Board Meeting of Tuesday, April 22, 1997
Statement by Joaquim Carvalho

MAURITIUS: Country Assistance Strategy

The Mauritian authorities deserve to be commended for sustaining high economic growth levels for more than a decade, and for realizing in good time that new policy and structural changes are now required to enhance the international competitiveness of the economy. We thus, wish to extend our full support to the government's programs as well as the Bank's Country Assistance Strategy which has been developed after extensive consultations. We only have a few comments to make.

First, we note the authorities' intention to correct deficiencies related to the development of human capital by improving the quality of basic education and, supported by the private sector, the training of the existing labor force so as to improve its productivity and flexibility. We also applaud the government's efforts to increase the participation of women in economic activities. However, we notice that programs to assist the small and medium scale enterprises, including new entrants into economic activities, to cope with the new economic challenges are not spelled out in the CAS. We believe that even with the level of training such as that noted in para 40, additional efforts will be required to enable this group to play a more meaningful role in the country's economic development than it has done in the past.

Second, we think the CAS's emphasis on non-lending services is generally appropriate, given the country's ability to access other sources of finance, and its desire to keep its borrowing activities at manageable levels. While we commend the Bank's role in the two important social sectors of education and health, we believe that the challenges in these sectors would not only require the planned activities on the part of the Bank, it would also need additional resources beyond those envisaged in the CAS. We therefore hope that the additional operation in education noted in para 50 will indeed be prepared to support the Government's programs, and that the Bank will also stand ready to assist the authorities with appropriate resources, if so requested, for implementing the Action Plan for the health sector.

Third, a fast-growing economy such as that of Mauritius requires a responsive financial sector and indeed the CAS notes the role that this sector is expected to play, and the related improvements planned for financial infrastructure. One wonders, however, whether the level
of new lending (Box 8) in this sector would be sizable enough to enable the Bank to adequately assist the government in this sector, which is so critical to the country's growth prospects. We also wonder what type of assistance, if any, the Bank Group would be ready to extend to Mauritius in its efforts to position itself as a regional and international financial service center.

Fourth, we think that para 58 on IFC and MIGA could have been expanded to give a better picture of what role these World Bank affiliates would play in Mauritius. We believe that the two institutions should play a much greater role in the country, given its stated intention to increase the role of the private sector in the economy, and to attract a new generation of foreign direct investment. In our view, IFC activities could be expanded even further, particularly in relation to the new economic activities where the authorities are developing a niche for the country, and MIGA could also begin to play a major role in the country. Para 58 gives the reader no idea of MIGA's plans, or level of activities, in the country.

Finally, we commend Mauritius' development partners for the high level of coordination in assisting the country to implement its development agenda.

Thank you.