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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

THE REPUBLIC OF MAURITIUS

April 11, 2011

South Indian Ocean Country Department 4
Africa Region

International Finance Corporation
Sub-Saharan Africa Department

Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department

ACRONYMS AND ABBREVIATIONS
Date of last CPS discussion: November 2, 2006

CURRENCY EQUIVALENTS
(Currency Unit: Mauritius Rupee (MUR)
US$1.00 = MUR 31 (as at March 8, 2010)

WEIGHTS AND MEASURES
Metric System

FISCAL YEAR
January 1 - December 31

ABREVIATION AND ACRONYMS

AAA	Analytical and Advisor Activities
ADB	Asia Development Bank
AfDB	African Development Bank
AFD	Agency Française de Développement
CEM	Country Economic Memorandum
CPE	Certificate of Primary Education
CPS	Country Partnership Strategy
DDO	Deferred Drawdown Option
DPL	Development Policy Loan
EAP	Eradication of Absolute Poverty Program
EC	European Commission
EIB	European Investment Bank
EPZ	Economic Processing Zone
ESW	Economic Sector Work
EU	European Union
ERCP	Economic Restructuring and Competitiveness Program
EDF	European Development Fund
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
GEF	Global Environment Fund
GoM	Government of Mauritius
ICA	Investment Climate Assessment
ICAC	Independent Commission Against Corruption
ICT	Information and Communication Technology
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
IPLC	International Private Leased Circuit
METAP	Mauritius Economic Transition Technical Assistance Project
MFA	Multi-Fiber Agreement
MIC	Middle Income Country

MTEF	Medium Term Expenditure Framework
NEF	National Empowerment Foundation
PBB	Program Based Budgeting
PER	Public Expenditure Review
PIM	Public Investment Management
PPP	Public Private Partnerships
RMCE	Regional Multidisciplinary Center of Excellence
SADC	Southern Africa Development Community
SME	Small and Medium Enterprise
OECD	Organization for Economic Cooperation and Development
UNDP	United National Development Program
WBG	World Bank Group
VAT	Value Added Tax

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Country Partnership Strategy Progress Report for the Republic of Mauritius

TABLE OF CONTENTS

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT FOR THE REPUBLIC OF MAURITIUS

I. Introduction

1. In November 2006, the Executive Directors discussed the Country Partnership Strategy (CPS) that would guide the relationship between the Government of Mauritius (GoM) and the World Bank Group (WBG) through 2013. The CPS, jointly developed with the GoM and the European Commission (EC), provided a flexible framework within which the relationship could evolve over time based on country demand, WBG comparative advantage and changes in the global environment.

2. This Progress Report provides an update on recent developments in Mauritius including the impact of the global economic recession and reports on progress in implementing the CPS. The CPS was structured around the Government's four pillars of reform: fiscal consolidation and improving public sector efficiency; improving trade competitiveness; improving investment climate; and democratizing the economy through participation, inclusion and sustainability. While the objectives of the CPS remain relevant and aligned to the country's development agenda the programs have been adjusted to respond to the changing global environment. The Progress Report provides the context and rationale for the proposed WBG program for the remainder of the CPS period which has been extended to FY15 to align with the elections.

II. Country Context

<u>The successful adjustment to the 'triple trade shock' of the past decade</u>

3. **Mauritius has achieved remarkable success since its independence in 1968, with one of the highest per capita incomes in Africa.** Between 1968 and 2009 GDP per capita grew from US$260 to more than US$6,000. Underpinning this performance have been macroeconomic and political stability, robust institutions, an efficient administration, a favorable regulatory environment, a well developed financial system, and preferential market access for sugar and textile exports. In the mid 1990s a new vision began taking shape in Mauritius of a higher value added, more diversified, skill and knowledge intensive economy through investment in human capital and infrastructure, and making use of advanced technologies and reform the regulatory environment to harness the creativity of the private sector. Yet little was achieved in these areas during the decade that followed, perhaps in part because of the continuing successful growth of sugar and textiles exports to the protected EU market.

4. **In the middle of the current decade Mauritius experienced a triple trade shock with reduced preferences and lower prices for its sugar and textile exports (see Box 1) and higher prices for its petroleum imports. The Government enacted a major restructuring of the tax and incentive systems to promote the diversification of the economy.** It also instituted an Empowerment Program to ensure inclusive growth with equity and a Maurice Ile Durable initiative to promote sustainable development and contribute to combating climate change. A central revenue authority was established, and

a public debt law was enacted that stipulated reducing public debt to 50 percent of GDP by 2013 from its peak of 80 percent in 2003.

Box 1: Downsizing Mauritius' sugar and textile production in the face of external shocks

Over the years Mauritius has been heavily dependent on first sugar and then textile production as the major sources of export earnings. These exports grew rapidly as a consequence of the protected EU market for sugar, and the Multi-Fiber Agreement (MFA) for textiles allowing Mauritius duty-free access to the EU and US markets. *Sugar* was 30 percent of GDP in the seventies. It is now down to 3 percent. Considerable restructuring has taken place. Production has shifted from raw sugar to white sugar, energy from bagasse, and rum. The number of sugar mills has been reduced from 22 to 6 and will eventually reduce to 4. In addition there has been a great deal of mechanization of sugar cane growing and harvesting, though this is limited by Mauritius' hilly terrain. Mauritius still gets double the world price for its sugar exports to the EU– the reduction so far is from triple the world price, i.e. one-third. The question for the future is how rapidly the EU will reduce its tariff (Mauritius is treated in the same way as domestic EU producers for a quota it shares with other external suppliers.) The Brazilian producer price is 7 cents a kg – the Mauritian producer price is 16 cents a kg. The objective is to reduce this to 11 cents. The *textile* issue is also difficult, given the number of female workers employed in textiles and the difficulty of shifting them to other kinds of employment. There has been some diversification of textile output and a shift in production to higher quality and value addition. A special public private group is assessing each textile producer. Mauritius still has duty free access to the EU and US market. EU tariffs are 12 percent on average and US are 16 percent.

5. **These reforms had considerable success in achieving an acceleration of the rate of growth, reduction in unemployment and speeding up the pace of diversification of the economy through the development of new sectors.**

- *Tourism* is the most important economic success – arrivals nearly reached 1 million in 2008.
- *Real Estate* has become an increasingly important source of foreign exchange and stimulus for the construction sector in recent years.
- *Financial services* have become an increasingly important foreign exchange earner, with Mauritius emerging as a potential regional hub for East Africa.[1]

6. This was supported by a rapid increase in Foreign Direct Investment (FDI), helping to diversify the economy. In 2005 Mauritius received only Rs2.5bn of FDI. In the past five years it has received Rs50bn.

7. Growth reached 6.5 percent in 2007/08. The overall fiscal deficit was lowered to 3.4 percent of GDP in 2007/08 from 5.4 percent in 2005/06, while public sector debt was reduced to about 60 percent in June 2008 from close to 70 percent in June 2005. Net employment creation was over 8,000 jobs a year in 2007 and 2008, compared to 3,000 in 2005.

8. **With rapid growth, human resources and infrastructure emerged as important constraints to sustaining the 2006 to 2008 growth surge**. The *'skills*

[1] Mauritius is taking advantage of double taxation agreements with India and China that have induced investors in those countries to channel their investment via Mauritius – spurring a fast growing offshore finance sector.

mismatch' remains an important constraint to future growth. As explained in Box 2, Mauritius' education, training and incentive systems do not adequately address the needs of a rapidly growing, technologically advanced society. *Infrastructure* is also emerging as an important constraint, particularly the transport system. While Mauritius has outperformed most African countries on the Doing Business Index, it has not fared well in the Logistics Performance Survey. In 2010 Mauritius under-performed in the Global Logistics Survey in three aspects - infrastructure, logistics competence, and tracking and tracing. Mauritius is confronted with serious infrastructure bottlenecks and poor logistics performance both of which are not at par with its upper middle income status. In particular this is a deterrent if Mauritius is to attract globally competitive industries. The traffic congestion around the capital Port Louis and on Mauritius' single freeway connecting the capital to the East and West coasts, are raising costs for business. In recognition of this, a large program of transport investment is planned to provide much quicker and more efficient connections within the island. In addition port infrastructure is being upgraded and new investments in electricity generation and sewage systems are planned.

Box 2: The causes of Mauritius 'skills mismatch problem'

Mauritius has a very traditional education system with strict standards for completion of primary education. Thirty six percent of students are unable to pass the primary school certificate and in the process a considerable pool of potential skills is lost. In addition the numbers who reach tertiary education are relatively small due to very high entrance requirements. Efforts are being made to provide remedial services and opportunities for those left behind by the system, but the rigid approach of very high entry standards at each level has resisted efforts at change. There is a sizeable brain drain out of Mauritius. Young people want to study abroad, but most (70 percent) do not return. As a consequence the technical skills needed in areas such as ICT as well as managerial skills for SME development, are very thin on the ground. As part of the reform package, Mauritius eased restrictions on importing labor. With some exceptions workers from abroad who are paid US$1,000 a month or more receive an automatic work permit. Another difficult problem is the shortage of unskilled labor in areas such as construction where Mauritians have been unwilling to take jobs in the sector. This is compounded by the fact that women figure disproportionately among Mauritius' unemployed. This is being partly dealt with by importing labor and there are ongoing efforts also to provide training for more specialized functions in the construction sector, such as painting or carpentry.

The Impact of the Global Crisis and the Euro Crisis

9. The Mauritian economy proved quite resilient to the global economic crisis but growth has slowed down to levels below the long term average and recovery may be slow. Growth was 3.1 percent in 2009 and although it rebounded to an estimated 4 percent in 2010, very close to the long run average of 5 percent, estimates for 2011 and 2012 suggest growth at 3.5 to 3.7 percent with a projected level of 4 percent thereafter if current estimates of fairly low rates of long term growth in the EU market prove correct.

10. **The leading drivers of the slowdown have been trade in goods and services and FDI inflows**. Between 1990 and 2007 Mauritian exports of goods and services fluctuated at around 60 percent of GDP. Because of the crisis however, this fell to 52 percent in 2008 and is estimated to have declined further to 42 percent in 2009. *Tourism* receipts fell by 13.4 percent and arrivals fell by 6.4 percent in 2009 compared to the previous year. In 2009, the VAT declined by about Rs1b. or about 8 percent and the share

of tourism fell to 20 percent. Faltering external demand for *textile* exports has created heightened uncertainty in the sector. In 2007 following successful restructuring in the context of the phasing out of preferences, the sector had grown by 8.5 percent. There was zero growth in 2008 and a 4 percent decline in 2009. Decreased liquidity in international capital markets and negative prospects for demand contributed to zero growth in *FDI* inflows in 2008 and a decline of 26 percent in 2009.

11. **The fiscal outlook deteriorated during 2009.** The overall deficit for FY08/09 was 3.6 percent of GDP. The deficit has been partly contained by low execution rates of capital expenditures in the first half of 2009. For the six month budget – July 1-December 31, 2009 – the overall deficit is estimated to have reached 4.9 percent of GDP. For 2010 the Government expects the deficit to be above 5 percent. Given low fiscal revenues (22.9 percent), relatively high levels of current expenditure (23.6 percent), and the ambitious public investment program, there are clear downside risks. Public debt to GDP has interrupted its declining trajectory and is expected to go over the 60 percent threshold.

12. **Higher levels of unemployment have created pressures for increased spending on social programs.** Unemployment increased from 7.2 percent in 2008 to 8 percent in 2009 and is estimated to have increased further in 2010. Because of the impact of the crisis on the textile sector, the impact of increased unemployment has fallen disproportionately on low-skilled women employees who have relatively few options for alternative employment. This constitutes a significant potential social problem.

The Policy Response and the Economic Outlook

13. **Mauritius' prudent fiscal policy in recent years created fiscal space for a stimulus package.** The government used special 'rainy day' funds it had prudently put aside in previous fiscal years (to the tune of 3 percent of GDP) reducing current debt financing needs. The government used this fiscal space from the first years of reforms to finance its countercyclical policies by appropriating resources for six different investment funds. A fiscal stimulus package of about 5 percent of GDP (spread over 2009-10) was announced in December 2008.

14. **In the Government's own words the stimulus package was intended to be "targeted, flexible and temporary".** "After consultation with all key sectors . . . we are using the fiscal space we have created to significantly increase public sector investment. The stimulus plan deals with bottlenecks to boost private investment. It fast-tracks and front-loads infrastructure projects. It provides support to business to continue operations to protect employment and works. It enhances efforts on re-skilling, retraining and returning retrenched workers t**o** productive employment. It ensures that an adequate safety net is in place"[2]. By and large this is a fair characterization of the intentions of the stimulus program. Its effectiveness in achieving these intentions will however, depend on whether the public sector is able to rise to the occasion of implementing investments at a level and pace that has not been achieved in the past. This will require strengthening of the project pipeline, enhancement of the framework for public-private partnerships,

[2] Budget Policy Statement 2009.

and stronger implementation capacity. The Government is well aware of this and a special program has been set up to build capacity for investment planning and implementation. Also the institutional framework for public procurement has been streamlined.

15. **The 2010 elections resulted in the Prime Minister being re-elected but with a different coalition partner and a Government committed to continuing the basic structural reforms, but with increased emphasis on social programs.** The Government announced a further reform package in August 2010 aimed at stimulating the economy. The previous package had been put forward on the assumption that growth in the world economy and particularly Western Europe, would accelerate in 2010. The continuing slow growth in the EU however, created, in the Government's view, the need for a further stimulus package. It recognizes that competitiveness needs to be enhanced by: (i) further diversification toward new sectors and markets; (ii) promoting efficiency and productivity gains at the firm level; (iii) reducing leverage by most firms; (iv) developing the capital market and financial instruments; (v) encouraging long-term corporate planning; (vi) improving the diversity of skills in line with the vision of knowledge based economy; and (vii) speeding up the implementation of infrastructure projects. This package is expected to be funded jointly by the private sector mobilizing 42 percent of the required Rs12bn, public sector institutions 25 percent, the Government contributing 17 percent and 17 percent from acceleration of projects in the Public Sector Investment Program. The fiscal cost is estimated around 4 percent of GDP for 2010. As part of this package, the new Government announced: (i) the creation of a new Economic Restructuring and Competitiveness Program (ERCP)[3] and (ii) additional financial instruments for firms in the textile and clothing industry and SMEs (available through the Leasing for Equipment Modernization Scheme).

16. The 2011 budget provides a clear indication of the new Government's policy stance. See highlights of the budget speech in Box 3 below. In addition, the Government has announced an ambitious five year plan with substantially increased expenditures on public investment and social protection.

[3] The ERCP comprises measures to foster and support long-term restructuring and deleveraging of firms. It has been funded through the creation of a private equity fund with a seed capital of Rs 300 million, with equal contributions from the Government and the Banking Sector.

Box 3: The 2011 Budget

The budget is focused on three axes: (i) Rebalancing growth, (ii) Enhancing productivity, and (iii) Consolidating social justice. It provides continuity with previous ones, maintaining fiscal discipline and competitiveness reforms while focusing more on education and protection for vulnerable groups.

Rebalancing growth

- Diversify markets and products by reorienting exports towards new emerging markets.
- Targeted support to SMEs through training and matching grants.
- Financial assistance to traditional sectors to help them move up the value chain (sugar, agriculture, fishing).
- Incentives to promote growth and job creation in high valued sectors (health, ICT).

Enhancing productivity

- New measures to put human capital development at the centre of the policy agenda through enhancing education services (tax exemption for families, reintroduction of subsidies for examination fees, redesigned scholarship schemes) and active labor market programs (restructuring of the National Empowerment Program, more flexibility in the use of foreign labor).
- Continuity in business climate reforms and investment in infrastructure (transport, logistics and communication).

Consolidating social justice

- Social protection measures, especially for families with modest means (ambitious social housing programs to construct about 40,000 units over the next ten years, at an estimated cost of MUR 18.5 billion (US$600 million), and a range of other social programs.
- These measures to be financed principally from additional taxes on cigarettes, alcohol and gambling.

17. **While noting significant risks, both the Bank and the International Monetary Fund (IMF have a broadly positive outlook for Mauritius which is contingent upon the current gradual global recovery being sustained.** Over the medium term Mauritius' growth prospects depend heavily on the global economy. The country's economic growth is projected to be 3.4 to 4 percent per year over the next three to four years, given the heavy dependence on EU markets and the slow growth expected in that region (Table 1 below). The gradual acceleration in growth will be sustained by the recovery in tourism receipts (accounting for 27 percent of total exports) and the successful implementation of reforms aimed at diversifying the economy and promoting private sector development. Unemployment will increase slightly in 2010 (up by 0.2 percent compared to 2009) but decline thereafter. In this scenario, the fiscal and external balances should remain under control. The fiscal deficit is projected around 4.5 percent of GDP in 2010 and 6.6 percent in 2011, with the current account deficit in the range of 9 percent in 2010. No major changes in monetary policy are expected and a stable inflation rate in the range of 3-4 percent per year will likely continue.

Table 1: Preliminary macro-projections, 2010-15

	2010	2011	2012	2013	2014	2015
GDP Growth (%, real)	4.0	3.7	3.5	4.0	4.0	4.0
Private consumption Growth (%, real)	3.5	4.1	1.9	3.3	3.1	3.1
Fiscal Deficit (% of GDP)	4.5	6.6	5.6	5.1	5.0	5.0
Debt to GDP Ratio	62.6	66.2	67.6	68.3	68.9	69.4

Source: Own projections based on official and IMF data

18. **The first risk relates to a slower than expected recovery of the global economy, given Mauritius high dependence on trade in goods and services especially with the European Union (which accounts for 70 percent).** Further deterioration of the external accounts cannot be ruled out if global demand remains sluggish (especially in EU) and capital inflows dry up. This might affect negatively GDP growth, leading to lower fiscal revenues, and a widening of the fiscal deficit. Similarly, a decline in exports (coupled with lower FDI inflows) might increase pressure on the balance of payments and the local currency. Going forward, the country also remains highly vulnerable to any increase in commodity prices (including oil) because of its high dependence of imports. Although Mauritius has had relatively good access to international capital (including official aid) and net international reserves continue at a comfortable level (about 35 percent of GDP), it is important to keep a careful watch on the evolution of the external balances.

19. **On the domestic front, there is a risk of not maintaining the required pace of implementation of the reforms aimed at enhancing the competitiveness of the private sector.** While Mauritius has proved its capacity to adjust to changing conditions (moving from sugar to textile and now to tourism, financial services and ICT), most second round reforms in trade and in the regulatory environment will need to be carried out with close cooperation with the private sector and public enterprises, that might be reluctant to move quickly. Other reforms in the labor market would require time such as upgrading skills through a reform of the education system and partnerships with leading firms.

20. **Another risk is that the fiscal space could be stretched further as the result of underfunding of the public expenditure program and political demands for increased social expenditures.** There are significant financing gaps and inefficiencies in the Public Sector Investment Program (PSIP) that might require additional public financing. In addition there is also a risk that the newly elected Parliament that has taken office in May 2010 with a socially-oriented mandate might push for too rapid increase in social protection expenditures.

21. **Debt sustainability could become a source of major concern.** Over the recent past, the Government has been cautious to maintain the ratio of debt to GDP lower than 60 percent – the threshold defined by Law. Yet, the new policy measures and the ambitious public investment program could increase public debt above this threshold from 2010. An external shock and/or an increase in the fiscal deficit would raise this ratio to levels that might lead to the downgrading of Mauritius by international rating agencies, raising the cost of financing. The budget is very sensitive to any increase in the spreads because close to four-fifths of the debt is short term and would have to be refinanced almost immediately

22. **These risks will need careful management from the authorities**. The mitigation of these risks will require the development of program that combines appropriate safety nets with clear market signals on production and investment priorities. The current generous welfare system will have to be appropriately adjusted, while the education system needs to respond to the needs of the economy. Improving public sector efficiency and capacity to implement capital projects are critical. What is particularly important is that the short to medium term difficulties do not lead Mauritius to compromise its longer-term objectives and to sacrifice the progress it has achieved in raising competitiveness and moving forward with the basic economic restructuring that is required for sustainable longer-term growth.

III. The Bank's Role and Program

23. **The Country Partnership Strategy was prepared to lay out the basis for cooperation.** With concern about the adjustment required given the limited prospects for both sugar and textile exports, the Government approached the Bank for support which was formulated under the CPS with two major elements. First, it was agreed that the Bank would support the reform through a series of US$30 million **Development Policy Loans (DPLs)**. The Bank was asked to play a central role in assisting the Government coordinate the support of development partners for the reform effort. The DPLs were to be used as a vehicle to organize the interventions of the Asia Development Bank (ADB), (Agence Française de Développement (AFD) and the European Community (EC). Second, the Bank would provide investment lending for infrastructure. The Government expressed concern about the high transaction costs of investment lending due to Bank procurement practices and safeguards. The Bank was asked to explore whether Mauritius' own procurement, environmental assessment and resettlement legislation could be used for investment lending.[4]The assessment will be completed in 2011.

24. **The CPS was structured around the Government's four pillars of reform.** These were: fiscal consolidation and improving public sector efficiency; improving trade competitiveness; improving the investment climate; and democratizing the economy through participation, inclusion and sustainability. Progress has been tracked during the annual business planning meetings between the Government and its development partners. Progress toward achieving the CPS outcomes has been generally good given the

[4] The Bank and Government have concluded the equivalency and acceptability analyses for environmental and social safeguards. Once these are approved by the Government and the Bank it will be possible to develop future investment operations under the country systems pilot.

adverse external factors (see Annex1 for details). The CPS was also developed as a platform for partnership through annual consultations with Government and the other development partners.

25. **Fiscal consolidation and improving public sector efficiency was on track until the global crisis dictated the need for a stimulus package.** Bank support has been provided in the context of the DPLs which helped the Government establish and monitor a framework for longer-term fiscal sustainability and the reduction of debt. Bank economic analysis was particularly useful in analyzing the fiscal implications of various policy options the Government was considering. Fiscal discipline and efficiency were addressed by implementing a Medium Term Expenditure Framework (MTEF) and Program Based Budgeting (PBB). The Bank has worked closely with the IMF and the United National Development Program (UNDP) in supporting the implementation of these programs.

26. **Trade competitiveness has been improved through the reduction of the bias against exports in the tariff and import licensing regimes.** The decision to move forward expeditiously with the reform of the tariff and import licensing regimes was greatly facilitated by the work undertaken by the Bank's Aid for Trade mission which analyzed the fiscal, growth and employment consequences of potential trade reforms. Subsequent Bank analytic work on technology and innovation has also contributed to the policy dialogue in this area. The framework provided by the DPLs was again a helpful feature in providing direction and focus to Government policies.

27. **On the investment climate, despite the recent crisis-related slowdown in FDI, Mauritius has maintained its status as the top ranked country in Africa on the Doing Business Indicators.** Overall, the time it takes to start a business was reduced from 46 days in 2005-06 to 6 days by 2010. Mauritius ranking in the Doing Business Indicator moved up to 20 in 2010 from 24 in 2009. As in the other two pillars, the Bank has supported the reforms with the DPLs. In addition the **Infrastructure Project** provides technical assistance and institutional development support in the transport, water/wastewater and energy sub-sectors with the goal of improving the quality of infrastructure and thus strengthening the country's competitiveness. The project is also addressing the need to improve the pipeline of feasible projects ready for investment with 80 percent of project funds allocated to specific contracts to be awarded. In the context of the project the Bank is also working with the authorities to strengthen the pipeline of infrastructure projects that are ready for investment through the preparation of high quality feasibility and safeguard analyses. In addition the **Mauritius Economic Transition Technical Assistance Project (METAP)** was designed to support a broader and longer-term economic reform program by partnering with the Government to strengthen investment climate reforms, assist public enterprises to improve their efficiency and delivery of public services, and support the institutional framework for Public Private Partnerships (PPPs) and utility regulation.

28. **The commitment which the Mauritian authorities have shown towards the social protection system during the crisis is evidence of the concern to ensure participation, inclusion and sustainability.** The Empowerment Programme provides financial support, training and placement facilities. The program also supports

unemployed women and provides capacity-building initiatives for SMEs. A dedicated Eradication of Absolute Poverty program (EAP) with emphasis on education for children and on life skills for their parents targets 229 pockets of absolute poverty, including the island of Rodrigues. In parallel to these programs, the Government has also pursued the strengthening of technical capacity to measure and monitor poverty. To this end, the UNDP has provided support for the construction of a Social Registry containing information on beneficiaries of social programs in Mauritius. The European Union (EU) has supported the setting up of a poverty observatory in Mauritius to monitor the effectiveness of poverty alleviation policies. The Bank has been providing advice towards rationalization of social programs in the context of budget preparation through analytic work. A Social Protection Review and Strategy was carried out in 2009 with Bank support and the Government continues to receive technical assistance in the sector to design and implement reforms. The Bank's support was instrumental in defining the reform agenda announced in the 2011 budget, which is ambitious in its objective to move up to 40 percent of Social Aid beneficiaries off welfare through an expansion and overhaul of its existing empowerment programs as well as the introduction of appropriate incentives to move people into work. This reform has the potential to help meet the Government's objectives in terms of poverty reduction as well as consolidating government spending and increasing efficiency.

29. **The Government's interest in an enhanced Bank role, led to the establishment of a Country Office in Port Louis in 2007, which strengthened and deepened Bank engagement.** This has enabled the Bank to play a much more effective role both with regards to in-country coordination and in linking the Bank's work in Mauritius with its programs in the African mainland. This has also helped the Bank to establish a solid relationship with all development partners active in Mauritius. Donors have been supporting the establishment of the Regional Multidisciplinary Center for Excellence (RMCE), for which the Bank carried out feasibility study with funding from the EU.

30. **The Government puts a very high premium on Bank analytic work** and some key 'flagship' studies by the Bank have cemented its role as a primary source of analysis and advice.

31. **More recent analytic work has been focused on responding flexibly to Government requests.** Subsequent analytic work by the Bank has supported the Government's infrastructure and innovation programs. In mid-2009, Government requested just-in-time technical assistance to review business sector vulnerability to the crisis, and provide technical advice on arrangements to facilitate work-outs of distressed businesses. In addition the Bank is preparing an update of the Country Economic Memorandum (CEM) that is focused on: (i) launching second generation trade reforms to further improve competitiveness; and (ii) adjusting the labor market so that it can better absorb unskilled workers at the bottom end of the market, while providing incentives for skills development at the upper end of the market.

32. **The need to respond to the crisis showed the strength of the partnership, when the Government turned to the Bank to provide insurance against a worst case scenario.** In 2008 the Minister of Finance set up a group to manage the Mauritian

response. With serious concerns over declining revenues and Mauritius' capacity to raise financing from the market, the group came to the Bank. There was a very negative scenario and they wanted to pre-empt this with some sort of insurance from donors. They did not expect to use this but wanted it on a contingent basis. At that point the Bank's Board had just approved more favorable terms for the Deferred Drawdown Option (DDO) which included the elimination of the commitment fee.[5] The Mauritians were attracted by this as a source of contingency funding and requested a large amount which they felt would not need to be disbursed, but would create confidence and head off potential runs on the currency or the banking system.

33. **The Bank responded by increasing DPL3 from US$30 to US$100 million and designing it as a DDO.** The Bank determined that given the exposure limits for Mauritius and the then existing volume of loans outstanding, the DDO would have to be limited to US$100 million. Before the operation went to the Board, the Mauritian authorities decided that they needed to draw down the money immediately after approval in order to finance the emerging gap in the 2009 budget. There were increasing fears that declining revenues would lead to a financing gap that could not be funded on reasonable terms.[6] In June 2009 the operation went to the Board and the funds were duly drawn down. As soon as DPL3 was disbursed the Mauritians requested a fourth DPL for supporting the budget for the last six months of 2009. The Bank provided a further US$50 million in funding through DPL4 approved on October 15 2009. This amount was matched by Euros 40 million of funding from AFD directed at support for projects meeting the criterion of environmental sustainability.

34. **Other donors have since followed the lead provided by the Bank.** Since in the view of the Mauritians this still left a potential sizeable funding gap if the crisis continued to worsen, they continued to look to the donor community for additional sources of funds. Initially the EU did not scale up its assistance to Mauritius, but subsequently some additional funding was provided. In 2009 however, the African Development Bank (AfDB) decided to make US$700 million available to Mauritius in three tranches - US$200 million in 2009, US$300 million in 2010 and US$200 million in 2011. In the event, revenues improved such that the GoM has not as yet had the need to draw down on the AfDB loan. Nevertheless the availability of this funding to support potential shortfalls in the budget has been an important source of confidence for the Government and the Mauritian financial sector and the Government is likely to draw on it for expanded infrastructure investment.

35. **Investment lending was broadened from the approach outlined in the CPS.** While as indicated, the CPS had laid out the possibility of a series of investment loans to support infrastructure investment, it was recognized that in a middle income country like Mauritius the Bank had to maintain the flexibility to respond to the Government's evolving priorities. The CPS had proposed an annual business plan as a way of aligning

[5] The commitment fee was re-instated in 2009.

[6] Most Government debt is held in the form of short-term debt by the Mauritian commercial banks. While there is a substantial appetite for this kind of security and ample liquidity in the banking system, the commercial banks have very little interest in longer term instruments. The awareness of the risks associated with rolling over the short-term debt has been an important factor in the overall prudent fiscal stance of the Mauritian government.

the Bank program with Government priorities. This has been followed through and is also proving a useful mechanism for donor coordination. As a consequence the lending program was re-designed in order to provide direct support for structural reforms through a Technical Assistance Loan and a loan for Manufacturing and Service Delivery and Competitiveness.

36. **IFC has focused on its interventions on three key sectors: infrastructure, tourism and financial services.** Its activities have been targeted at: supporting the mobilization of foreign direct investment to these sectors; introducing climate change mitigation and cleaner production standards and best practices; improving access to finance for Small and Medium Enterprises (SMEs); and promoting South-South transactions. To that end IFC has supported the Cargo Handling Corporation and Multi Purpose Terminals project, for which the Government has requested the International Finance Corporation (IFC) to search for strategic partners. IFC is seeking to play a role in supporting Mauritian companies to expand across the Indian Ocean and Southern Africa regions particularly in banking and non-banking financial services. To support the Government policy for a 'Green Mauritius', IFC is exploring specifically structured funding lines to the banking sector that will allow them to fund projects and project components that favor low carbon emission, use of renewable energy and energy efficiency projects. IFC has committed and disbursed on a US$75 million debt financing package for the State Bank of Mauritius including SME capacity building. IFC is currently in discussion with the Mauritius Commercial Bank Ltd concerning the possibility of a US$125 million equity investment and a Tier II subordinated loan.

IV. Going Forward

37. **Mauritius has a relatively high income, political stability and a strong investment climate, but still lags upper middle-income country comparators in a number of dimensions which are critical for long-term competitiveness.** While Mauritius ranks close to Organization for Economic Cooperation and Development (OECD) countries in terms of control of corruption and ease of doing business, it lags significantly three other development dimensions – logistics, education and knowledge. The efficiency and impact of public sector delivery (social protection, education and utilities) constitute an important area where performance is significantly weaker than that of many comparators.

38. **In addition, Mauritius' development prospects are still subject to considerable risks**. These include: (i) political risks of a loss of appetite for maintaining the structural reforms in place and resistance to further adjustments of declining sectors, (ii) external economic shocks impacting sectors such as tourism and foreign direct investment and terms of trade shocks relating to prices of imports particularly petroleum[7]; and (iii) natural disasters and environmental degradation. Mauritius should

[7] In this regard it is worth noting the significant risk represented by the surge in piracy in the Western Indian Ocean. Already seagoing imports and exports from Mauritius are being negatively affected by war risk premiums which affect the cost of transport, and interruptions to energy imports could have broad economic implications for Mauritius.

also be mindful of the piracy in the Western Indian Ocean which will continue to affect the cost of transport. In the aftermath of the crises the country still faces challenges such costly welfare system, education system not corresponding to the needs of the economy, low public sector effectiveness for a middle income country, lack of capacity to implement investment projects, which are critical in the medium term and long term but require constant interventions.

39. **The combination of these lagging sectors and risk factors represent a strong argument for a continued Bank presence in Mauritius**. Sustainable growth in a more difficult global context will require that Mauritius enhances its competitiveness through addressing its logistics bottlenecks[8] and knowledge and skills constraints, develop programs that combine improved public service delivery with appropriate safety nets, and design public investment projects and private investment safeguards that go beyond 'doing no harm' to the environment and reflect the importance of Mauritius environmental endowment to its economic future. These are areas where the Bank's experience and capacity can contribute to the programs developed by the Government. The Bank has a particularly important role to play as an instrument for transferring knowledge of the global economy and strategies in other middle income and small island economies, and in providing objective analytic work on the Mauritian economy.

40. **Given the limits on the Bank's budget and the need to be selective, the Government has requested that the Bank focus on activities that will seek to assist in:** (i) re-engineering the platform for delivering social services; (ii) consolidating performance management systems in the public service; (iii) improving delivery of public services - with a focus on the utilities, health and education sectors; and (iv) strengthening capacity building and Infrastructure projects. In addition, the Bank will continue to support the reform program through both core diagnostic work and just-in-time support in response to requests from the Mauritian authorities. The CPS period will be extended by one year to 2015 so that it is synchronized with the electoral cycle.

41. **The Bank will continue to provide support to the Government program in partnership with the other major development players.** While most partners provide direct budget support the annual business planning events are the venue for taking stock and adjusting the respective programs. Through the DPLs, the Bank will continue to focus its support along the broad categories outlines above. The EU will further its involvement through the 10th European Development Fund (EDF) and will play important role in covering the environmental and climate change issues, as well as measures to offset the losses from the sugar sector. AFD is also supporting sustainable environment including energy efficiency, and both AFD and AfDB provide funding and technical assistance for the water and sewage, and work in the transport sector.

42. **Knowledge sharing is one of the key ingredients of the program in a middle income country, and in Mauritius in addition to the planned ESW, the Bank will also continue to provide just in time advice and analysis for the Government as**

[8] In the 2010 Logistics Performance Survey, Mauritius under-performed its income-level comparators in three aspects: infrastructure, logistics competence and tracking and tracing. Public and private investments are needed to remove bottlenecks and enhance competence and delivery in these areas.

needed. Bank analytic work plays an important role in Mauritius. Along with the IMF, the Bank is one of the few sources of independent analysis and allows the authorities to learn from other countries and benchmark their achievements relative to their comparators. Given budget constraints the Bank and the Mauritian authorities are discussing possible arrangements to fund just-in time experts. Recently the Government requested support of this kind in the area of infrastructure including the possibility of the Bank recruiting a Senior Adviser to be located in the Country Office or seconded directly to the Government. The Bank will be exploring with the Government the role of such an Adviser and options for funding this position, over the coming months. In line with the DPL agenda, a Public Expenditure Review (PER) on civil service reform is planned in FY11, to support the authorities' request to assist in the design and implementation of an action plan for the civil service and public enterprise reforms to help shape policy for creating a modern and efficient public sector through political economy analysis to identify barriers to institutional changes and further public sector reforms. A Public Investment Management (PIM) analysis would be instrumental to support implementation of the large investment program planned. Heavy investment is planned in infrastructure and other sectors during the coming years. It would therefore be strategic to support capacity building of ministry officials in best practices in Public Investment Management (PIM) so that the quality and pipeline of investment projects is improved. In this regards, the Bank could draw on its expertise to develop a knowledge product for Mauritius. The Bank will also continue the dialogue with the authorities to explore additional knowledge products to support the on-going government program, such as the Country Status Report in Education.

43. **The Bank will facilitate knowledge transfers (both inbound and outbound) to help the Government to leverage Mauritius record of successful development achievement for the benefit of other countries.** Mauritius has emerged as an exporter of "how to do reform" knowledge to its peers on the African continent under South-South arrangements which the Bank country office in Port Louis is increasingly being asked to facilitate as part of the Africa Region's Middle Income Country (MIC) Strategy. The Bank will also support regional integration through its analytic work and promote expanded contacts and interaction between Mauritius and regional bodies. The Bank will play an opportunistic role in organizing some of its training and other activities, both for Sub-Saharan Africa and more generally, in Mauritius with possible co-financing of these activities by the Mauritian authorities.

44. **The Bank will continue to support the Government's efforts to calibrate the policy framework and promote efficient and fiscally sustainable implementation of social programs and the structural reform agenda**. After successfully addressing competitiveness issues in the previous series of DPLs, the Government now aims to consolidate and reinforce these reforms achieving substantial efficiency gains through improved public service delivery, and regulatory and administrative simplification. The core instrument for this purpose will be a new four year series of Development Policy Loans of US$20 million each that seek to accelerate the civil service reform to raise the productivity of human resources in the public sector; accelerate reforms in public enterprises and parastatals to gain in efficiency and effectiveness of the public sector; and implement reforms in social protection to ensure that all Mauritians benefit from the economic progress achieved in recent years. In addition, the Government is considering

continuing Bank's engagement in areas covered by the previous DPL series such as competitiveness (notably trade); and exploring further assistance to improve social sector delivery (education and health).

45. **The Bank will support the efforts of the authorities to mitigate and resolve the infrastructure constraints that Mauritius faces.** Mauritius has a particularly difficult problem in this regard since it needs to balance the rapid expansion of infrastructure with maintaining and enhancing the environment, to provide the quality needed for both its population and for attracting tourism and residential investment. Given the key role that outsourcing is likely to play in the future, communications policies and investment has an important role to play. The Bank will provide investment lending in this area of the order of about US$50 million a year. While this is small relative to total investment it should allow the Bank to play a key role in helping the authorities to remove infrastructure bottlenecks and improve the country's performance in logistics competence and tracking and tracing in the context of the need to meet environmental objectives. The Bank's lending will be supplemented by selective technical assistance in this area in response to specific request.

46. **While currently MIGA has no active contracts in Mauritius**, it will continue to offer its political risk product for investors into the country concerned about Transfer Restriction, Expropriation, Breach of Contract and War and Civil Disturbance risks. Over the CPS period it hopes to also make the best use of its new products, the Non-Honoring of Sovereign Guarantees and its more flexible, Small Investment Product to best serve the needs of investors entering into the Mauritian market.

47. **The original results matrix has been revised to reflect the fact that the Bank is no longer implementing a joint program with the EU**. The original CSP was jointly prepared between the Bank and the EU in 2007 responding to the request of the authorities and reflecting the close collaboration between both institutions. As a result of the international economic and financial downturn in 2008, the Government requested quick financial and technical assistance to all development partners. Both Institutions responded by accelerating preparation and increasing the financing amount of its lending program but this resulted in EU and World Bank programs not keeping in step. The results matrix is therefore revised to eliminate the areas that are undertaken by the EU and is updated to align with the objectives of the new government appointed in 2010.

48. **The substantial program under discussion may require an expansion of the Bank's Country Office in Port Louis.** Since the opening of the Country Office in 2007 the Bank has been able to maintain a much enhanced dialogue and respond much more quickly to the requests of the Government.

Annex 1: Revised Results Matrix

Government Long Term Objectives	Main Constraints to achieving long term goals	World Bank Strategy Outcomes	Intermediate indicators and Milestones	Progress to Date	Bank Program and Partners
PILLAR 1: Fiscal Consolidation and Improving Public Sector Efficiency					
Reduce debt to GDP ratio from 59% of GDP to 55% by 2015.	High debt is threatening macro stability Public Expenditure management not efficient and prioritized Tax system is unfair and distorts incentives Lack of transparency in public procurement Public enterprises and parastatals are costly and underperforming Inadequate procedures for evaluating and rewarding public sector performance	Improved fiscal management by making the MTEF operational Improved budget allocation Enforcement of new procurement rules as measured by audits Budget transfers from Central Government to parastatals is reduced Improved system and procedures that reward performance	Allocation of budget according to pre-set ceilings Compilation and publication of tax expenditures in the budget Minister of Finance relinquishing discretionary power to remit duties and taxes and grant exemptions Adoption and Implementation of new Procurement Act Consolidation of 4 parastatal bodies in the water sector to create a single Water Authority A strategy for human resources is prepared	MTEF operationalized together with PBB; 2011 PEFA review shows that substantial budget reallocation takes place during the year Tax collection increased from 24.3 of GDP in 2006 to 25.8 of GDP in 2009. Done. New Procurement Act introduced. Review of procurement institutional arrangements underway.	**AAA/TA** CEM – Managing Change in a Changing world (FY07) Exchange rate & output fluctuations in a small open economy (FY09) PER (planned) ROSC (planned) **Lending** DPL Series 1,2,3 and 4 for total US$210 million) New DPL series (planned)

Government Long Term Objectives	Main Constraints to achieving long term goals	World Bank Strategy Outcomes	Intermediate indicators and Milestones	Progress to Date	Bank Program and Partners
PILLAR 2: Improving Trade Competitiveness					
Streamline trade distorting regulations to improve competitiveness of existing and new emerging sectors and to increase export/GDP ratio to 55%	Tariff protection creates anti-export bias	Streamlined tariff measures	Tariff reduction program under implementation	Anti-export bias regulation removed; Liberalization of tariffs on 87% of tariff lines; The highest tariff has been reduced from 60% to 30%	AAA/TA Competitiveness: Labor & trade policy note (FY11)
				Unification of incentive regime for EPZ and non-EPZ firms.	Skills development, technology absorption & innovation (FY11)
	Lack of competition in air access	Reduction in air fares and more destinations served		Air access has been liberalised.	Doing business
	High telecom prices and limited connection capacity	Improved telecommunications infrastructure	Establishment of a fiber optic cable under EASSy project	Cable established and cost of IPLC reduced by more than 25%	Education review (planned)
	Ineffective approach in designing regulations and red tape undermine competitiveness	Increased exports	Identification and removal of non-tariff barriers	Some NTBs identified, based on complaints from the business community.	Lending DPL Series 1,2,3 and 4 for (total US$210 million) - Trade Competitiveness
	Lack of regulatory transparency	Transparent administrative regulations	List administrative requirements on-ine via trade portal at customs	Administrative requirements for some Ministries already online in the respective Ministries' portal.	Manufacturing and Services Development and competitiveness Project (US$20 m)
					DPL series (planned)
PILLAR 3: Improving the Investment Climate					
Become one of the top 20 business friendly countries as measured by Doing Business indicators	Costly regulatory compliance (business registration, work/residence permit) corruption	Reduction in cost of doing business as measured by surveys (land, labour regulations)	Creation of a one stop shop business registration mechanism	The Doing Business indicator ranks the country at 20 for the year 2010	**AAA/TA** Labor &trade policy note (FY11)
				Six out of the ten business regulation areas successfully reformed as measured by the DB Report (2010): Reduction in the cost of DB (average cost to start a business reduced from 5% to 4%;	ICA (FY08)
					Doing business (FY08,09,10,11)

Government Long Term Objectives	Main Constraints to achieving long term goals	World Bank Strategy Outcomes	Intermediate indicators and Milestones	Progress to Date	Bank Program and Partners
	Rigid labour market	Increase flexibility of hiring and firing	Improve recovery rate of creditors Amendments in the Labour Laws	time to settle commercial disputes reduced from 750 days to less than 100 days and backlog of commercial cases reduced by 60%.); time to register property title reduced from 210 to 15 working days). Legislation has been revised to facilitate investment (ex post verification) The Competition Commission has been fully operational since November 2009. Insolvency Act enacted. Insolvency Unit set up at Registrar of Companies. Employment Rights Act and Employment Relations Act enacted. System in place to facilitate entry of foreign labor. Occupation Permit delivered within 3 working days.	Skills development & technology innovation ROSC **Lending** DPL Series 1,2,3 and 4 for (total US$210 million) Infrastructure Project (US$50 m) Infrastructure -2 Infrastructure -3 (panned) DPL series (planned)
	Inadequate land use planning to support the new economy and fast track investments Low level of technological sophistication	A working land market with reduced Government intervention Improved traffic flow along the main corridor in compliance with road safety measures	Development and adoption of a land administration and management system (LAVIMS) Implementation of an integrated plan for traffic decongestion and public transport improvement	A National Wages Council has been established to replace the present wage setting mechanism The LAVIMS has been developed and is under pilot phase Integrated Plan is under implementation	

Government Long Term Objectives	Main Constraints to achieving long term goals	World Bank Strategy Outcomes	Intermediate indicators and Milestones	Progress to Date	Bank Program and Partners
PILLAR 4: Democratizing the Economy through participation, inclusion and sustainability					
Education system facilitates the delivery of the right skills for the economy	High attrition rates at all levels result in low education attainment levels The post-secondary education system is underdeveloped both in the technical and general streams	Significant expansion of post-secondary education (technical and general) Increased articulation between the education strategy (in particular at the post-secondary level) and the overall economic growth strategy	Potential efficiency gains are identified at all levels Development of a renewed strategy of the post-secondary education sector strongly linked with the overall economic strategy	The education strategy was finalized in 2009 and is being implemented, yet without a clear roadmap and action plan. (CPE failure rate in 2009 was 32.6%; 35% in 2005) Eradication of Absolute Poverty program (EAP) introduced targeting education of children and life skills for parents	**AAA/TA** Social protection review (FY10) Health policy note (underway) Social protection reform TA (on-going) Safeguards country systems – pilot (planned)
Enhance opportunities for SME development	Bias against SMEs in favor of large firms	Elimination of bias (financing, regulatory, skills, etc) against SMEs as measured by increased number of new SMEs registered	An SME consultancy services schemes to assist start-ups and existing SMEs put in place Consolidation of institutions providing services to SMEs to improve efficiency	Opportunities for SME development enhanced with the MSDC project and schemes at the DBM; Number of SMEs registered improved drastically since the BFA (2006); A Unified Business and Enterprise Development Board is being set up	**Lending (grants)** HIV/AIDS (IDF) Indian Oceans commission support (IDF) DPL series (planned)
Empower the Vulnerable Groups	Social safety nets are costly and not targeted to most needy	Protection programs reach the needy as measured by household surveys	Development and introduction of a targeted social assistance scheme	NEF has several schemes in place to empower the vulnerable. Reach & effectiveness of social safety nets has been improved. Further reform underway.	
Sound Environmental Management for Sustainable Development	Lack of adequate sanitary infrastructure for sustainable development	Improvement in the environment by increased use of cleaner technologies in the industrial sector Adequate wastewater management system in place ensuring improved heath and sanitation	Revision of the NEAP 2 and implementation started Development of a policy Framework and Action plan for the Management of the Coastal zone Introduction and promotion of the use of leaner technologies in the industrial sector	*Maurice – Ile durable* initiative for environmental protection and tourism launched	

Government Long Term Objectives	Main Constraints to achieving long term goals	World Bank Strategy Outcomes	Intermediate indicators and Milestones	Progress to Date	Bank Program and Partners
Keep HIV/AIDS rate under control not to exceed the current prevalence rate of 0.3%	High rate of increase in HIV/AIDS cases	Stabilization of the prevalence of HIV/AIDS at 0.3%	Development of Strategy plan for HIV/AIDS (2006-2010)	Capacity building provided to National AIDS Secretariat to strengthen multi-sectoral response to HIV/AIDS HIV/AIDS prevalence has not been contained and is 1.0% in 2009 (UNAIDS)	

Annex A1- Mauritius

Key Economic & Program Indicators - Change from Last CAS

Prepared for all CASs/Progress Reports, but included in Board version of Progress Reports Only

As Of Date 12/2/2010

	Forecast in Last CAS					*Actual*				*Current CAS Forecast*		
Economy (CY)	*2006/07[a]*	*2007/08[a]*	*2008/09[b]*	*2009/10[b]*	*Avg. 2011/12-12/13[b]*	*2007/08[c]*	*2008/09[c]*	*2009[c]*	*2010[c]*	*2011[a]*	*2012[b]*	*2013[b]*
Growth rates (%)												
GDP	3.5	3.6	3.8	4.3	5.3	5.5	2.6	4.7	4.1	3.7	4	4.3
Exports	63.5	66.3	67.1	68.4	70.9	52.1	49.6	47.6	50.4	45	45	45
Imports	71.6	71.6	71	70.8	72.9	67.7	61.5	59.3	62.3	57	57	57
Inflation (%)	8.5	6	6	5.5	4.5	8.8	6.9	1	2.7	4	4	4
National accounts (% GDP)												
Current account balance	-6.9	-4.7	-3.7	-2.5	-2.2	-5.6	-9.4	-7.3	-8.6	-9.1	-9	-8.9
Gross investment	26.6	24.5	24	24.3	26.5	26	24.7	27.4	25.1	21	23	23
Public finance (% GDP)												
Fiscal balance	-1.4	-0.8	-0.7	0	0.6	-3.2	-3	-4	-4.5	-2.9	-1.6	-1.1
Foreign financing	0.1	-0.2	-0.4	-0.4	-0.4	0	1.3	0.1	1.9	2	1.2	1.1
International reserves (as months of imports)						8.5	9.7	11	8.8			
Program (Bank's FY)	FY07[a]	FY08[b]	FY09[b]	FY10[b]	FY11[b]	FY07[c]	FY08[c]	FY09[c]	FY10[c]	FY11[d]	FY12[b]	FY13[b]
Lending ($ million)	42	50	50			30	30	118	120		100	80
Gross disbursements ($ million)						30	30	101.5	1.1			

Note: Due to a change in fiscal year in 2009, from July-june to Jan-Dec, the figures reported for the period 2009 refers to Jul-Dec 2009

a. Estimated year

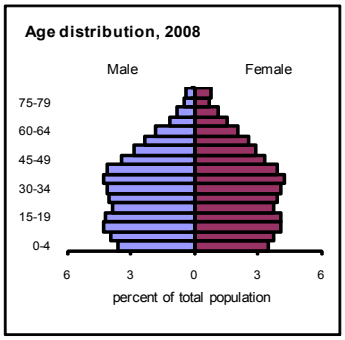
b. Projected year

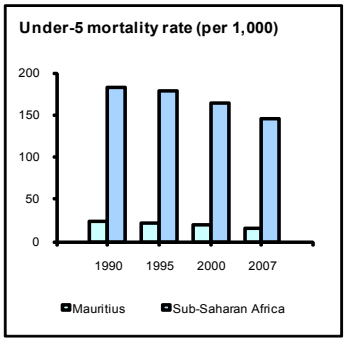
c. Actual outcome

Mauritius at a glance

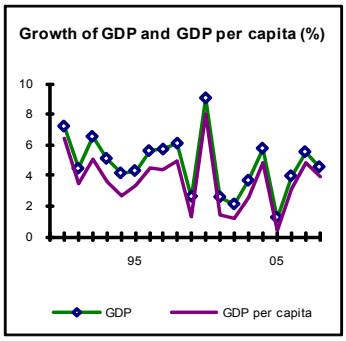
2/25/10

Key Development Indicators	Mauritius	Sub-Saharan Africa	Upper middle income
(2008)			
Population, mid-year (millions)	1.3	818	948
Surface area (thousand sq. km)	2.0	24,242	47,176
Population growth (%)	0.6	2.5	0.8
Urban population (% of total population)	42	36	75
GNI (Atlas method, US$ billions)	8.5	885	7,472
GNI per capita (Atlas method, US$)	6,700	1,082	7,878
GNI per capita (PPP, international $)	12,480	1,991	12,297
GDP growth (%)	4.5	5.0	4.7
GDP per capita growth (%)	3.9	2.5	3.8
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	51	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	73	..
Life expectancy at birth (years)	72	52	71
Infant mortality (per 1,000 live births)	13	89	21
Child malnutrition (% of children under 5)	..	27	..
Adult literacy, male (% of ages 15 and older)	90	71	95
Adult literacy, female (% of ages 15 and older)	85	54	93
Gross primary enrollment, male (% of age group)	101	103	112
Gross primary enrollment, female (% of age group)	101	93	108
Access to an improved water source (% of population)	100	58	94
Access to improved sanitation facilities (% of population)	94	31	82





Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	33	88	20	75
Top 3 donors (in 2007):				
France	13	32	9	40
European Commission	1	8	3	34
Japan	1	7	2	3
Aid (% of GNI)	3.0	3.4	0.4	1.0
Aid per capita (US$)	34	84	17	59



Long-Term Economic Trends	1980	1990	2000	2008	1980–90	1990–2000	2000–08
					(average annual growth %)		
Consumer prices (annual % change)	42.0	13.5	4.2	9.7			
GDP implicit deflator (annual % change)	26.6	10.1	2.1	7.6			
Exchange rate (annual average, local per US$)	7.7	14.9	26.2	28.5			
Terms of trade index (2000 = 100)	..	104	100	74			
Population, mid-year (millions)	1.0	1.1	1.2	1.3	0.9	1.2	0.8
GDP (US$ millions)	1,137	2,653	4,583	9,320	6.2	5.2	3.7
		(% of GDP)					
Agriculture	13.1	12.9	7.0	4.4	2.6	0.0	-1.2
Industry	26.2	32.8	31.0	29.1	9.7	5.4	1.4
Manufacturing	15.8	24.4	23.5	20.0	10.7	5.3	0.2
Services	60.7	54.4	62.1	66.5	5.1	6.3	5.9
Household final consumption expenditure	75.6	63.4	60.3	74.3	6.9	5.1	3.0
General gov't final consumption expenditure	14.0	13.6	14.1	13.2	3.3	3.6	3.9
Gross capital formation	20.6	30.2	26.1	27.2	12.1	4.8	6.1
Exports of goods and services	51.0	65.0	61.4	53.0	10.4	5.6	2.2
Imports of goods and services	61.2	72.2	61.9	67.7	11.6	5.1	2.6
Gross savings	9.9	25.4	27.0	16.9			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

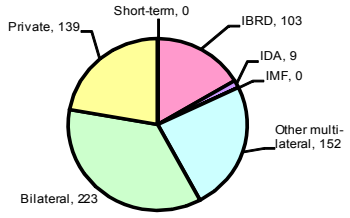
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2008
(US$ millions)		
Total merchandise exports (fob)	..	2,404
Total merchandise imports (cif)	2,158	4,614
Net trade in goods and services	-39	-1,366
Current account balance	29	-975
as a % of GDP	0.6	-10.5
Workers' remittances and compensation of employees (receipts)	177	215
Reserves, including gold	688	2,570

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	19.0	22.9
Tax revenue	17.0	19.7
Current expenditure	20.9	23.6
Overall surplus/deficit	-4.8	-2.4
Highest marginal tax rate (%)		
Individual	25	*15*
Corporate	*25*	*15*

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	946	626
Total debt service	453	161
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	20.6	6.7
Total debt service (% of exports)	16.1	2.8
Foreign direct investment (net inflows)	266	378
Portfolio equity (net inflows)	-4	34

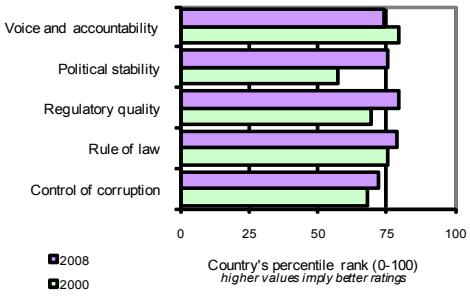
Composition of total external debt, 2008



US$ millions

Private Sector Development	2000	2008
Time required to start a business (days)	–	6
Cost to start a business (% of GNI per capita)	–	5.0
Time required to register property (days)	–	210
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
Access to/cost of financing	..	*52.7*
Business licensing and permits	..	*46.8*
Stock market capitalization (% of GDP)	29.0	36.9
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2008
Paved roads (% of total)	97.0	*100.0*
Fixed line and mobile phone subscribers (per 100 people)	39	110
High technology exports (% of manufactured exports)	1.0	*8.1*

Environment		
Agricultural land (% of land area)	56	*56*
Forest area (% of land area)	18.7	*18.2*
Nationally protected areas (% of land area)	..	*3.3*
Freshwater resources per capita (cu. meters)	*2,273*	*2,182*
Freshwater withdrawal (billion cubic meters)	..	*0.7*
CO2 emissions per capita (mt)	2.3	*2.7*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

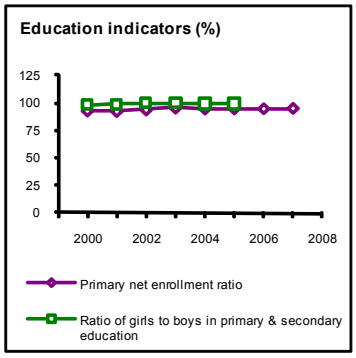
World Bank Group portfolio	2000	2008
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	86	103
Disbursements	4	30
Principal repayments	18	9
Interest payments	5	4
IDA		
Total debt outstanding and disbursed	13	9
Disbursements	0	0
Total debt service	1	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	6	0
of which IFC own account	6	0
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	3	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

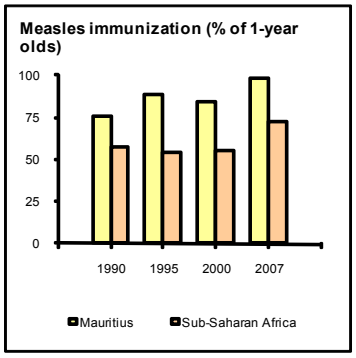
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. 2/25/10
.. indicates data are not available. – indicates observation is not applicable.

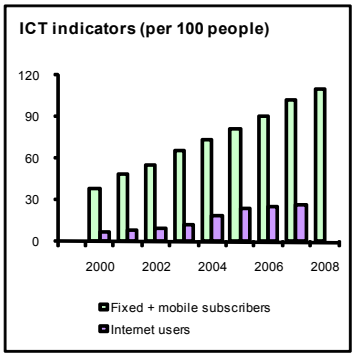
Development Economics, Development Data Group (DECDG).

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Mauritius			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*91*	..	93	*95*
Primary completion rate (% of relevant age group)	106	96	105	*94*
Secondary school enrollment (gross, %)	53	62	78	*88*
Youth literacy rate (% of people ages 15-24)	91	..	95	*96*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*102*	..	98	*100*
Women employed in the nonagricultural sector (% of nonagricultural employment)	37	36	39	*38*
Proportion of seats held by women in national parliament (%)	7	*8*	8	17
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	24	21	19	*15*
Infant mortality rate (per 1,000 live births)	20	20	16	*13*
Measles immunization (proportion of one-year olds immunized, %)	76	89	84	*98*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*15*
Births attended by skilled health staff (% of total)	91	98	100	*99*
Contraceptive prevalence (% of women ages 15-49)	*75*	..	*26*	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.2	*1.7*
Incidence of tuberculosis (per 100,000 people)	28	26	24	*22*
Tuberculosis cases detected under DOTS (%)	..	86	88	*69*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	100	100	100	*100*
Access to improved sanitation facilities (% of population)	94	94	94	*94*
Forest area (% of total land area)	19.2	19.0	18.7	*18.2*
Nationally protected areas (% of total land area)	..	..	..	*3.3*
CO2 emissions (metric tons per capita)	1.4	1.6	2.3	*2.7*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	5.3	13.2	23.7	28.7
Mobile phone subscribers (per 100 people)	0.2	1.0	15.2	81.4
Internet users (per 100 people)	0.0	*0.2*	7.3	29.9
Personal computers (per 100 people)	0.4	3.2	10.1	*17.6*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/25/10

Development Economics, Development Data Group (DECDG).

CAS Annex B2 - Mauritius
Selected Indicators* of Bank Portfolio Performance and Management
As Of Date 3/7/2011

Indicator	2009	2010	2011	0
Portfolio Assessment				
Number of Projects Under Implementation [a]	1	4	4	0
Average Implementation Period (years) [b]	0.4	0.8	1.5	0.0
Percent of Problem Projects by Number [a, c]	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount [a, c]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number [a, d]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount [a, d]	0.0	0.0	0.0	0.0
Disbursement Ratio (%) [e]	0.0	6.2	5.9	0.0
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)	165	227	191	583
Average Supervision (US$/project)	82	57	48	58

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	32	1
Proj Eval by OED by Amt (US$ millions)	356.2	10.0
% of OED Projects Rated U or HU by Number	15.6	0.0
% of OED Projects Rated U or HU by Amt	9.3	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

CAS Annex B3 - IBRD/IDA Program Summary **Mauritius**

As Of Date 3/7/2011

Proposed IBRD/IDA Base-Case Lending Program[a]

Fiscal year	*Project ID*	*US$ (M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2012	Development Policy Loan DPL5	20.0	H	L
2012	Development Policy Loan DPL6	30.0	H	L
2012	Infrastruture - 2	50.0	M	M
2013	Infrastruture - 3	50.0	M	M
2013	Development Policy Loan DPL7	30.0	H	L
	total	180.0		

Annex B3

Mauritius: IFC Investment Operations Program

	2008	2009	2010	2011*
Commitments (US$m)				
Gross	9.9	29.9	29.9	104.9
Net**	9.9	29.9	29.9	104.9
Net Commitments by Sector (%)				
Financial Services	100%	100%	100%	100%
Net Commitments by Investment Instrument (%)				
Equity	100%	33%	33%	9%
Sub-Debt	0%	67%	67%	19%
Senior Loan	0%	0%	0%	72%

* As of March 31, 2011
** IFC's Own Account only
FY ends in June

CAS Annex B4 - Summary of Nonlending Services -Mauritius

As Of Date 3/7/2011

Product	*Completion FY*	*Cost (US$000)*	*Audience*[a]	*Objective*[b]
Recent completions				
CEM - Managing change in a Changing World	2007	350	G, D, B, PD	KN, PS
Doing Business 2008	2008	50	G, D, B, PD	KN, PD, PS
Doing Business 2009	2009	50	G, D, B, PD	KN, PD, PS
Exchange rate & output fluctuations in the small open economy	2009	200	G, D, B, PD	KN, PS
Investment Climate Assessement	2010	100	G, D, B, PD	KN, PS, PD
IDF- HIV	2011	90	G	PS
Labor and trade policy note	2011	182	G, D, B, PD	KN, PS
Social protection review	2010	150	G, D, B, PD	KN, PS, PD
Underway				
Health policy note	2011	150	G, D, B, PD	KN, PS
Skills development, technology absorption & innovation	2011	200	G, D, B, PD	KN, PS, PD
ROSC (accounting/Auditing)	2011	100	G,B	KN
Civil sevice reform policy note	2011	70	G, D, B, PD	KN, PS
Procurement review	2011	100	G, D, B	KN, PS
Planned				
PER - civil service	2011	200	G, D, B, PD	KN, PS
ROSC	2011	70	G, B	KN
Safeguards country systems pilot	2011	50	G, D, B, PD	KN, PS, PD
Skills development analysis	2013	175	G, D, B, PD	KN, PS, PD
Education Status report	2012	150	G, D, B, PD	KN, PS, PD

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

CAS Annex B8 - Mauritius

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 3/7/2011

Closed Projects 41

IBRD/IDA *

Total Disbursed (Active)	4.16
of which has been repaid	0.00
Total Disbursed (Closed)	172.88
of which has been repaid	85.17
Total Disbursed (Active + Closed	177.04
of which has been repaid	85.17
Total Undisbursed (Active)	130.52
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Clos	130.52

Active Projects

Project ID	Project Name	Last PSR Supervision Rating: Development Objectives	Last PSR Supervision Rating: Implementation Progress	Fiscal Year	Original Amount in US$ Millions: IBRD	IDA	GRANT	Cancel.	Undisb.	Difference Between Expected and Actual Disbursements a/: Orig.	Frm Rev'd
P105669	MU-Economic Transitior	MS	MS	2009	18				15.9025	4.92752	
P091828	MU-Infrastructure Projec	S	S	2010	50				45.7941	27.7941	16.7941
P112943	MU-Manufacturing & Ser	S	S	2010	20				18.95	3.3075	
P116608	MU:Fourth Trade and Co	HS	HS	2010	50				49.875		
Overall Result					138				130.522	35.9041	16.7941

Annex B8

B8 (IFC) for Mauritius

Mauritius
Committed and Disbursed Outstanding Investment Portfolio
As of 2/28/2011
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant
2010	Sbm ltd	75	0	0	0	0	75	0	0	0	0
0	Stanbicmauritius	0	0	20	0	0	0	0	20	0	0
	Total Portfolio:	**75**	**0**	**20**	**0**	**0**	**75**	**0**	**20**	**0**	**0**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

CAS Annex B10 - Mauritius
CAS Summary of Development Priorities
As Of Date 3/7/2011

Network area	*Country performance [a]*	*Major issue [b]*	*Country priority [c]*	*Bank priority [c]*	*Reconciliation of country and Bank priorities [d]*
Poverty Reduction & Economic Management					
Poverty reduction	good		high	high	
Economic policy	good		high	high	
Public sector	fair		high	high	
Gender	good		moderate	low	other MDB
Human Development Department					
Education	fair	skills shortage	high	high	
Health, nutrition & population	fair	unsustainable	moderate	moderate	
Social protection	fair	targetting	high	high	
Environmentally & Socially Sustainable Development					
Rural development	good		moderate	moderate	
Environment	good		high	moderate	
Social development	good		moderate	moderate	
Finance, Private Sector & Infrastructure					
Financial sector	good		high	high	
Private sector	good		high	high	
Energy & mining					
Infrastructure	fair	congestion	high	high	

a. Use “excellent,” “good,” “fair,” or “poor.”
b. Indicate principal country-specific problems (e.g., for poverty reduction, “rural poverty;” for education, “female secondary completion;” for environment, “urban air pollution”).
c. To indicate priority, use “low,” “moderate,” or “high.”
d. Give explanation, if priorities do not agree; for example, another MDB may have the lead on the issue, or there may be ongoing dialogue.

IBRD 33446

MAURITIUS

- SELECTED CITIES AND TOWNS
- DISTRICT CAPITALS
- NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES

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DECEMBER 2004