping of business regulations, streamlining of Non-Tariff Measures (NTMs), and promoting services trade. Government actions to reduce air transport costs by liberalizing air access has partially contributed towards the increased in number of tourist arrivals in the country from 0.78 million in 2005/06 to close to 1 million in 2011.

To boost exports, a common regulatory regime across all sectors of the economy was introduced and measures to improve international connectivity were undertaken. The distinction between EPZs and non-EPZ producers was eliminated and the incentive regimes for EPZ and non-EPZ firms have been unified, for example by setting all corporate taxes at 15 percent. Anti-labor bias in the tax system was eliminated by removing a 25 percent investment tax credit, and the application process for licenses and permits streamlined to emphasize more on ex-ante approvals of business registration rather than ex-post verification of safety and health standards.

- ***Information and Communication Technology (ICT).*** Amendments were made to the Information and Communication and Technologies Act that contributed to substantial increase in ICT-enabled business. The share of the ICT sector as a percentage of GDP has increased from 5.4 percent in 2007 to 6.4 percent in 2010, in accordance with the target. The international internet bandwidth has increased from 123 Mbps in 2006 to 1864 Mbps in 2010. Thanks to these measures, Mauritius has made significant progress in transitioning from a low wage, low skill economy to an innovative and skill based economy. For example, the country experienced a high real growth rate for the ICT sector (above 13 percent in 2009 and 2010). The value added of the ICT sector in 2010 was 14.1 percent higher than in 2009. Exports of ICT goods, including re-export rose by 68.1 percent in 2010 and exports of ICT services increased by 21.6 percent in the same year. Employment in the ICT sector increased by 3.7 percent in 2010. The ICT Development Index (IDI) which measures countries' progress towards becoming information societies improved to 4.03 in 2010 from 3.83 in 2009, and Mauritius is ranked second among African countries after Seychelles (ICR).
- ***Exports.*** The target for the indicator 'increase exports as a share of GDP' to 60% was not achieved in 2009 as exports suffered considerably from the global crisis and exports /GDP ratio fell to 47 percent. However, exports rebounded in 2010 and 2011. The export to GDP ratio increased to 50% in 210 and 53.4 in 2011.

IEG assesses the efficacy of the second objective as **high.**

Objective 3: Improving the investment climate

- ***Doing Business Indicators.*** The main goal of the government under this objective was to improve the investment environment by revising the regulations and streamlining unnecessary processes that were hindering investments. To achieve this objective, the government adopted several measures to: (i) facilitate investment; (ii) increase labor market flexibility; and (iii) attract skilled foreign workers. With a rank of 20 in the Ease of Doing Business indicators, Mauritius is one of the best-ranked African countries. Several Doing Business Indicators (number of days to start business, number of days it takes to enforce commercial contracts, public credit registry, and number of days spent dealing with construction permits, and difficulty in firing index) were included in the program with specific targets. All targets related to these indicators were achieved. The enhanced investment environment contributed to the increase in Foreign Direct Investment from Rupee 2.8 billion in 2006 to more than Rupee 12 billion in 2010.

  To facilitate doing business by streamlining registration practices, the Business Facilitation (Miscellaneous Provisions) Act was approved in 2006. It included a wide range of measures to expedite business registration, amending and abrogating several laws. The Act made the Registrar of Companies a one-stop shop for entrepreneurs, and changed the role of the Board of Investment from granting discretionary approvals for investment projects to facilitation. It also relaxed restrictions on granting work and residency permits. The number of registered companies increased from 29,330 in 2007 to 33,002 in 2011, an increase of around 12 percent. A Competition Commission was established to prevent anti-competitive behavior. The Commission has broad powers to intervene and correct the situation through fines and /or other punitive measures.
- ***Skilled labor.*** The problem of shortage in skilled labor was partially resolved by easing the entry of foreign workers in the labor market by (i) creating a single occupational permit; (ii) combining residency and work permits; and (iii) legalizing conversion of tourist to business visas. With the promulgation of the Employment Rights Act (2008), a "flexi-security" scheme was introduced to increase labor market efficiency by strengthening worker protection rather than jobs. To reduce employee resistance to necessary structural changes in the labor market, the scheme provides for a maximum of twelve months of transitional assistance to employees who wish to seek job replacements, undergo training to improve their skills, or start a small business with financial assistance from government. In 2010, a productivity linked wage increase program

was also introduced to replace the existing consumer price index linked wage program .

IEG assesses the efficacy of the third objective as **high.**

Objective 4: Democratizing the economy through participation, social inclusion, & sustainability

The program supported reforms to shield the vulnerable from negative impacts of the transition towards higher value added services and to provide opportunities to improve inclusion . The government's objectives in this area were to enhance opportunities for education and (re)training, to protect the vulnerable by providing social support to the truly needy, and to implement a comprehensive strategy for poverty alleviation .

The authorities have pursued a number of policy actions to ensure that opportunities are available to as many Mauritians as possible while fundamental economic changes would take place . Under DPL 1, the government introduced the Empowerment Program with the objectives of: (i) providing placement, training and skill enhancement for the unemployed; (ii) supporting entrepreneurship and small and medium enterprise (SME) competitiveness through financial and technical assistance; (iii) advancing social housing and development amongst poor families and (iv) supporting older unemployed women. The Empowerment Program oversees a wide range of initiatives, of which the main one is the Placement Program . It also oversees placement and training for women displaced from textile sector. The number of trained workers under the Program has increased from 821 in 2007 to over 12,000 by end 2011. The number of displaced women placed in jobs increased from 45 in 2008/09 to over 200 by the end of 2011, although this was well below the target of 600. The government has also set up the Mauritius Business Growth Scheme to promote growth of SMEs . Fifty-eight companies had benefited from this scheme by the end of 2011.

IEG assesses the efficacy of the fourth objective as **modest.**

Overall macroeconomic performance, Mauritius' economy has performed relatively well since 2008. In 2009, the GDP grew at a rate of 3% and by 4.1% in 2010 and 2011. The IMF's growth projections for GDP in 2012 is 3.7% due to the impact of the continuing crisis in Europe, the major market for Mauritius 's exports and tourism (2012 Article 4). The Mauritiuan economy has become more resilient, and the country has been able to build up foreign exchange reserves (equivalent to 4.4 months of imports of goods and services) to deal with global volatility. The level of debt as percentage of GDP has remained within the limit of 60%. The financial sector remains sound, and the country's banks banks have passed stress tests recently carried out by the IMF (2012 Article 4). In 2011, the current account deficit rose to 10 percent of GDP. However, this deficit was more than covered by portfolio inflows and official loan disbursements . The major downside risk for Mauritius is its heavy dependency on the global economy, especially Europe . Potential spillovers to Mauritius from the recession in Europe could materialize through reduced tourism, trade, and foreign direct investment flows .

5. Efficiency (not applicable to DPLs):

6. Outcome:

Relevance of objectives and design for the DPL series was assessed as high . The DPL series also substantially achieved its overall stated goal, as also made significant achievements in the four policy areas including fiscal consolidation and reforms (high), trade competitiveness (high), investment climate (high), and to a lesser extent, social inclusion and sustainability (modest). These reforms were undertaken in a difficult international economic climate -- a testament to strong government ownership . As a result, the economy continues to grow and has become more resilient (see section 4).

The outcome is rated **highly satisfactory .**

a. Outcome Rating : Highly Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Three **risks** were identified during the appraisal stage of the operations and mitigating measures were proposed . These were related to the ability of the Government to keep up the momentum of the reforms, maintaining macroeconomic stability and addressing capacity constraints . The government has thus far demonstrated its ability and commitment to continue to carry out necessary reforms to transform its economy . Therefore, this risk is **moderate.** Mauritius's success is recognized by international rating agencies and it is currently rated as

investment grade. Mauritius also has a well functioning financial system. Since Mauritius is highly dependent on exports of goods and services, especially to Europe (about 70 percent), economic risks related to the on-going European crisis are substantial. However, Mauritius was able to cope with the 2008 crisis and therefore this risk is considered to be moderate. Political risk affecting development outcomes is low given that the country has been politically stable over an extended period.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The DPL series was designed on the basis of the analytical work undertaken prior to the preparation of the first operation and other Analytic and Advisory Activities (AAAs) carried out during the implementation of subsequent operations. The main underpinning analytical study which informed the reform program was the **Aid for Trade** piece that the Bank completed in 2006. Throughout the series, the operations benefitted from **the Investment Climate Assessment in 2009**, a study on the social protection system of the country, a **Public Expenditure and Financial Accountability Review in 2007** and work on private sector development by the annual **Doing Business Surveys** .

Overall, the program was well designed and carried out in close consultation with the government, donors and private sector in the country. The Bank worked closely with the government and other donors in designing a reform program that was ambitious yet achievable. The reform program was well phased and design provided for close monitoring. The program built in flexibility to handle unexpected global events and domestic challenges and to respond to points raised in client consultations. The Bank's performance at entry was highly satisfactory.

Quality-at-Entry Rating : Highly Satisfactory

b. Quality of supervision:

The program was supervised continuously and there was a close dialogue between the Bank and the government on the progress in meeting development objectives and in measuring agreed outcome indicators. The nature of the program enabled the Bank to gain a better insight of the political economy and capacity of the implementing agencies and the reasons why reforms advanced faster in some areas than in others. Progress was also tracked during the annual business planning meetings between the Government and its development partners. Cooperation between the Bank and other donors and the International Monetary Fund was excellent. Overall, the quality of supervision was highly satisfactory.

Quality of Supervision Rating : Highly Satisfactory

Overall Bank Performance Rating : Highly Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

There was a broad ownership of the reform program in Mauritius the need to change the country 's economic model was widely appreciated. The reform process was participatory and there was a close consultation with the private sector. Several joint public-private sector committees were established to facilitate consultation. Through this process, the government was able to obtain support for the reform program from key stakeholders in society. This participatory approach has also worked very well in countries such as Malaysia and Singapore. In Mauritius, the Ministry of Finance and Economic Development was responsible for the overall coordination and management of the reforms. The reform programs were carefully thought out and

well executed. The government was able to tap into the technical know-how of donors and sought assistance as needed in designing a comprehensive reform program. The reform program was continuously monitored and calibrated as needed.

Government Performance Rating : Highly Satisfactory

b. Implementing Agency Performance:

The Ministry of Finance and Economic Development was the lead ministry in leading and implementing the reform program. It has clearly performed very well.

Implementing Agency Performance Rating : Highly Satisfactory

Overall Borrower Performance Rating : Highly Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The Monitoring and Evaluation (M&E) system was well designed and included 25 key indicators to monitor the achievement of the project objectives. Four broad macroeconomic indicators (GDP growth, unemployment rate, total number employed and FDI as a percentage of GDP) were included although they were not directly linked to the policy changes. The baseline data were clearly defined and based on official data collected from the Central Statistical Office (CSO), the Bank of Mauritius (central bank) and the Ministry of Finance and Economic Development. Data from these institutions are highly reliable and disseminate data at regular intervals (monthly, quarterly and annually).

b. M&E Implementation:

The implementation of M&E was good as reliable data were available on a regular basis from government agencies. However, the Central Statistical Office (CSO) lacked capacity in collecting data to monitor poverty. The Bank and UNDP provided assistance to CSO to build its capacity in this area. This was successful.

c. M&E Utilization:

The M&E system is now institutionalized and used by the government on an on-going basis to monitor progress in meeting its reform agenda. This is a notable achievement and should be interest to other countries

M&E Quality Rating : High

11. Other Issues

a. Safeguards:

No safeguards were triggered.

b. Fiduciary Compliance:

No fiduciary issues arose.

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Highly Satisfactory	.
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Performance :	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

IEG concurs with the ICR's findings that the success of the reform program in Mauritius was largely due to strong government ownership and a participatory approach which involves all key stakeholders in society . Close coordination with key donors in harmonizing conditionality enabled the government to implement a single comprehensive reform program. An important lesson from Mauritius's experience is that the ability to respond to new challenges is essential for successful implementation of the reform program . The program was also sharply focused and internally consistent and therefore easier to implement and monitor .

14. Assessment Recommended? ● Yes ○ No

Why? The DPL series of four loans has been highly successful . It has been followed by two additional DPLs in 2012 ($35 million) focusing on sustainability and public sector. The successful experience of Mauritius should be of great interest to other small states.

15. Comments on Quality of ICR:

The ICR is comprehensive and analytical. It is result oriented and provided evidence to support its findings . Its task was made easier by the availability of a well functioning monitoring and evaluation system in Mauritius . The ICR is internally consistent.

a.Quality of ICR Rating : Satisfactory