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The World Bank

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Report No. P-3312-MAS

REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

(SIXTH LINE OF CREDIT)

TO THE

DEVELOPMENT BANK OF MAURITIUS

WITH THE

GUARANTEE OF MAURITIUS

MAY 12, 1982

CURRENCY EQUIVALENTS

		Calendar Average Year 1981		April 30, 1982
Unit		Mauritian Rupee (Rs)		Mauritian Rupee (Rs)
US$1	=	Rs9.0911	=	Rs10.6688
Rs 1,000	=	US$110.00	=	US$93.73

The rate of Rs10=US$1 has been used for the purpose of project analysis.

ABBREVIATIONS

DBM	- Development Bank of Mauritius
ECGS	- Export Credit Guarantee Scheme
SAL	- Structural Adjustment Loan
SFC	- State Finance Corporation
SSE	- Small-scale enterprise

FISCAL YEAR
(DBM and Government)

July 1 - June 30

MAURITIUS - SIXTH DEVELOPMENT BANK PROJECT

LOAN AND PROJECT SUMMARY

Borrower:	Development Bank of Mauritius (DBM)
Guarantor:	Mauritius
Amount:	US$6.0 million equivalent
Terms:	Repayable substantially in conformity with the aggregate of the amortization schedules of the sub-loans, and fixed schedules of repayment of loan funds used to finance equity investments to be determined at the time of DBM's request for approval of the investment, but not exceeding a period of 17 years. Amounts disbursed for studies repayable over 17 years including 4 years grace. Interest would be 11.6 percent per annum. Front end fee (1.5 percent) capitalized.
Relending Terms to Sub-Borrowers:	DBM would make up to $300,000 equivalent from the loan available to Government to finance studies, on the same terms as those of the Bank loan to DBM. DBM would relend the remaining proceeds of the loan at an annual interest rate of 14.5 percent, except for SSE sub-borrowers receiving loans of Rs 25,000 or less for which the relending rate would be 10 percent; or at interest rates that would ensure a minimum margin of 2 percent on the proceeds of the loan. Repayment of the subloans would be over periods of up to 15 years, with appropriate grace periods. Except for SSE loans of Rs 25,000 or less, DBM would pass to its sub-borrowers the foreign exchange risk between the rupee and the US dollar. Government will bear the differential between the dollar and the current value of the DBM's repayment obligation for the particular maturity as determined under the currency pooling system, without a fee. The foreign exchange risk for SSE loans of Rs 25,000 or less will be carried in full by Government at no charge.
Project Description:	The Project has two main purposes: (i) to finance studies of the industrial and financial sectors, to be carried out by Government with the aid of consultants, intended to develop policies and institutional arrangements conducive to growth of industrial production and exports; and (ii) to assist DBM in financing the foreign exchange component of loans and investments in industry, agro-industry and tourism, including the foreign exchange component of investment by small-scale enterprises.

Risks: DBM is a financially sound, creditworthy institution that has financed worthwhile and profitable projects. Consequently there are no specific risks associated with this project.

Resource Requirements & Financing Plan:

	($ million)		
	Local	Foreign	Total
Resources available	3.5	3.1	6.6
IBRD	-	5.6	5.6
Other foreign sources	-	7.3	7.3
Total	3.5	16.0	19.5

Estimated Disbursement:

Fiscal Year	$ million	Cumulative $ million
1983	0.43	0.43
1984	1.38	1.81
1985	1.55	3.36
1986	1.24	4.60
1987	0.84	5.44
1988	0.56	6.00

Rate of Return: n.a.

Appraisal Report: No separate appraisal report has been prepared, for the reasons given in paragraph 54.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE DEVELOPMENT BANK OF MAURITIUS WITH THE GUARANTEE OF MAURITIUS

1. I submit the following report and recommendation on a proposed loan for a sixth line of credit to the Development Bank of Mauritius (DBM) with the guarantee of Mauritius, for the equivalent of US$6.0 million to help provide foreign exchange for industry, agro-industry, tourism and the investment needs of small-scale enterprises. Up to $300,000 of the loan proceeds would be passed to Government to finance studies of the industrial and financial sectors. The loan would have a term substantially in conformity with the aggregate of the amortization schedules of sub-loans for medium- and large-scale operations, and fixed schedules of repayment by DBM of loan funds used to finance equity investments and small-scale enterprise sub-loans, but not exceeding a period of 17 years, with interest at 11.6 percent per annum.

PART I - THE ECONOMY

2. A report on the economy of Mauritius (No. 2962 MAS) was distributed to the Executive Directors on September 22, 1980. An economic mission visited Mauritius in November-December 1981, and is preparing its report. Recent economic developments are summarized in the ensuing paragraphs. Country, social and economic data sheets are provided in Annex I to this Report.

3. Mauritius had in 1981 a population of 971,000, of which 940,000 live in the main island. It has an area of about 2,000 square kilometers, just over half of which is cultivable. The main island has a high population density of 470 per square kilometer, or about 810 per square kilometer of arable land. Despite significant expansion of other sectors since the early 1970s, sugar production utilizes about 90 percent of the cultivable area. Because of the small size and the monocultural character of the economy, foreign trade is of vital importance. With a GNP per capita of about $1,350[1]/ in 1981, Mauritius enjoys the standard of living of a middle-income developing country, with high standards of nutrition, health care, and general education, exceeding by far the standards of neighboring nations. The adult literacy rate is over 80 per cent, life expectancy is about 65 years, and basic needs are extensively covered.

4. Land constraints and continued population growth led the government in the early 1970s to revise its economic development strategy which had placed

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1/ A number of statistics shown in this report are not consistent with the social indicator data sheet, since they are based on the findings of the November 1981 economic mission. The data sheet is being updated.

heavy emphasis on agriculture. Because of the limited potential offered by the agricultural sector, the government strategy focussed on industrial growth to reverse the rising trend of unemployment. The first step had been the introduction in the 1960s of the Development Certificate scheme to stimulate import substitution. Because of the small national market size, the government decided in 1970 that production for export based on imported raw materials appeared to be more likely to produce industrial growth. Accordingly, generous incentives were introduced under the Export Processing Zone (EPZ) scheme to attract export processing industries. Government efforts in this field were remarkably successful in the first part of the 1970s and the share of manufacturing exports increased from 7 percent of exports in 1973 to 25% in 1979. (The industrial sector is discussed further in Part III.)

5. After economic stagnation from 1964 to 1972, growth in production in 1973-1979 was estimated at an average rate of 8 per cent per year. The salient features underlying the increase in economic activity were: a) the sharp upward swing in world sugar prices, the good sugar crop years of 1973 and 1974 and the multiplier effect of the sugar sector on the rest of the economy; b) the development of Mauritian exports of manufactured products; c) the current and capital expenditure of the government which increased faster than current revenues; d) the increase in demand resulting from a government policy until the end of the decade of increasing wages and salaries faster than the cost of living to improve income distribution; and e) the growth of imports financed through extensive external borrowing.

6. During the course of 1979 it became apparent that the expansionary financial policy and resulting distortions and imbalances were not sustainable. The slackening economic growth and the slowdown of the growth of manufacturing exports led to a deficit situation in which the Government was forced to initiate restrictive demand management measures. The decision to undertake the necessary adjustment measures was difficult, since the Government was not ready to compromise its achievements in terms of income redistribution and the satisfactory delivery of basic needs. In October 1979 it devalued the Rupee by 30 per cent to correct the balance of payments disequilibrium by restoring the competitiveness of manufacturing industry. This also served to increase the proceeds from import tax duties and to contain the government deficit. As a complementary policy to the devaluation, wage and salaries were increased by an amount less than the increase in the consumer price index expected on account of the devaluation. To support the overall adjustment efforts, a two year stand-by agreement was signed with the IMF. The Government's measures were however undercut by adverse exogenous developments, most notably the cyclones of 1980 which reduced the sugar crop, and the appreciation of the dollar in 1981, and thus of the rupee which is fixed to the SDR, vis-à-vis the currencies of Mauritius' main European export markets.

Current Economic Situation

7. The economic performance of 1980 was extremely disappointing. Cyclone damage reduced the sugar crop by 30 percent from its 1979 level. Moreover, contrary to what happened in 1975, the impact of the shortfall was transmitted immediately to the rest of the economy, and there was a sharp contraction of economic activity. With the exception of tourism and government services, all sectors of the economy registered a significant decline. In 1980 GDP was about

8.8 percent lower than in 1979. There was a slight economic recovery in 1981, which did not compensate for the decline of 1980. Sugar production recovered but was still below normal because of a drought in the early part of the year. The good performance of non-sugar manufacturing which benefited from the success of knitwear exports to new markets and a shift in domestic demand towards locally produced goods was offset by the decline in construction activity resulting from higher costs for materials and credit restraints. On the demand side, gross capital formation continued to follow the declining trend initiated in 1978, largely as a consequence of the successive losses incurred by the sugar industry in 1979-81. Stock levels, reflecting mainly the swings in sugar production, were replenished in 1981 as output recovered and shipments proceeded at a slower pace.

8. The slowdown of economic activity was associated with a decline in employment. Employment surveys in September 1980 and March 1981 indicate successive reductions in the numbers employed, while unemployment increased sharply, to about 12 percent of the labor force in 1981.

9. The Government's current budgetary accounts for 1979/80 and 1980/81 continued to show a deficit. The Government's success in reducing the 1979/80 deficit to only about one third of the 1978/79 deficit was short-lived, since current expenditures grew faster than tax revenues due to the bad sugar crop, the 1979 devaluation, and falling sugar prices in 1981. The current fiscal deficit for 1980/81 was about the same as in 1978/79. With continued growth of government expenditure, the overall deficit increased from 10.8 percent of GDP in 1979/80 to 12.8 percent in 1980/81.

10. After a slight improvement in 1980, the balance of payments again deteriorated in 1981. From $145 million in 1979, the current deficit fell to $119 million in 1980, and then increased to $140 million in 1981; expressed as a proportion of GDP, the deficit remained about 11 percent. However, the change between 1980 and 1981 is to some extent misleading, being due entirely to low sugar exports in 1981. Net of exports of sugar and molasses, the current account balance of payments in fact improved substantially in 1981, compared with 1980. The disappointing sugar exports, combined with unfavorable terms of trade, more than offset a reduction in the volume of imports, and the fact that the increase in interest payments, resulting from the increase in external debt and the surge of interest rates on the international markets, was partly offset by higher transfer receipts.

11. The increased recourse to foreign borrowing had a direct impact on the outstanding and disbursed foreign public debt, which reached about $375 million by the end of 1981. With increased borrowing from commercial banks and other financial institutions, and the rise of interest rates on the international market, overall terms of external borrowing hardened. As a consequence, from $19 million in 1979, debt service obligations increased to $47.6 million in 1981, i.e. about 9.3 percent of export earnings.

12. Structural Adjustment. In view of the present macro-economic situation, the Government has now had to reassess its whole development policy. This reassessment has led it to develop a full adjustment program, including measures designed to increase output and exports, as well as demand management policies. The adjustment program envisages an annual GDP growth rate of 3.0 to

3.5 percent over the period ending in 1986. This objective is consistent both with the medium term development potential of the economy, and with a decline in the current account balance of payments deficit from an estimated 11 percent of GDP in 1981 to a projected level of 3 percent in 1986. An essential feature of the program is the expected improvement in capital productivity to be achieved through fuller utilization of existing capacity and, more importantly, a shift in the allocation of both private and public investment towards directly productive sectors and supporting facilities. The public sector investment program (PSIP) shows a switch from social sector investment to economic infrastructure, and a reduction in public sector investment from about 13 percent of GDP in 1979/80 to 9 percent in 1984/85. The share of health, education and housing in public investment, which had risen from 5 percent in 1973/74 to as much as 25 percent in 1978/79, is planned to be brought down to about 9 percent by 1984/85. At the same time, the allocation for basic infrastructure - power, transport, telecommunications, water and sewerage - is to go up from about 20 percent to 46 percent of total public investment.

13. In May 1981 the World Bank approved a $15 million loan to Mauritius in support of this program of structural adjustment. In the Statement of Development Policy, on which the loan was based, Government indicated that a major purpose of the program was, by increasing the efficiency of the public sector and other means, to free resources for private investment in manufacturing, tourism, agriculture and other areas necessary for further growth of the economy and for maintenance of the capital stock, particularly in the sugar sector. The program complemented the IMF stabilization program which had been developed as part of a series of stand-by agreements between 1979 and December 1981. The structural adjustment program described in the Statement focused on:

(a) implementation of a series of measures aimed at stimulating production, export and investment in the industrial sector, and development of further measures to this end;

(b) development of policies and technical proposals to stimulate agricultural production other than sugar;

(c) establishment of a commission of enquiry, and a preparatory unit for this commission, so as to assess the present status of the sugar industry and to develop policies conducive to the long term strength of the industry;

(d) establishment of an energy planning unit and the drawing up of a national energy plan, including an assessment of the potential use of bagasse for power generation;

(e) an assessment of the problems facing the tourist industry;

(f) a series of measures aimed at greater efficiency in public sector agencies and at reducing their demands on the budget;

(g) a restructuring of the public sector investment program, placing greater emphasis on production; and

(h) definition of a debt management policy and strengthening debt management capacity.

The Government has also sought the Bank's support for its program, through organization of a Consultative Group, which met in October 1980, and technical assistance in a number of areas.

14. The various elements of the adjustment program should bring about a decline of about 60 percent in real terms in the resource gap between 1979/80 and 1984/85. Yet external capital will still be needed during the period on a much larger scale than in the past. Forecasts of capital requirements take account of the need to build up foreign exchange reserves, while servicing existing external debt. A sizeable part of the existing debt was contracted on hard terms. These unfavorable factors are compounded by the likely deterioration in the terms of trade. Gross external capital requirements are projected to rise from $135 million in 1980 to about $190 million in 1985. The amount of public external borrowing needed, however, will partly depend on Mauritius' ability to attract foreign private investment. Lending from private souces could average $30 million a year over the period 1982/85, and as a result of Government's investment promotion effort and growing confidence, direct investment inflows could increase to $30 million by 1985. In view of the economy's heavy dependence on imports of food, energy, and essential industrial imports, borrowing to finance the balance of payments deficit will be important for some years to come.

15. Prospects for mobilizing aid are reasonably favourable, having regard to the recent diversification of official sources of external loans. In recent years Mauritius has benefited from assistance from a number of donors. The African Development Bank, France (which committed about $45 million in 1979 and 80), the European Investment Bank and the European Economic Community (which provided about $40 million during the period of the first Lomé Convention, 1976-80), the OPEC Fund, BADEA, UK, USA, and the Kuwait, Abu Dhabi, and Saudi Funds have been among those countries and agencies which have provided, or which now expect to provide, aid on a significant scale. During the 1980 Consultative Group meeting all donors present indicated a continuing interest in supporting Mauritius with project aid. In addition, France extended about $10 million in program assistance in 1981, while Australia and the EEC also provided emergency assistance, and the USA is providing about $8 million in PL480 food aid and other non-project assistance in 1981/82. Sizeable balance of payments assistance is likely to be forthcoming from the IMF, which indicated at the CG meeting that it was prepared to make available additional resources amounting to about SDR 30 million ($37 million) annually over the next three years, if appropriate agreement could be reached with the Government. In December 1981, the IMF approved a Standby Agreement of SDR 30 million, to be released in four tranches. The first two tranches have been drawn, the third depends on a mid-term review in about June 1982. In addition to project assistance, the Bank has fully disbursed the $15 million structural adjustment loan of May 1981 and will consider further such loans in subsequent years if the Government's structural adjustment program proceeds satisfactorily.

Creditworthiness

16. The borrowing program described above, together with the effect of the supply-side measures in the adjustment program to increase exports, imply a debt service ratio rising to about 15 percent by 1985 and then declining slightly by the end of the decade. Many developing countries have experienced higher ratios than this. Nevertheless, Government recognizes that the present

level represents a warning signal, for the following reasons: (i) Mauritius is an open economy where exports account for almost 40 percent of GDP; (ii) Mauritius is heavily dependent on one single export crop for which prices fluctuate on the world market, and production is affected by cyclones; (iii) Mauritius no longer has sufficient foreign exchange reserves to face the eventuality of a major cyclone; and (iv) any growth in the debt service ratio as rapid as the one recently experienced by Mauritius requires careful attention. Given the Government recognition of the problem, and its determination and demonstrated ability to follow a program of structural adjustment, complemented by continued standby programs with the IMF, and given the continued strength of its major export earning industries, Mauritius is creditworthy for the borrowing program described above.

PART II - BANK GROUP OPERATIONS

17. To date Mauritius has received five IDA credits and twelve Bank loans (including one loan on Third Window terms) totalling $130.5 million, to help finance projects in industry ($33.5 million), power ($22.0 million), the port ($13.6 million), agriculture and rural development ($9.2 million), urban development ($15.0 million), and education ($22.2 million). The most recent loan approved by the Executive Directors was of $15.0 million for Structural Adjustment (the SAL) on May 26, 1981 (Number 2010-MAS). An IFC loan for hotel construction was approved by the Board in 1981, but was subsequently cancelled because the sponsors decided to postpone the project. IFC is at present considering other proposed investments.

18. The Bank plans to support the program of structural adjustment with a lending program which places a heavy emphasis on transfer of resources through non-project aid, and with technical assistance through economic and sector work. The program will also continue to concentrate on supporting the Government's strategy of economic diversification and employment creation through the development of industry, energy, and necessary infrastructure to meet the needs of growing industrialization. We intend accordingly to participate in projects designed to improve and expand public infrastructure and related institutions. Following the recent Government decision to strengthen the Central Water Authority's financial position by allowing an increase in water tariffs, we are processing a water supply project; a road maintenance project is under preparation. We may also support the Government's educational reforms through a third education project, depending on steps taken by Government to strengthen its program of technical education and training. A small-scale agriculture project has recently been appraised on behalf of IFAD.

19. Implementation of current projects is generally satisfactory. On the other hand, the first rural development project had mixed success in achieving its objectives, while the tea project, also recently completed, encountered problems caused by falling international tea prices, inadequacies in project management and equipment, and lack of interest from laborers in working on tea plantations and from smallholders in taking over tea plots. Annex II contains a summary statement of Bank Group operations in Mauritius as of March 31, 1982,

as well as notes on the status of ongoing projects. Mauritius' disbursement performance has been reasonable. Although in fiscal years 1980 and 1981 it was below the Bank-wide average, that average includes disbursements on non-project loans. The inclusion of the rapidly disbursed first SAL, signed on May 12, 1981, effective on June 24, 1981, completely disbursed by January 7, 1982, will probably show that Mauritius currently has a record better than the Bank-wide average. A comparative disbursement table is included in Annex II. A follow-up unit is being established in the Ministry of Economic Planning and Development, with IFAD support, under the recently appraised small-scale agriculture project: this unit should lead to some improvement in project implementation. By and large, Mauritian implementing agencies are well able to handle project responsibilities.

20. Two audit reports have so far been prepared by the Operations Evaluation Department: Report No. 2101 of June 20, 1978 on the first line of credit made to the Development Bank of Mauritius (Credit No. 313) and Report No. 3761 of December 31, 1981 on the Tea Development Project (Credit No. 238). The DBM report showed that the project had made a valuable contribution to development of the Mauritian economy (below, paragraph 48). The tea project report discussed the problems encountered by the Project (paragraph 19),and concluded that it had not been successful, especially because of the institutional difficulties arising from the agency created in connection with the project, the Tea Development Authority.

III. SECTORS RELATED TO DBM OPERATIONS

A. The Industrial Sector

Background, Strategy and Incentives.

21. Sugar milling and related activities were the main forms of industrial activity until the mid-1960s when the Government embarked on a policy of economic diversification. Its strategy was to stimulate private foreign and domestic investment in manufacturing and tourism through: (a) provision of physical infrastructure; (b) fiscal and financial incentives; and (c) encouraging the financial sector to provide credit facilities, in particular through the government-owned Development Bank of Mauritius (DBM). The strategy initially focussed on developing import substituting activities, and only later emphasized export-oriented industries and tourism.

22. The first comprehensive set of policies aimed at diversifying the economic base of Mauritius was the Development Certificate (DC) Scheme, introduced in 1964 and still in operation with some modifications and amendments. This aimed at encouraging the development of import substitution enterprises. The scheme provides exemptions from corporate income tax for five to eight years and from duties on imported capital goods. Domestic manufactures, especially in new sub-sectors, are given a varying degree of protection against import competition, on a case-by-case basis. As of June

1981, 115 manufacturing enterprises and 12 hotels, employing 8,800 workers, had benefited from this scheme.

23. Because of the limited scope for viable import substitution, in 1970 the Government sought to promote export-oriented manufacturing through the Export Processing Zone (EPZ) Scheme. EPZ firms are exempt from import duties on capital goods and raw materials. They are granted (i) a corporation tax holiday for ten years, and tax at reduced rates for a further ten, (ii) a waiver of taxes on dividends for five years, (iii) free repatriation of profits, (iv) export finance at preferential rates, (v) liberal work permits for necessary expatriate staff, and (vi) preferential rates for electricity and harbour dues. Local sales by EPZ enterprises are restricted, to prevent competition with other local manufacturers, but a small proportion of output can be sold on the local market with the approval of the Customs authorities, after payment of duty. As of June, 1981, 103 enterprises were operating under the EPZ scheme, employing about 22,500 people. Their 1981 exports were estimated at about Rs 1,100 million, representing 90 percent of their total production; EPZ value-added has been estimated at about 40 percent of output.

24. Industrial estate development began in 1968 when DBM started the construction of the Plaine Lauzun estate in Port Louis. The first line of credit to DBM (Credit 313-MAS, approved in 1972) allocated $400,000 for buildings at Plaine Lauzun. Completed in 1978, this estate (427,000 sq.ft.) is now fully occupied, by firms employing about 6,000 people. The Credit also financed a feasibility study of a second estate at Coromandel, near Port Louis, for which an IDA Credit (No. 411-MAS) of $4.0 million was approved in June 1973. The factory space at Coromandel (625,000 sq.ft.) is 60 percent occupied, with 39 industrial and non-industrial establishments. Coromandel also provides serviced land, which is over 60 percent leased, to establishments that need special structures, or prefer to build according to their own specifications. About 1,600 people are employed at Coromandel. Occupancy at Coromandel has been lower than expected at appraisal because of the slowdown in economic activity and industrial investment at about the time construction was completed. In addition, the multi-floor design makes upper level space less attractive. DBM has accordingly allowed temporary non-industrial use of some parts of the estate. For a brief summary of the conclusions of the Project Completion Report on this credit see paragraphs 49 and 50.

25. The existence of Plaine Lauzun and Coromandel has been a positive factor for industrial development in Mauritius. DBM has also acquired land for other estates or for serviced land for industry, but does not believe that demand exists at present. The Ministry of Commerce and Industry believes that built space and serviced land should be available well in advance, so that prospective investors would not be deterred because of the lack of facilities. Government has undertaken, in the context of the SAL, to review the administrative arrangements governing the industrial estate program and the need for factory space and serviced land in the future. The report of this study and an implementation program will be reviewed with the Bank by March 31, 1983 (draft Guarantee Agreement, Section 3.04).

Recent Industrial Performance

26. Following introduction of the EPZ scheme, the manufacturing sector grew rapidly until 1975. Annual growth in constant price value-added between 1971 and 1975 averaged 17 percent, in employment 17 percent and in current price value of exports over 100 percent. Growth slackened between 1976 and 1981, with employment rising by about 11 percent p.a. and exports by about 35 percent per annum in current terms. In 1980, the sector, excluding sugar milling and tea factories, contributed about 13 percent of GDP at factor cost and about 37 percent of total exports; employment in large manfuacturing establishments (that is those employing ten or more people) was approximately 36,000, representing 30 percent of employment in large enterprises. Small manufacturing enterprises employed an estimated 14,000 people. The manufacturing sector's principal products are shown in Table 1:

Table 1
Employment and Value Added
in Manufacturing Industries - 1980

	Employment		Value Added	
	No.	%	Rs million	%
Food, beverages & tobacco	5,139	14.2	224	26.5
Textiles & clothing	19,570	54.0	272	32.2
Wood & paper products	2,492	6.9	65	7.7
Metal & mineral products	3,909	10.7	136	16.1
Other manufacturing	5,138	14.2	147	17.4
Total	36,272	100.0	844	100.0
of which: EPZ	21,208	58.5	306	36.3
DC & Others	15,064	41.4	538	63.7

Source: Central Statistical Office

Textiles and clothing, principally knitwear, are the major manufacturing activity, accounting for a little over half the sector's employment and about one-third of the value added. Mauritius is now the fourth largest exporter of knitwear in the world.

27. EPZ enterprises, particularly in textiles and clothing, accounted for a large part of the growth in manufacturing in the 1970s. Initially, the EPZ scheme succeeded because of Mauritius' relatively low labor costs, its investment incentives, and its preferential access to the EEC. These gave Mauritius an advantage over other developing countries seeking access to the EEC market, in particular those in the Far East. In the mid-1970s, rising wages and other domestic costs reduced that relative advantage; the competition for foreign

capital and entrepreneurship became very keen, with many countries providing generous incentives and setting up export processing zones; the EEC extended the preferential treatment to other countries, and industrial countries increased protection, particularly for textiles and clothing. Finally, the deteriorating financial situation of the sugar industry and the general slowdown in the economy reduced the availability of risk capital, and adversely affected the initiative and entrepreunerial activities of Mauritius' main commercial and industrial groups, whose ownership is closely linked to that of the sugar industry.

28. Industrial enterprises in Mauritius are 98 percent owned by the private sector. Foreign ownership is much larger in EPZ enterprises than those producing for the local market. While ownership of smaller enterprises is widely dispersed, local ownership of large establishments is mostly in the hands of major Mauritian commercial and sugar interests, through a complex system of holding companies.

29. Small-scale enterprises are especially assisted by Government in that they benefit from DBM's scheme to provide financial support under advantageous terms (below, paragraphs 67 and 70). Government provides DBM with a guarantee on losses under its SSE loans. A Small-Scale Industries Unit has existed in the Ministry of Industry and Commerce since 1975, staffed with two foreign experts and two local professionals. This unit has so far restricted its activities to ad hoc assistance and data gathering.

Sectoral Issues

30. The present levelling off in the rate of industrial exports, the drop in industrial investment, both from domestic and foreign sources, some weaknesses in infrastructure and communications, and deficiencies in the existing administrative arrangements, will all continue to constrain the growth of industry, unless decisions are taken to reduce these constraints. Increased export promotion is desirable: Mauritius needs to maintain its position in the export markets where it is already established, such as the EEC, and to establish new export markets. The world recession, increasing protection in Western Europe and the US, and the rising competition from many other countries who are following a similar export strategy, could complicate this task. However, since Mauritian industrial output in most sectors (except knitwear) is small, relative to consumption levels in most major overseas markets, it needs only to increase its share in any market by a small amount, to increase production by a relatively significant amount. Its chances of future industrial growth are thus less affected by the world recession than are larger countries.

31. Mauritius has recently taken several additional measures to promote exports, partly in the context of the SAL. Tax relief was extended to firms exporting services or re-exporting merchandise, and to non-EPZ firms which expand exports. An Export Credit Guarantee Scheme was started in May 1981 by DBM, with the Government and the Bank of Mauritius underwriting the scheme for the first five years of operation (paragraph 73). This scheme provides coverage to commercial banks in Mauritius against default by Mauritian exporters. DBM also plans to introduce an Export Credit Insurance Scheme that would cover the

exporter against risk of non-payment by the foreign buyer, a need which is felt by both exporters and commercial banks. An Export Promotion Unit has been established in the Ministry of Commerce and Industry; Mauritius participated in trade fairs in Paris and Berlin, and the potential for Mauritian exports in mid-Eastern markets was assessed by consultants. Finally, Mauritius took an active part in the negotiations for a preferential trading area among Southern African States. Exchange rate adjustments in 1979 and September 1981 reduced the relative cost of Mauritian labor. The improved competitive position has been maintained by wage policies over the past three years, during which wages have fallen substantially in real terms. Better management and lower absentee rates have reportedly led to increased productivity to levels that compare well with those in other competitive countries.

32. A second major constraint to the growth of the industrial sector has been the decline in investment. Gross fixed capital formation in manufacturing fell by 50 percent between 1976 and 1980, and its share of total investment declined from about 31 percent to about 16 percent during the period. Mauritius needs to intensify efforts to promote investment both from domestic sources and by foreign investors. Over the past two years, in the context of the SAL, the Government has accordingly undertaken several initiatives aimed at fostering investment. It extended the tax holidays for EPZ enterprises on a declining scale, and introduced a tax credit of 12.5 percent of funds invested in shares of new manufacturing enterprises, up to certain limits. Double taxation agreements were signed with the U.K. and France, and another is being negotiated with India. A U.K. firm has been hired, with EEC finance, to promote investment, in addition to that operating in France.

33. Although the above measures are useful, a number of issues remain. There is need for a clearly enunciated, long term industrial policy, so as to give an assurance of stability in incentives and protection. The high income tax rates (70 percent for individuals and 66 percent for companies) may be substantial disincentives to entrepreneurs, and may encourage certain firms to move out of Mauritius once their tax holiday expires. The system for administering industrial policies and promotion could usefully be reorganized and strengthened, so as to make it more simple, efficient and so as not to discourage new investors. One possibility would be to centralize within one body the necessary powers to formulate and implement policies for promotion of industry, with appropriate participation from the private sector. This needs to be accompanied by an increase in the promotion budget.

34. The above issues would be addressed by a study of the industrial sector that Government has stated its intention to undertake under the SAL. The study would evaluate the system of incentives to investors, and identify measures which could promote and sustain industrial investment and growth. A major aspect that deserves attention and is also to be studied, under the SAL, is the need for industrial estates and serviced land, and the organizational framework for administering industrial policy and industrial estates. In addition, Government plans to review the structure of the financial sector and its adequacy for channelling funds into productive activities, and for providing facilities which might foster development of export industry. Results of all of the above studies, and a program for implementing reforms, would be discussed with the Bank by March 31, 1983. Funds would be available from the proposed

loan for the Government to finance these studies, as appropriate. (draft Guarantee Agreement, Section 3.04; draft Loan Agreement, Section 3.01).

Prospects

35. The declining growth in manufacturing output over the past three years, the precarious financial situation of several enterprises in the textile subsector, the fall in foreign investment, and the generally depressed economic situation, all indicate that the industrial sector will experience at best modest growth in the near future. In the medium to long term, the prospects could be significantly brighter, provided that the Government moves to implement the policy initiatives required to promote industrial investment and exports, that the sugar industry can regain its strength and leading role in the Mauritian economy, that Mauritius does not encounter significant additional trade barriers, and that demand in industrial countries does not fall further. If these factors are favorable, Mauritius has the potential to generate significant industrial growth.

B. The Sugar Sector

36. Despite the increasing importance of manufacturing and tourism, the sugar sector still dominates the Mauritian economy. In 1980, it employed about 28 percent of the labor force, provided nearly 70 percent of exports and about 13 percent of GDP, and used about 90 percent of cultivable land. The sugar industry in Mauritius is efficient and well organized, but its potential for future growth is limited. Sugar production has averaged 675,000-700,000 tons per year, although in 1980 and 1981 it has been reduced by cyclones and drought. Mainly because of these events, and also because the export duty on sugar was increased in 1979 to average 19 percent of exports, the industry reportedly operated at a loss in those years. The 20 large miller-planter companies, which contribute almost two-thirds of the crop and who pay duty of 23.625 percent on exports, claim they have been particularly hard hit.

37. Partly because of this situation, commercial banks had started by mid-1981 to curtail their credit for financing the sugar harvest. The crisis was averted when the September 1981 devaluation restored the industry's liquidity. Unless long-term profitability prospects improve, the sugar industry may have little inclination to proceed with the necessary investments to improve productivity or to modernize facilities. The Government is aware of the importance of a healthy sugar industry to the economy, and has stated in the context of the SAL that it will set up a Commission of Enquiry to examine the sugar industry's long-term problems and prospects; the Commission's report is expected by June 1983, and implementation will be discussed as part of the continuing SAL dialogue. When prospects for the industry do improve, the sector will have significant needs for investment, both to continue present harvest mechanization programs and to replace and upgrade existing machinery. It expects also to pursue its diversification efforts and thus to continue to invest in other sectors.

C. The Tourism Sector

38. Tourism is now Mauritius' third most important foreign exchange earner, after sugar and manufacturing. Tourist arrivals increased rapidly in the early seventies, from 28,000 in 1969, reaching 128,400 in 1979, the peak year. Bad weather, increased airfares and recession in the countries of origin reduced tourism in 1980, but in 1981 there was a revival to about the 1979 level. Foreign exchange earnings increased from Rs 280 million in 1979, to Rs 360 million in 1980, mainly as a consequence of devaluation. The industry is seasonal with the main peak arrival period between December and February and a secondary peak in August. The most important countries of origin are Réunion (about 25 percent), South Africa (about 20 percent) and France (about 19 percent). In 1980, tourism provided about 18,000 jobs and 4 percent of GDP. At the end of 1981 there were 49 tourist accomodation establishments (including 38 hotels) with a total of 2,175 rooms and 4,419 beds (of which hotels accounted for 3,888). The rapid increase in hotel capacity between 1970 and 1978, which kept well ahead of the pace of growth of tourist arrivals, meant that occupancy was low in the mid-1970s and most hotels were operating at a loss. By 1979 the average occupancy rates had risen considerably and most of the main hotels are now operating at between 65-75 percent of capacity, or above break-even levels. Given the present capacity, no significant investment is expected in the sector in 1982.

39. Mauritius' tourist clientele is from the narrow, high income segment of the market, which is increasingly being sought by other countries. The increasing cost of air travel has also made Mauritius an expensive holiday location for tourists from Europe, who constitute about 40 percent of tourist arrivals and provide over 50 percent of total tourist expenditures. The future prosperity of the tourist industry in Mauritius therefore depends on its ability both to continue to attract its clientele from traditional markets and to develop alternative sources, such as expatriates working in the Middle East. Mauritius needs to reconsider the size and orientation of its tourism promotion effort, which to date has made relatively good use of an extremely limited promotional budget (Rs 7 million for 1981-1982), and to consider the use of air charters. A review of current air access facilities and costs is being carried out by consultants for the Government, financed by UNDP with the Bank as executing agency. The report of the study is expected by June 1982. It should permit identification of an access strategy to facilitate access at a reasonable cost while maintaining the market image Mauritius has cultivated: implementation of the recommendations will be discussed as part of the SAL dialogue.

D. The Financial Sector

40. The financial system in Mauritius is relatively well developed. It consists of the Bank of Mauritius (the Central Bank); eleven commercial banks which have branches around the country, all of which are private, except the public-sector State Commercial Bank; two financial corporations making medium- and large-term loans, the Mauritius Finance Corporation, subsidiary of the Mauritius Commercial Bank and the newly established but not yet operational

State Finance Corporation, subsidiary of the State Commercial Bank; the Mauritius Cooperative Central Bank which extends credit to cooperatives, especially to small sugar planters cooperatives; the Post Office Savings Bank; the Development Bank of Mauritius (DBM); the Mauritius Housing Corporation (which benefits from a component of the IBRD loan for the Urban Project, No. 1926); a number of other institutions such as pension funds, insurance companies, investment trusts, pension funds; and the Sugar Insurance Fund, which charges a premium on all sugar production and pays benefits following drought or cyclone damage to sugar crops.

41. DBM (paras. 56 to 83 below) is the country's sole institutional source of medium and long-term foreign exchange loans; it also provides some local currency term finance. In recent years, DBM appears to have provided around one fourth of the funds for investment in industry, the other main sources being internal financing (which is important because many firms belong to corporate groups), borrowing from Mauritius Finance Corporation, and rolled-over funds from commercial banks. Direct foreign investment has been low. Since exchange controls have not been operated to restrict imports, firms having local currency were able to obtain imported machinery without borrowing from DBM. DBM's advantage of offering somewhat lower interest rates is obviated by the foreign exchange risk, which sub-borrowers are increasingly reluctant to assume after two devaluations. However, the Bank of Mauritius may now become more restrictive in administering exchange control. The Government's consideration of plans to establish the State Finance Corporation (SFC) was accelerated in mid-1981 in response to the liquidity crisis affecting the sugar industry. SFC was intended to mobilize resources locally, primarily to provide funds to the sugar industry, but has the power to lend to other sectors. Since it is expected SFC will lend only in local currency, it is unlikely to have a significant impact on DBM. Both the date when SFC will start operation and the type of financing it will in fact provide are still uncertain, but its role in the financial sector needs to be carefully assessed by the Mauritian authorities.

42. Mauritius' relatively sophisticated financial system seems to be performing its function adequately. However, there are certain aspects of this system that need to be studied to determine if changes could facilitate the development of Mauritian industry. The availability of credit to EPZ enterprises and the impact of the maximum lending rate for EPZ firms, which is fixed by the Bank of Mauritius, could usefully be examined. Analysis of the relative roles of the various institutions involved in providing term resources to industry, and how these can be rationalized and made more effective, would also be important, particularly in the light of the creation of the SFC. Government has decided that as a part of its study of the industrial sector, being carried out in the context of the SAL (paragraph 34), it will review the role of the financial sector and its impact upon industrial development. The results of this review would form a good basis for discussions of what changes, if any, need to be made to make the financial sector more conducive to industrial development.

Credit Policy and Interest Rates

43. Between December 1978 and December 1981, commercial bank credit to the private sector increased by nearly 50 percent; in real terms this represented

a reduction of some 15 percent. Total domestic credit increased at an annual average rate of 25 percent, but this was largely due to the growth in credit to the public sector (annual average of 34 percent). The continued balance of payments deficit contributed to a moderate monetary expansion at an annual rate of 12 percent. Credit expansion was achieved largely by mobilizing savings from the private sector.

44. The Bank of Mauritius has since 1977 increasingly sought to limit the pace of commercial bank credit expansion, both by credit ceilings for individual banks and by the use of a minimum liquid reserve ratio. Currently, each commercial bank has to observe an overall credit ceiling as well as a specific ceiling on credit to traders, and to maintain liquid reserves of 30 percent of deposits. Banks have been encouraged by the authorities to favor EPZ and sugar lending, within the overall ceilings. DBM and the two finance corporations are exempt from the ceilings.

45. Sectoral distribution of commercial bank credit has remained generally stable in recent years with the sugar sector showing seasonal and annual variations which were absorbed mainly by the lower priority sectors, such as personal loans. Despite the tight liquidity situation, commercial banks over the past two years were generally able to accommodate credit demand by the directly productive sectors, although by mid-1981 the commercial banks were showing signs of uneasiness about the high indebtedness of the sugar sector. Although the prime rate is still controlled, it does not seem that it has had a negative effect upon the availability of credit to exporters. The financing of short-term needs of EPZ enterprises will improve once the export credit guarantee scheme is complemented by an export insurance scheme. The Bank of Mauritius, however, recognizes the need to keep the lending rates for EPZ enterprises under review. To ease the exposure of EPZ enterprises to foreign exchange risks, the Bank of Mauritius has also stated that it will allow them to take forward cover. Few enterprises take advantage of this possibility, however, probably because the procedures are complex.

46. Until November 1981, the structure of interest rates for commercial bank lending was set by the Bank of Mauritius. The interest rate structure has increased substantially in recent years; the prime rate has since November 1981 been 14 percent, compared to 8 percent in March 1977. The maximum rate applicable to EPZ and other priority borrowers is now also 14 percent, compared to 8 1/4 percent in 1977. Other lending rates were freed in November 1981, as part of the package for the December 1981 IMF Standby Agreement, and currently vary between 15.5 and 20.0. Minimum deposit rates currently range from 9 to 12 percent depending on the term. Goverment is keeping the effect of the present limits under review. DBM interest rates are discussed in paragraphs 67-68. Inflation rates have come down in the past year, so that the structure provides broadly positive real rates of interest.

World Bank Sector Strategy

47. The Bank strategy is to support the Government in stimulating development of activities to complement the sugar sector in generating foreign exchange earnings and employment. Growth of such activities must mainly come from export-oriented industry, tourism, agriculture and agro-industry other

than sugar, and import-substitution industry, for which scope is more restricted. These activities are generally undertaken by the private sector, which dominates the productive sectors of the Mauritian economy. They can therefore best be financed through support to DBM. The Bank, in the context of the SAL, is assisting in a series of measures to encourage the growth of industrial products and exports. Industrial sector work has been carried out in the context of the 1976 basic economic mission, the 1981 economic mission, and in our structural adjustment work.

Experience Under Previous Projects

48. The World Bank Group has made two IDA credits and four IBRD loans to DBM. The conclusions of an audit report dated June 10, 1978, on the first IDA Credit to DBM (No. 313-MAS) were: (i) DBM had generally developed into an effective development bank; (ii) DBM's procedures were satisfactory, with only supervision needing improvement and measures to do so were under way at the time of publication of the report; (iii) DBM's financing had succeeded in helping to diversify the industrial sector; and (iv) DBM had succeeded in promoting employment. It was noted that because of the nature of projects financed (e.g. textiles) most new employment was for women.

49. After the completion of the construction of the Coromandel Industrial Estate, which was assisted by an IDA Credit (No. 411-MAS), a project completion report, dated August 28, 1981, concluded that the general objective of the project of facilitating industrial development and generating employment through the provision of advance factories and serviced sites had been met, but that the specific targets on investment and employment had not been achieved, due mainly to the slowdown of economic activity in Mauritius and inappropriate design of buildings. Four lessons may be learned from experience with this project: (i) in view of difficulties encountered in attracting labor to this large estate, it might have been more appropriate to construct a larger number of smaller estates, or to have phased construction as originally planned; (ii) it may have been more economical to construct more one-level buildings rather than multi-level ones because of strong preference for ground floor space; (iii) it might have been better to proceed with construction in two or more phases, following demand but with some space always available for immediate occupancy, rather than to construct the whole estate at once; and (iv) more attention should have been paid to management and promotion of the industrial estate.

50. Improvement in the investment climate, the development of an adjacent housing project and the improvement of public transportation should permit an improvement in the occupancy rates at Coromandel soon. There are, however, questions that need to be answered about the course of future industrial estate/serviced site development in Mauritius. The DBM has operated unofficially as a national agency responsible for industrial estate development and has acquired valuable experience, but it does not have adequate power or financial and staff resources for this role. The need for reorganizing the administrative responsibility for the industrial estate program has been discussed on several occasions since 1975, but no concrete action has been taken. The Government has committed itself to review the situation, and to formulate a comprehensive action program by March 1983 (above, paragraph 25).

51. Commitment under the IBRD loans for the second, third and fourth DBM lines of credit (Nos. 979, 1168, and 1481) has now been completed, and Loans 979 and 1168 are fully disbursed. Of Loan 1481, $1.8 million remains undisbursed. Although not all the sub-projects that have been financed are operational, some rough estimates of their overall contribution can be made. These three loans which totalled $20 million helped create 4,680 jobs at an average cost of Rs 95,600, or about $16,000, in 51 sub-projects. The aggregate annual output of the sub-projects is in excess of Rs 750 million, with about Rs 200 million in value added and Rs 165 million in foreign exchange earnings or savings. Commitment and disbursement in general proceeded well. A further completion report for DBM projects will be prepared in 1983.

52. Experience under the loan for the fifth line of credit (No. 1789) has been broadly similar. This $6.0 million loan, signed in January 1980, included three components: (i) support for DBM's medium and large industrial/tourism projects ($3.0 million); (ii) refinancing projects approved by eligible commercial banks ($2.0 million); and (iii) support for the SSE program ($1.0 million). Implementation under (i) proceeded as expected and the funds were committed by the specified date; subsequently, however, DBM cancelled a $1 million commitment a hotel which was to be cofinanced with IFC (paragraph 17), because the sponsors decided to postpone the project, and the funds are available for re-commitment. Progress under (iii) was slower than expected at appraisal, partly because of the general deterioration in economic circumstances, and probably partly because projected commitments had been optimistic. DBM's lending to SSEs has increased since appraisal, both absolutely and as a proportion of total lending, but still less rapidly than expected at appraisal, despite the active promotion undertaken by DBM's SSE unit. Since only about $500,000 is expected to be committed to SSEs by December 1982, $500,000 was accordingly reallocated for general use in January 1982.

53. On the other hand, the pilot program for refinancing commercial bank projects could not be implemented. Agreement by the IBRD on the terms and conditions under which such funds would be made available by DBM to the commercial banks was reached by the deadline specified in the Loan Agreement, June 30, 1980. However, the three eligible banks could not reach agreement with DBM: legal objections were raised, and it became increasingly evident that the clients of commercial banks were reluctant to carry the foreign exchange risk. Those firms to which the commercial banks were prepared to lend for investment purposes in any case preferred to borrow local currency, even at higher interest rates. They could use local currency loans to finance imports of capital goods, since under Mauritian law an importer has the right to purchase foreign exchange once he has an import licence, and import licences were granted freely for capital goods. The funds thus earmarked appeared unlikely to be used and were reallocated to DBM's general lending operations. DBM expects to commit the balance remaining under the fifth line of credit within the next six months.

IV. THE PROJECT

54. The proposed project would be the seventh World Bank Group operation with DBM, a major institutional source of term finance. It is the sixth to

provide a line of credit for part of DBM's foreign exchange requirements. The project was appraised in November 1981. A staff appraisal report (No. 2544-MAS) recommending the previous loan to DBM, the Fifth Line of Credit, was distributed to the Executive Directors in December 1979. It showed that DBM was a financially sound, profitable institution, with capable management and staff, which played a vital role in the development of the Mauritian economy. The financial data in that report have been updated (Annexes IV through VII); other results of the recent appraisal have been incorporated in Parts III and IV of this President's Report, which are accordingly somewhat expanded. A separate appraisal report is not being distributed. Negotiations took place in Washington during April, 1982, with a delegation including Messrs. D.P. Gupta, Managing Director of DBM and Mr. R. Maugendre, Permanent Secretary of Commerce and Industry. A Supplementary Data Sheet is attached (Annex III).

Objectives of the Project

55. The general objective of the proposed loan would be to build on the generally successful six previous projects, which have strengthened DBM as a development bank. At the same time, it would reinforce Bank Group efforts to assist development of industry and tourism in Mauritius, which is a major part of the Government's adjustment program. It complements the SAL approved in 1981. Specifically, the loan would provide DBM with untied foreign exchange resources for 1982/83 and 1983/84, necessary for it to continue to play a meaningful role in the development of the Mauritian economy by financing economically justified productive investment through term financing in the above sectors. It would also provide up to $300,000 to finance studies of the industrial and financial sectors (above, paragraph 34). If these funds are not used by December 31, 1983, they will revert to DBM to be used in its normal operations.

History and Objectives of DBM

56. Established in 1964 as a Government-owned statutory corporation to finance worthwhile development projects, DBM has over the years established itself as a major term lending institution, particularly of foreign exchange resources, for projects in industry and tourism and to some extent in agriculture. It is financially sound, and competently operated. It provides term loans, equity investment or guarantees, as well as managerial and technical assistance. DBM also has responsibility for constructing and operating industrial estates in Mauritius, providing loans for small-scale enterprises (SSEs), and operating the export credit guarantee scheme. By providing term finance, DBM continues to play an important role in supporting the country's development strategy, which places special emphasis upon continued growth by manufacturing, in general, and by export-oriented industry in particular. It may however be that despite its central position, DBM has recently not demonstrated as aggressive an investment promotion policy as this strategy requires.

57. In the light of the changing economic situation, the Bank has proposed to DBM that it reexamine its operational strategy. A strategy statement was accordingly prepared by DBM management, and approved by its Board. However, this statement contained little more than a summary and a re-affirmation of Government's industrial policy. It did not provide, as the Bank considers

necessary, an active investment strategy for DBM, nor did it propose relevant action programs. DBM would prepare and review with the Goverment and the Bank a new strategy statement by December 31, 1982 (draft Guarantee Agreement, Section 3.03; draft Loan Agreement, Section 3.06). Details of what might be included in such a statement were discussed at negotiations. We would expect it to include an expression of the role that DBM expects to play in the various sectors, in supporting Government's adjustment program, as well as plans and programs that it will develop to do so. It should include further an estimate of the resources, both financial and staff, required for that purpose.

58. DBM has developed close relationships with other financial institutions both within and outside Mauritius. It is a shareholder in the State Commercial Bank (SCB), a Government-owned institution, with which it has cooperated on a scheme to assist SSEs, whereby DBM provides the term resources and the State Commercial Bank finances working capital. DBM remains ready to collaborate with commercial banks to refinance appropriate investment projects, although there are differences in approach between DBM and the commercial banks, who are concerned more with security for their loans than the economic justification of a sub-project. These differences make it unlikely that such refinancing will become an important part of DBM's operations. DBM has also succeeded in establishing close working and financial relationships with several institutions outside Mauritius. Beside the World Bank Group, DBM has successfully mobilized term resources from the CCCE from which it obtained two loans (totalling about $3 million), the Industrial Development Bank of India which lent DBM $4.5 million to finance transport equipment, and the EIB and ADB which provided loans of $3.4 million and $2.4 million respectively.

DBM's Share Capital and Ownership

59. DBM's authorized share capital was increased in June 1979 from Rs 31.4 million to Rs 50 million and is now fully paid. DBM is owned by the Government (75 percent), the Bank of Mauritius (20 percent) and the State Insurance Corporation of Mauritius (5 percent).

DBM's Management, Organization and Staffing

60. DBM's Board of twelve Directors includes representatives of Government (4), the private sector (4), the University of Mauritius (2) and the Bank of Mauritius (1), as well as the Managing Director. The Financial Secretary of the Ministry of Finance is currently chairman. The Board has generally been reasonably effective in monitoring DBM's operations and providing general policy guidance to management. However, its role has been more modest as regards periodical review of DBM's operational plans and strategy. The fact that it is composed of busy senior officials is at once a strength and, if management does not try to involve the Board in consideration of appropriate issues, a weakness, since they have little time to devote to DBM.

61. DBM has had expatriate senior management since its creation. The current managing director, an expatriate with long development banking experience in a developing country, joined DBM in May 1978 on a three-year contract, which was extended until May 1982. Government and DBM are considering a further extension of his contract and DBM would consult the Bank on the

qualifications and experience of any proposed appointee to the post of managing director prior to appointment (draft Loan Agreement, Section 3.01(c)).

62. The Managing Director is assisted by an Assistant Managing Director, a post now occupied by an experienced Mauritian. Together they oversee DBM's five operating and one administrative divisions. The operating divisions include three lending divisions (one each for industry, including tourism, small-scale enterprise, and agriculture); the industrial estate division; and the newly created industrial finance and guarantee division, which is responsible for operating the Export Credit Guarantee Scheme (ECGS). DBM's staff, who are competent, total 98: 32 professionals (including an advisor from India assisting the ECGS division), 49 sub-professional and clerical staff, and 17 others. This represents an increase of 21 in total staff, and 5 in professional staff, since the 1979 appraisal. About one-third of the increase is in the SSE division, which has experienced considerable growth in the number of approvals, though not in the total amount approved.

DBM's Operating Policies and Procedures

63. DBM's overall operating policies are defined in its Statement of General Policy, which is adequate: it is similar to that of many other development banks. DBM keeps its lending rates under continuous review; they have been increased twice since the 1979 appraisal, in order to maintain DBM's sound financial position, while remaining competitive with other financial institutions.

64. DBM's appraisal and supervision procedures are satisfactory. The quality of project appraisal continues to be good and project supervision, as in the past, concentrates on the projects encountering problems. However, because the operations of DBM have levelled off and the staff increased both in number and experience, more time is now being devoted to regular follow up of projects, and streamlining of supervision procedures seems to have achieved improvements. The establishment of a separate supervision department, as discussed at the time of the last appraisal, no longer seems justified. The follow up of major problem projects has been successful, except in the case of two large textile projects which are being liquidated.

65. DBM's procurement procedures require clients to seek competitive quotations for equipment and construction contracts, which are then verified by the investment officer responsible for appraisal. Thus for medium-sized building contracts, quotations from reputable local contractors are obtained, while for large-size construction, open tenders from classified contractors are required. Similarly, for plant and equipment quotations are obtained from local suppliers for smaller loans, and at least three quotations from suppliers are required for larger loans. These procedures are similar to those followed by other DFCs and are adequate.

66. DBM's accounting procedures continue to be efficient and the accounting division is well staffed with qualified personnel. Recently, DBM changed auditors. The new auditor, Lamusse, Sek Sum and Co., is a local firm, affiliated with the firm of Pannel, Kerr, Forster International Associates. It is the second largest firm in Mauritius, with a diversified clientele in the financial, manufacturing and commercial sectors, including engineering

enterprises and a commercial bank. On the basis of the information provided by DBM and discussions between the mission and the new auditor, it appears that the latter is qualified. A particular problem, identified by the Industrial Estate Project Completion Report, is that DBM does not at present have separately audited accounts for its industrial estates: separate audited accounts for 1981/82 and subsequent years will be sent to the Bank within six months of the end of each fiscal year (draft Loan Agreement Sections 4.01 and 4.02).

DBM's Terms of Lending

67. The interest rates that DBM charges its clients depend upon the sector and the size of the loan. The rate for medium and large industrial and tourism projects was increased in April 1980 from 12 to 13 percent on foreign currency loans and to 13.5 percent for local currency loans; rates were increased again in November 1981 to 14.5 percent for both local and foreign currency loans. Rates for agricultural borrowers, which in 1979 ranged from 8.5 percent to 12 percent, depending upon the size of the borrowers' holdings, were increased in April 1980 and again in November 1981 and now range from 10 percent to 14.5 percent. The rates for SSEs were increased in November 1981, from 9 percent to 10 percent for loans of Rs 25,000 or less, and from 12 to 13 percent for larger amounts. Clients also pay a commitment fee of 1 percent. For loans made from foreign exchange resources, the Government carries the foreign exchange risk, at no fee, on SSE loans of Rs 25,000 or less. On other loans, the borrowers carry the exchange risk between the rupee and the U.S. dollar,2/ and the Government carries the exchange risk between the U.S. dollar and the currencies of disbursement. These arrangements which were agreed under the fourth and fifth lines of credit are proposed to be continued under this sixth line of credit in an appropriately modified form to take into account the establishment of the currency pooling system.

68 Given the above interest rate structure, DBM borrowers who carry the foreign exchange risk between the rupee and the U.S. dollar pay a positive real cost on their borrowings. Three-fourths of DBM's operations belong to this category. For the remaining fourth, that is loans made in local currency, with an inflation rate of 42 percent in 1980 and about 15 percent in 1981, the real cost has been negative. Since most of the local currency disbursements are accounted for by SSEs and small agricultural borrowers, the concessionary element is a reflection of Government's policy to encourage small borrowers to develop and grow to provide employment. With inflation projected at an average of 13 percent during 1982-84, the real interest charged by DBM would be positive for all new loans, with the exception of those of Rs 25,000 or less for SSEs and for the smaller agricultural borrowers, which Government wishes to continue to encourage. These two groups are expected to account at most for 10 percent of DBM's disbursements over the next five years. Overall, DBM's interest rate policy seems satisfactory.

Operations

69. DBM's operations reflect the rapid increase in industrial investment in Mauritius during the 1972-78 period and the slowdown of economic activity

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2/ Under the CCCE and IDBI loans, the borrowers carry the risk between the Mauritian Rupee and the French Franc or the Indian Rupee, respectively.

since 1979. DBM's total approvals reached a peak of Rs 84.4 million in 1977, declined slightly in 1978 (Rs 82.6 million), and sharply in 1979, to Rs 48.8 million, or by about 45 percent from 1977. Approvals then increased to Rs 51 million in 1980 and Rs 64 million in 1981 in nominal terms (Annex IV, Section C). This represents a fall of 16 percent in real terms compared with 1979, but a 4 percent increase over 1980. Nearly 90 percent of approvals are loans, the bulk of which was made to medium and large industrial and tourism projects. Commitments and disbursements followed a path somewhat similar to that of approvals, with commitment averaging about Rs 57 million annually during 1979-1981, and disbursements about Rs 40 million.

70. DBM has operated a successful small-scale enterprise (SSE) lending scheme since 1971. Until 1979, the funds were provided by Government, and subsequently from the fifth line of credit; the State Commercial Bank financed working capital for SSEs obtaining term loans from DBM. The Government reimburses DBM the estimated cost of operating this scheme and also guarantees DBM against loss from default from SSE loans of less than Rs 25,000.[3/] The level of activity as reflected by approvals has varied from year to year, both in amount and number. DBM made about 700 SSE loans in 1979/80 and 1980/81, totalling Rs 6.2 million, compared to 2,753 loans for Rs 22.2 million since the inception of the scheme in 1971. These SSEs are small units, some of which are artisanal, mostly managed by their owners, and employing few workers. Their activities cover a wide range, with garment-making the most popular (30 percent of total number but only 17.5 percent by amount), followed by light engineering, furniture, mixed farming, leather-work and fishing. The average cost per job created continues to be low, under Rs 10,000.

71. Loans to medium and large-scale industrial/tourism enterprises including agro-industry, have traditionally represented about 75 percent of DBM's operations. During the last two years, the loan size ranged from Rs 300,000 to Rs 8.6 million. A significant proportion of the amount approved (60 percent in FY81) was accounted for by existing enterprises that borrowed for either expansion or modernization. The average cost per new job was about Rs 144,000 and the estimated economic rate of return ranged from 15 to 46 percent.

72. Agriculture and Transport loans totalled Rs 1.5 million in FY81, and varied in size from as low as Rs 2,500 to Rs 100,000. Agricultural loans were for rehabilitation and new planting of sugarcane, tobacco, bananas and coconuts by individual farmers. Transport loans expanded during 1977-80, under the IDBI line of credit, which was specifically to finance transport activities, and subsequently declined in 1981.

73. The Export Credit Guarantee Scheme (ECGS) which DBM introduced in May 1981 had outstanding guarantees amounting to Rs 76.8 million by the end of November 1981, issued to five commercial banks. DBM estimates that about 40 percent of the business not covered by confirmed irrevocable letters of credit

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3/ DBM has requested Government for permission to increase this ceiling to Rs 50,000. The Bank would consider sympathetically a request, when received, for consequential amendments to the loan documents.
An increase would be reasonable, given the substantial inflation since 1979 when the ceiling was last changed.

is now covered by the scheme. Following wishes expressed by many exporters and commercial banks, DBM now plans to introduce an Export Credit Insurance Scheme to cover the risk of non-payment by foreign buyers. Although it is difficult to assess whether the ECGS has enabled firms to obtain credit that would not otherwise have been able to do so, the ECGS together with the planned insurance scheme should help new firms to obtain credit and existing ones to seek new markets. DBM's industrial estate operations are described in paragraph 24 above.

Portfolio

74. DBM's total outstanding portfolio of loans and equity investments amounted to Rs 303.5 million at the end of June 1981. Medium and large industrial/tourism loans amounted to Rs 258.2 million (85 percent), SSE loans Rs 9.0 million (3 percent), agriculture Rs 20.2 million (6.7 percent), and equity investments Rs 16.1 million (5.3 percent). Of the 371 medium and large industrial/tourism loans, 43 loans, accounting for Rs 36.2 million, are in projects that are either facing difficulty or are in liquidation. Another 20 loans (Rs 11.2 million) are for projects that are not yet fully operational. The balance, 308 loans for Rs 210.8 million, is in profitable projects. DBM has equity in 23 firms, in hotels and entertainment, manufacturing, banking and construction materials production. They range from nominal amounts to Rs 5 million in a fertilizer manufacturing firm. Of the total, 14 firms accounting for Rs 14.2 million are operating profitably, seven (Rs 294,000) are losing money and two firms (Rs 1.6 million) are in liquidation.

75. The quality of DBM's loan portfolio has deteriorated somewhat in the last two years as a result of the increasing economic difficulties. At June 30, 1981, 15 percent of the outstanding total portfolio was affected by arrears of more than three months; a similar proportion of the medium and large industrial/tourism loans was affected, as were 27 percent of SSEs, and 11 percent of agriculture loans. Given the level of provisions (about 4 percent of total portfolio), the value of security that DBM has on projects under liquidation, and the Government's guarantee of losses under the SSE scheme and for loans to small agriculturists, DBM's overall portfolio is of good quality.

Financial Condition

76. DBM's financial performance continues to be satisfactory and its financial structure is sound (Annex V to VII). Net profit over average net worth was about 11 percent in 1979/80 and 1980/81, after having declined to 6 percent in 1978/79, from 10 percent or higher in earlier years. DBM's policy of continuously reviewing and increasing its interest rate structure has permitted it to maintain a satisfactory level of profitability, despite the rapid increase in administrative expenses due to wage and staff increases. Administrative expenses, 1.3 percent of average total assets in 1981, remain substantially lower than those of comparable institutions in other countries. The ratio of term debt to equity, net of sinking fund, declined from 4.6 in 1979 to 3.8 in 1981. The ratio would be lower (2.6) if adjustment were made to exclude the subordinated Government loans to DBM from debt and to include a part of them as quasi-equity, as defined in the Agreements for the fourth and fifth Bank loans.

77. DBM's resource position for June 30, 1981 is shown in Section 'D' of the Basic Data, Annex IV. At June 1981, DBM had uncommitted foreign currency

resources equivalent to about Rs 49 million, of which Rs 18 million were under a tied line of credit from the CCCE. The balance of Rs 31 million was available under the fifth Bank loan. DBM's local currency position at the end of June 1981 appeared to be comfortable with resources of Rs 34.6 million available for new approvals.

Forecast Operations and Resource Requirements

78. DBM's forecast of lending operations for the period 1982-86 (Annexes VII to X) calls for a gradual increase in total approvals, from an actual Rs 55.5 million in 1980/81 to Rs 91 million in 1985/86. This amounts to a rate of growth of about 10 percent p.a., which implies that the level of DBM's lending operations would remain constant in real terms. This rate is more conservative than the economic projections underlying the conclusions of Part I of this Report, which assume that Government will take a number of key policy decisions to foster industrial growth. If such steps are taken and are successful, they would lead to a faster growth in investment, and so in lending by DBM. The forecast of lending operations, which is somewhat conservative, assumes that the bulk of growth will be from medium and large-scale industry and tourism projects, followed by agro-industrial projects. DBM and we believe that it is appropriate to adopt cautious forecasts and to commit funds accordingly, recognizing that this may require recourse to the Bank and other sources of funds if growth proves more rapid.

79. Commitments for all of DBM's lending activities are estimated to increase from an actual Rs 34.2 million in 1980/81 to Rs 71.5 million in 1981/82, largely because of clearing a backlog of uncommitted approvals; to fall to Rs 58 million in 1982/83 and then to increase gradually to Rs 77 million in 1985/86. In addition, commitments for industrial estates have been assumed to stay constant at Rs 2 million throughout the projection period to provide basically for maintenance of existing facilities. Disbursements would increase from Rs 38.8 million in 1980/81 to about Rs 67 million in 1985/86.

80. Foreign currency commitments for lending operations are estimated at Rs 160 million ($16.0 million) from April 1982 to December 1984. DBM still has about Rs 31 million equivalent of uncommitted resources, and expects to borrow over Rs 70 million from EIB and ADB. The proposed loan (of which DBM would use about Rs56 million equivalent) would cover the remaining foreign exchange gap or about 35 percent of DBM's overall foreign exchange needs over the period under consideration.

81. DBM has about Rs 35 million available in local currency resources and its position should remain comfortable throughout the projection period, assuming Government would continue on average to provide Rs 10 million in local currency loans to DBM annually. Even if Government had to postpone such a contribution for one or two years, DBM's local currency position would remain positive, particularly if it did not declare dividends in those years.

Projected Financial Performance

82. DBM's financial performance is expected to remain satisfactory during the projection period of 1982-86. Net profit as a percentage of average net

worth would increase gradually to about 14 percent in 1985/86, with the increase in income from the loan portfolio being partially offset by the expected slow decline in the average return on the equity portfolio from the exceptionally high level of 27.5 percent in 1980/81. Existing IBRD and DBM rates would produce a weighted average margin of 2.5 percent under the proposed loan, which would be adequate; DBM would maintain a minimum margin of 2 percent on loans made from funds provided by the proposed Bank loan (draft Loan Agreement, Section 3.01(d)).

83. DBM's total assets would increase from about Rs 465 million at June 1982 to about Rs 570 million in 1986. Over the same period, DBM's liquidity position would remain satisfactory and its debt/equity ratio would fluctuate around 2.6. Provisions as a percentage of the average total loan and equity portfolio have been conservatively increased from 4.4 percent in 1982 to 6.4 percent in 1986. Overall, DBM would remain creditworthy for the foreseeable future.

Terms of the IBRD Loan

84. The proposed Bank loan of $6.0 million (including the capitalized 1.5 percent from end-fee) would be guaranteed by Mauritius. The loan would bear interest of 11.60 percent per annum. Up to $300,000 of the proceeds would be relent to Government on the same financial terms and conditions as the Bank loan to DBM, to finance studies. The remaining proceeds would be relent by DBM at an interest rate of at least 10 percent on SSE loans of less than Rs 25,000, and for other loans, 14.5 percent, or such other rate that would produce an average margin of at least two percent on the funds borrowed under this proposed line of credit. DBM would also charge a commitment fee of 1 percent on undisbursed commitments. Funds allocated to Government would revert to DBM for its normal operations if not used by December 31, 1983.

85. The split foreign exchange risk arrangement that existed under the last two lines of credit would be continued under the proposed loan. Thus the DBM would pass to its sub-borrowers the foreign exchange risk between the rupee and the US dollar, while the Government will bear the differential between the latter and the current value of the DBM's repayment obligation for the particular maturity as determined under the currency pooling system, without a fee. The foreign exchange risk on SSE loans of Rs 25,000 or less would be carried in full by the Government at no charge. This would continue Government's policy of providing incentives to the development of small and artisanal enterprises in Mauritius (draft Guarantee Agreement, Section 3.02(b), draft Loan Agreement Section 4.07).

86. The amortization schedule of the loan would conform substantially with the aggregate of the amortization schedules of the sub-loans and fixed schedules of repayment of loan funds used to finance equity investments, to be determined at the time of DBM's request for approval of the investment. It would not exceed 17 years. Sub-loans would have a maximum maturity of 15 years, including appropriate grace periods. The subloans to Government to finance studies would have a maximum maturity of 17 years, including four years grace. An amortization schedule for the SSE loans would be fixed at the time of project comple-

tion and generally would conform to the forecast aggregate amortization schedules of the SSE sub-loans. The free limit will remain at $600,000 and the aggregate free limit at $3.0 million. The limit on the debt/equity ratio would continue to be 4.0 (draft Loan Agreement, Section 4.06). The proposed loan is expected to be fully committed by December 31, 1984 and to be fully disbursed and the loan account closed by December 31, 1988. Disbursement forecasts follow the profile of DFC disbursements for DFC lines of credit in the Eastern Africa Region.

87. The studies component will provide up to 30 staff-months of consultant time, calculated at $10,000 a month. If the funds have not been used by December 31, 1983, or such other date as shall be agreed, they will revert to the use of DBM. (draft Loan Agreement, Section 2.02 (d)).

Project Implementation and Reporting Requirements

88. The proposed project would be implemented by DBM, with the assistance of Government, if necessary, through such measures as the provision of local currency resources when needed. DBM would continue to submit quarterly reports including a summary of operations, financial statements, resource position, statement of arrears and notes on sub-projects facing serious difficulties. It would also submit audited annual accounts prepared by accountants acceptable to the Bank including an audit report on disbursements against statements of expenditure (below, paragraph 89), together with its annual report. Finally, within six months of the closing of the loan account, the DBM will submit a report in format and content acceptable to the Bank, on the results of the project at completion.

Procurement and Disbursement

89. Procurement for sub-projects under the proposed loan would be undertaken in accordance with DBM's procedures, which are consistent with the Bank's procedures for DFCs. Disbursements under the loan would cover the foreign exchange component of DBM's sub-projects which are estimated as follows: (i) 100 percent of foreign expenditures, (ii) 70 percent of local expenditures,and (iii) 60 percent of the cost of building construction. Disbursement for SSE sub-loans will be on the basis of statements of expenditures that would be submitted by DBM periodically. The invoices and other supporting documentation would be available for inspection by Bank missions and statements of expenditure disbursements would be audited. Consultants for the studies component would be recruited according to Bank guidelines.

Benefits and Risks

90. By continuing to support DBM's operations with untied foreign exchange resources, the proposed loan would contribute to the renewed growth of the industrial, tourism and agriculture sectors, with emphasis on earning foreign exchange from exports, and economically sound import substitution. It would also contribute to modernisation of the sugar industry, which is crucial to maintenance of what must remain Mauritius' major export. It will enable DBM to maintain its position as an effective, financially sound and creditworthy development institution, which is an essential part of the Mauritian financial

sector. The studies component should make a major contribution to the Government's current efforts to redefine and strengthen its industrial development strategy.

91. With the help of the loan proceeds, DBM expects to finance sub-projects with an aggregate total cost estimated at about $22.5 million, and to help to create at least 1,600 new jobs, which are greatly needed in the present situation of high unemployment. This estimate assumes the same average cost per job as under the most recent line of credit ($14,000): since however the proportion of EPZ industries is likely to be higher, the labor intensive nature of most EPZ firms in Mauritius may in fact mean that more employment will be created. The continuing association between DBM and the IBRD would, through field visits and the review of sub-projects, ensure that DBM would maintain and continue to improve its policies, standards and procedures. Finally, the provision of foreign exchange funds for DBM would help at a time when Mauritius is facing severe balance of payments problems that could otherwise cause worthwhile productive investments to be abandoned or postponed for lack of resources.

92. Since DBM is financially sound and creditworthy, and has in the past shown itself able to finance productive projects and to follow satisfactory policies and procedures, there are no specific risks associated with this project.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

93. The draft Loan Agreement between the Bank and DBM, the draft Guarantee Agreement between Mauritius and the Bank, and the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement are being distributed to the Executive Directors separately.

94. Special conditions of the Project are listed in Section III of Annex III.

95. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

96. I recommend that the Executive Directors approve the proposed loan.

A. W. Clausen
President
by Ernest Stern

May 12, 1982
Attachments

TABLE 3A
MAURITIUS - SOCIAL INDICATORS DATA SHEET

	MAURITIUS			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE)/a	
LAND AREA (THOUSAND SQ. KM.) TOTAL 2.0, AGRICULTURAL 1.1	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
GNP PER CAPITA (US$)	240.0	340.0	1030.0	794.2	1616.2
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	130.8	370.7	410.4	707.5	1324.1
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	662.0	829.0	941.0	.	.
URBAN POPULATION (PERCENT OF TOTAL)	33.2	42.0	51.2	27.7	64.2
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			1.3	.	.
STATIONARY POPULATION (MILLIONS)			..	.	.
YEAR STATIONARY POPULATION IS REACHED			..	.	.
POPULATION DENSITY					
PER SQ. KM.	331.0	414.5	470.5	55.0	34.3
PER SQ. KM. AGRICULTURAL LAND	681.0	746.0	810.5	130.7	94.5
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	45.8	42.1	35.3	46.0	40.7
15-64 YRS.	51.3	54.6	61.0	51.2	55.3
65 YRS. AND ABOVE	2.9	3.3	3.7	2.8	4.0
POPULATION GROWTH RATE (PERCENT)					
TOTAL	3.2	2.2	1.4	2.8	2.4
URBAN	4.7	4.6	3.6	5.1	3.7
CRUDE BIRTH RATE (PER THOUSAND)	40.9	27.5	26.4	46.9	31.4
CRUDE DEATH RATE (PER THOUSAND)	8.8	7.5	7.0	15.8	8.4
GROSS REPRODUCTION RATE	2.8	1.8	1.5	3.2	2.3
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	9.8	12.1	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	25.0	53.2	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	111.0	95.0	101.0	89.9	108.3
PER CAPITA SUPPLY OF					
CALORIES (PERCENT OF REQUIREMENTS)	103.0	106.0	114.0	92.3	107.6
PROTEINS (GRAMS PER DAY)	48.0	51.0	59.0	52.8	65.8
OF WHICH ANIMAL AND PULSE	17.0	18.0	26.0	16.1	34.0
CHILD (AGES 1-4) MORTALITY RATE	10.5	7.6	6.0	20.2	7.6
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	59.4	62.5	64.7	50.8	64.1
INFANT MORTALITY RATE (PER THOUSAND)	70.9	58.5	33.8	..	70.9
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	61.0	60.0	27.4	65.7
URBAN	..	100.0	100.0	74.3	79.7
RURAL	..	29.0	22.0	12.6	43.9
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	77.0	82.0	..	59.9
URBAN	..	51.0	63.0	..	75.7
RURAL	..	99.0	100.0	..	30.4
POPULATION PER PHYSICIAN	4662.0	4186.9	2417.6	13844.1	1728.2
POPULATION PER NURSING PERSON	2102.0/c	815.9	641.3	2898.6	1288.2
POPULATION PER HOSPITAL BED					
TOTAL	230.0/c	254.0	282.3	1028.4	471.2
URBAN	..	250.1	292.3	423.0	558.0
RURAL	..	498.8	872.4	3543.2	..
ADMISSIONS PER HOSPITAL BED	..	22.7	21.5	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	4.9	5.3/d	..	..	..
URBAN	4.9	..	..	..	..
RURAL	4.8	..	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	1.9/c	..	..	..	..
URBAN	1.8/c	..	..	..	..
RURAL	1.9/c	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	47.0/c	70.1	..	..	..
URBAN	81.9/c	..	..	..	..
RURAL	29.0/c	..	..	..	..

TABLE 3A
MAURITIUS - SOCIAL INDICATORS DATA SHEET

	MAURITIUS			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE)/a	
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	98.0	106.0	104.0	73.7	101.7
MALE	103.0	108.0	105.0	96.8	103.0
FEMALE	93.0	105.0	103.0	79.0	101.5
SECONDARY: TOTAL	24.0	31.0	51.0	16.2	35.3
MALE	32.0	37.0	53.0	25.3	34.9
FEMALE	15.0	25.0	49.0	14.8	35.6
VOCATIONAL ENROL. (% OF SECONDARY)	2.0	1.0	1.3	5.3	30.1
PUPIL-TEACHER RATIO					
PRIMARY	36.0	32.0	21.0	36.2	29.6
SECONDARY	22.0	..	28.0	23.6	15.7
ADULT LITERACY RATE (PERCENT)	60.8/c	80.0/d	..	..	80.0
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	14.0	15.1	26.7	32.3	42.6
RADIO RECEIVERS PER THOUSAND POPULATION	60.4	102.5	223.7	69.0	215.0
TV RECEIVERS PER THOUSAND POPULATION	..	22.9	45.9	8.0	89.0
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	87.0	78.0	93.5	20.2	62.8
CINEMA ANNUAL ATTENDANCE PER CAPITA	11.0	10.0	19.3	0.7	3.2
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	199.9	256.9	325.1	.	.
FEMALE (PERCENT)	19.5	19.9	22.0	36.7	22.6
AGRICULTURE (PERCENT)	40.0	34.0	29.5	56.6	35.0
INDUSTRY (PERCENT)	26.0	25.0	24.1	17.5	23.2
PARTICIPATION RATE (PERCENT)					
TOTAL	30.2	31.0	34.5	37.2	31.8
MALE	48.6	49.6	53.8	47.1	49.0
FEMALE	11.8	12.3	15.2	27.5	14.6
ECONOMIC DEPENDENCY RATIO	1.6	1.5	1.1	1.3	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	28.0	..	31.0	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	51.0	..	55.0	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	4.5	..	4.5	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	14.0	..	14.0	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	190.0	381.2	..
RURAL	..	..	190.0	156.2	187.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	290.0	334.3	513.9
RURAL	..	..	290.0	137.6	362.2
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	12.0	..	..
RURAL	..	..	12.0	..	..

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.

/c 1962; /d 1972.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)
- Total - Total surface area comprising land area and inland waters.
- Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1970 data.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS
- Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1979 data.
- Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1979 data.
- Population Projections
  - Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.
  - Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.
  - Year stationary population is reached - The year when stationary population size has been reached.
- Population Density
  - Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.
  - Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1978 data.
- Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1979 data.
- Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.
- Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.
- Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1979 data.
- Crude Death Rate (per thousand) - Annual deaths per thousands of mid-year population; 1960, 1970, and 1979 data.
- Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1979.
- Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.
- Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION
- Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1979 data.
- Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.
- Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.
- Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.
- Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

HEALTH
- Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.
- Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.
- Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.
- Access to Excreta Disposal (percent of population - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.
- Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
- Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.
- Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by thier respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHOs principal/general hospitals, and rural hospitals local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.
- Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING
- Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quaters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.
- Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.
- Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION
- Adjusted Enrollment Ratios
  - Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.
  - Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.
  - Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.
  - Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.
  - Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION
- Passenger Cars (per thousand population) - Passanger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
- Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
- TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.
- Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspapers", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.
- Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE
- Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1979 data.
- Female (percent) - Female labor force as percentage of total labor force.
- Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.
- Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1979 data.
- Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.
- Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION
- Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.
- Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.
- Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.
- Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
May 1981

MAURITIUS - ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1981

	US$ Mln.	%	Annual rates of Growth 1/ 1972-75	1976-81
GNP at Market Prices	1230.7	100.0	7.2	6.7
Gross Domestic Investment	314.9	25.6	27.2	-0.3
Gross Domestic Saving	180.7	14.7	-2.1	2.2
Current Account Balance	-139.7	-11.4	-	-
Exports of Goods, NFS	503.8	40.9	-8.0	1.2
Imports of Goods, NFS	627.5	51.0	8.7	0.0

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1981

	Value added 2/		Labor Force 3/		V.A. per Worker	
	US$ Mln.	%	Thousand	%	US$	%
Sugar	119.9	10.9	47.3	24.5	2535	44.6
Other Agriculture	48.0	4.4	6.2	3.2	7742	136.3
Other Industry	271.9	24.8	48.0	24.9	5665	99.8
Services	656.3	59.9	91.5	47.4	7173	126.3
Total	1096.1	100.0	193.0	100.0	5679	100.0

GOVERNMENT FINANCE

	Central Government		
	Rs Mln.	% of GDP	
	1980/81	1979/80	1980/81
Current Revenue	2058.7	21.8	20.1
Current Expenditures	2318.2	22.5	22.6
Current Deficit	-259.5	-0.8	-2.5
Capital Expenditure	637.0	6.1	6.2
Foreign Financing (gross)	638.0	8.7	6.2

MONEY, CREDIT and PRICES

	1976	1977	1978	1979	1980	1981
	(Rs million outstanding at the end of the period)					
Money and Quasi Money	2083.9	2351.6	2861.5	3113.7	3837.4	3992.5
Claims on Government (net)	580.6	1155.7	1608.1	1967.9	2396.9	3190.6
Claims on private sector	1157.2	1352.1	1508.1	1721.6	1881.1	2259.1
	(Percentage or Index Numbers)					
Money and Quasi Money as % of GDP	43.3	42.3	45.1	41.1	42.5	34.8
GDP Price Deflator (1976 = 100)	100.0	105.5	115.5	131.5	171.6	202.4
Annual percentage changes in =						
GDP Deflator	-	5.5	9.5	13.8	17.9	-
Claims on Government (net)	59.5	99.1	39.1	22.4	21.8	33.1
Claims on private sector	55.0	16.8	11.5	14.2	9.3	20.1

Note: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

1/ In 1970 prices for the period 1972-75 and 1976 prices for 1976-81.

2/ At factor cost

3/ Employment in large establishments

May 1982

MAURITIUS - TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1978	1979	1980	1981
		(US$ Million)		
Exports of Goods, NFS	440.5	509.1	578.5	503.8
Imports of Goods, NFS	566.2	649.5	694.9	627.5
Resource Gap	-125.7	-140.4	-116.4	-123.7
Investment Income (net)	-7.8	-16.6	-23.1	-35.2
Net Transfers	13.8	12.2	20.8	19.2
Current Account Balance	-119.7	-144.8	-118.7	-139.7
Long-term Capital	12.2	10.0	6.0	23.3
Net MLT borrowing:	66.8	71.5	64.1	35.8
Disbursements	69.0	75.6	75.7	48.7
Amortization	2.2	4.1	11.6	12.9
Other capital (net) 1/	20.8	11.1	73.7	-27.3
Change in Reserves (decrease +)	19.9	52.2	-25.1	107.9

Memo item

Use of SDRs	-0.8	1.1	0.8	-
Use of IMF credit	-	40.8	41.1	64.3
Net foreign assets	31.1	-32.1	-5.5	-12.7

RATE OF EXCHANGE

1978	1979	1980	1981
US$1.0=R6.140	US$1.0=6.4017	US$1.0=7.6896	US$1.0=9.0911
R1.0=US$0.1628	R1.0=US$0.1562	R1.0=US$0.1300	R1.0=US$0.1100

MERCHANDISE EXPORTS (AVERAGE 1979-81)

	US$ mln.	%
Sugar	241.3	62.0
Molasses	12.3	3.2
Tea	5.8	1.5
Clothings	75.8	19.5
Other products	44.5	11.4
Re-exports	9.4	2.4
Total	389.1	100.0

EXTERNAL DEBT, DECEMBER 31, 1981
(US$ Mln)

Public Debt, outstanding and disbursed	374.9

DEBT SERVICE RATIO FOR 1981

Public Debt, incl. guaranteed 9.3 2/

IBRD/IDA LENDING, (March 31, 1982)
(US$ Mln.)

	IBRD	IDA
Outstanding & Disbursed	57.98	20.15
Undisbursed	42.26	--
Outstanding including undisbursed	100.24	20.15

1/ Includes short-term private capital, SDR allocation and errors and omissions

2/ Debt service payments as percentage of estimated export earnings.

May 1982

STATUS OF BANK GROUP OPERATIONS IN MAURITIUS

A. Statement of Bank Loans and IDA Credits (as of March 31, 1982)

Loan or Credit Number	Year	Borrower	Purpose		Bank	IDA	Undisbursed
Four loans and five Credits have been fully disbursed					30.48	20.20	
976-MAS	1974	Mauritius	Port I		10.00		1.52
1168-MAS	1975	DBM	Development Bank III		7.50		.44
1339-T-MAS	1976	Mauritius	Revised Port I		3.60		.67
1481-MAS	1977	DBM	Development Bank IV		7.50		1.83
1543-MAS	1978	Mauritius	Second Education		15.20		8.60
1548-MAS	1978	"	Second Power		15.00		10.82
1789-MAS	1980	DBM	Development Bank V		6.00		5.24
1926-MAS	1981	Mauritius	Urban Rehabilitation and Development		15.00		13.14
	TOTAL				110.28	20.20	42.26
	of which has been repaid				10.04	.05	-
	TOTAL now outstanding				100.24	20.15	-
	Amount sold			4.95			
	of which has been repaid			4.07	.88	.00	-
	TOTAL now held by Bank and IDA 1/				99.36	20.15	-
	TOTAL undisbursed				42.26	-	42.26

B. Statement of IFC Investments (March 31, 1982)

Year	Borrower	Type of Business	Loan	Equity	Total
1971	Dinarobin Inns & Hotels Ltd	Tourism	0.6	-	0.6
	Total gross commitment		0.6	-	0.6
	Less cancellations, terminations, repayments and sales		0.4		0.4
	Net held by IFC		0.2		0.2
	Total undisbursed		0.0	0.0	0.0

1/ Prior to exchange adjustments

C. Projects in Execution 1/

Loan No. 976-MAS — Port Project: US$10.0 million Loan of April 12, 1974; Date of Effectiveness: June 13, 1974; Closing Date: December 31, 1982

Loan No. 1339-T-MAS: Revised Port Project: US$3.6 million Third Window Loan of December 9, 1976; Date of Effectiveness: July 27, 1977; Closing Date: December 31, 1982

The main elements of the project have been completed including the construction of three deep water berths, two transit sheds and open storage areas. As a result of this increased capacity the port is now operating without congestion. Physical execution is proceeding well. Construction work is well advanced on the administration workshop and fire-station buildings. Port operating equipment has been procured and cargo handling operations have improved. Technical assistance financed under the project has had beneficial effects on the administration of the Mauritius Marine Authority. The closing date was extended by one year in order to finish construction of the administration building and to complete dredging works.

Loan No. 1481-MAS — Fourth Development Bank Project: US$7.5 million Loan of August 29, 1977; Date of Effectiveness; October 6, 1977; Closing Date: December 31, 1982.

The loan provides financing for the term foreign exchange needs of medium- and large scale industrial, tourism and agro-industrial projects. The loan is fully committed.

Loan 1548-MAS — Power Transmission Project: US$15 million Loan of April 26, 1978; Date of Effectiveness: January 23, 1979; Closing Date: December 31, 1983

The project consists of construction of 66-kV and lower voltage transmission/distribution lines and substations; construction of a system control center; consulting services and training.

Almost all material and equipment have already been ordered except that for some distribution material and equipment. Construction is progressing satisfactorily at various sites in the country to construct substations and powerlines and the control center included in the project. The project is satisfactorily on schedule and the original project cost estimate has not changed. Studies for long range power planning, reorganization of CEB, energy sector planning and CEB training have been completed, and recommendations of these studies are being implemented by the Central Electricity Board.

1/ These notes are designed to inform the Executive Directors regarding the progress in execution, and in particular to report any problems which are being encountered and the action taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Loan No. 1543-MAS — Second Education Project: US$15.2 million Loan of April 26, 1978; Date of Effectiveness: August 8, 1978; Closing Date: December 31, 1982

The Project Unit continues to operate satisfactorily. Construction of 12 of the 15 Junior Secondary Schools (JSS) has been completed. The remaining three, where expansion and upgrading are involved, are expected to be completed in mid-1983. All 15 schools are in operation, although some have not yet attained full capacity. Contracts for the additions to the Mauritius College of Education and the Mauritius Institute of Education are expected to be signed in March 1982 and preliminary design work for the Ministry of Education (MECA) has been completed. After substantial delay, the reorganization of MECA is now completed. Educational objectives are expected to be substantially achieved upon completion of the project. Project closing may have to be postponed by 18 to 24 months to complete construction.

Loan No. 1789-MAS — Fifth Development Bank Project: US$6.0 million Loan of January 23, 1980; Date of Effectiveness: April 30, 1980; Closing Date: December 31, 1983

The Project assists the Development Bank of Mauritius in financing directly or through Mauritian-owned commercial banks the foreign exchange component of loans and investments in industry, agro-industry and tourism. It also helps cover the foreign exchange investment needs of artisan and small-scale enterprises. Because clients of commercial banks were reluctant to use refinancing due to fear of the foreign exchange risks, the $2.0 million earmarked for the purpose have been reallocated to DBM's general lending operations; $0.5 million from the $1.0 million earmarked for SSEs was also reallocated to the same category, because the level of DBM's SSE approvals was less than anticipated.

Loan No. 1926-MAS — Urban Rehabilitation and Development Project: US$15.0 million Loan of January 8, 1981: Date of Effectiveness: May 5, 1981; Closing Date: December 31, 1984

The Project will assist the Government in implementing a change in its policy for providing housing in the public sector, including a reduction in overall Government expenditure on housing, and redirection from building rental units at subsidized rates, to provision of housing credit for lower income groups. It will also strengthen institutions responsible for urban planning, development and maintenance. The project includes (a) an integrated housing development at a site (La Tour Koenig) near Port Louis, housing credit and establishment of a physical planning unit in the Ministry of Planning; and (b) traffic management and rehabilitation of urban services, to be funded by the Saudi Fund for Development. Project implementation has started and is progressing satisfactorily. The project is expected to be completed on schedule by June, 1984.

MAURITIUS

IBRD/IDA Disbursements

(Millions of U.S. dollars)

Fiscal Year	1977	1978	1979	1980	1981
1. Undisbursed balance at beginning of fiscal year1/	32.11	27.36	53.65	42.15	40.66
2. Commitments during fiscal year	3.60	37.70	--	6.00	30.00
3. Total disbursed during fiscal year	8.35	11.40	11.51	7.49	6.67
4. Disbursement Rate line 3 as percent of line 1.	26.01	41.69	21.45	17.76	16.40
5. Comparators (%)					
(a) Disbursement rate for total of other loans in the Region	26.18	22.45	21.61	18.43	18.19
(b) Bank-wide IBRD/IDA average disbursement rate 2/	24.53	21.19	21.73	21.31	21.47
(c) Selected comparators:					
Botswana	19.33	10.99	19.81	18.75	22.59
Liberia	21.02	23.59	23.10	22.64	32.47
Paraguay	22.36	15.99	14.91	28.04	22.63

1/ Undisbursed balance includes signed but not effective loans and crdits for all computations.
2/ Excludes IFC loans and IDA 6 credits.
Note: Above includes effects of program lending.

ANNEX III

SUPPLEMENTARY PROJECT DATA SHEET

Section 1: Timetable of Key Events

(a) Time taken to prepare project: three months

(b) Project Prepared by: DBM

(c) Date of first presentation to Bank: September 1981 during supervision mission.

(d) Date of appraisal: November 1981

(e) Date of completion of negotiations: May 4, 1982

(f) Planned date of effectiveness: August 1982

Section II: Special Bank Implementation Actions

None

Section III: Special Conditions

(a) Government would carry out industry sector studies and prepare implementation programs for discussion with the Bank by March 31, 1983 (paragraphs 25 and 34).

(b) DBM would prepare a strategy statement and discuss it with the Government and the Bank by December 31, 1981 (paragraph 57).

(c) DBM would consult the Bank on the qualifications and experience of any proposed appointee as managing director (paragraph 61).

(d) DBM would keep separate accounts for its industrial estate operations (paragraph 66).

(e) DBM would maintain a limit on debt/equity of 4.0 (paragraph 86).

(f) Funds for the studies component revert to DBM if unused (paragraph 87).

MAURITIUS

DEVELOPMENT BANK OF MAURITIUS (DBM)

BASIC DATA

Exchange Rate: US$1.0 = Rs10.0

A. Date on which operations started: March 1, 1964

B. Ownership as of February 28, 1982

Share Capital: (Rs million)

	Authorized and Paid-In
Government of Mauritius	37.5
Bank of Mauritius	10.0
State Insurance Corporation of Mauritius	2.5
TOTAL	50.0

C. Operations

Year ending June 30	Actual 1980	Actual 1981	Projected 1982	Projected 1983	Projected 1984
Approvals (Net of Cancellations)					
Loans:					
Medium/Large Scale Industry:	37.0	42.3	46.0	50.5	56.0
Foreign Currency	(32.0)	(41.7)	(42.0)	(46.0)	(51.0)
Local Currency	(5.0)	(0.6)	(4.0)	(4.5)	(5.0)
Agro-Industry	3.0	6.2	7.0	7.5	8.0
Foreign Currency	(-)	(-)	(6.0)	(6.5)	(7.0)
Local Currency	(-)	(-)	(1.0)	(1.0)	(1.0)
Small Scale Industry	3.4	2.6	3.0	3.5	4.0
Foreign Currency	(-)	(-)	(2.5)	(3.0)	(3.5)
Local Currency	(-)	(-)	(0.5)	(0.5)	(0.5)
Agriculture	1.3	1.5	2.5	3.0	3.5
Transport	4.8	1.4	-	-	-
Equity Investments	-	1.5	2.0	2.0	2.0
Sub-Total	49.5	55.5	60.5	66.5	73.5
Industrial Estates	1.6	8.0	2.0	2.0	2.0
Total Approvals	51.1	63.5	62.5	68.5	75.5

Year Ending June 30	Actual 1980	Actual 1981	Projected 1982	Projected 1983	Projected 1984
Commitments					
Loans:					
Medium/Large Scale Industry	19.6	23.1	58.0	44.0	48.0
Foreign Currency	(13.3)	(17.6)	(56.0)	(40.0)	(43.5)
Local Currency	(6.3)	(5.5)	(2.0)	(4.0)	(4.5)
Agro-Industry	-	5.7	6.0	6.5	7.0
Foreign Currency	(-)	(-)	(5.5)	(5.5)	(6.0)
Local Currency	(-)	(-)	(0.5)	(1.0)	(1.0)
Small-Scale Industry	2.4	2.6	3.0	3.0	3.5
Foreign Currency	(-)	(-)	(2.5)	(2.5)	(3.0)
Local Currency	(-)	(-)	(0.5)	(0.5)	(0.5)
Agriculture	5.7	1.4	2.5	2.5	3.0
Transport	4.8	1.4	-	-	-
Equity Investments	-	-	2.0	2.0	2.0
Sub-Total	32.5	34.2	71.5	58.0	63.5
Industrial Estates	1.6	8.0	2.0	2.0	2.0
Total Commitments	34.1	42.2	73.5	60.0	65.5
Disbursements					
Loans:					
Medium/Large Scale Industry	21.7	28.7	34.5	46.0	42.0
Foreign Currency	(14.3)	(25.7)	(30.0)	(43.5)	(38.5)
Local Currency	(7.4)	(3.0)	(4.5)	(2.5)	(3.5)
Agro-Industry	-	-	4.5	5.5	6.0
Foreign Currency	(-)	(-)	(4.5)	(5.0)	(5.0)
Local Currency	(-)	(-)	(-)	(0.5)	(1.0)
Small-Scale Industry	2.0	2.2	2.5	3.0	3.0
Foreign Currency	(-)	(-)	(2.0)	(2.5)	(2.5)
Local Currency	(-)	(-)	(0.5)	(0.5)	(0.5)
Agriculture	4.5	1.4	2.0	2.5	2.5
Transport	3.7	4.5	-	-	-
Equity Investments	-	-	2.0	2.0	2.0
Sub-Total	31.9	36.8	45.5	59.0	55.5
Industrial Estates	1.6	8.5	2.0	2.0	2.0
Total Disbursements	33.5	45.3	47.5	61.0	57.5

D. Resource Position as of June 30, 1981 (Rs million)

	In Local Currency	In Foreign Currency	Total
Resources			
Capital and Reserves	85.1		85.1
Debentures and Loans	2.0		2.0
Government of Mauritius Loans	106.5		106.5
Term Deposits	7.3		7.3
Pulvinaria Credit	1.5		1.5
Long-Term Loans:			
IDA	32.3		32.3
IBRD		225.0	225.0
ADB		20.4	20.4
IDBI a/		20.5	20.5
EIB		35.7	35.7
CCCE		26.7	26.7
Total	234.7	328.3	563.0
Uses			
Net Fixed Assets	2.0		2.0
Industrial Estates (less depreciation)	77.1		77.1
Sinking Fund Investments	8.9		8.9
Portfolio (less provisions)	110.8	200.7	311.5
Total	198.8	200.7	399.5
Resources available for Disbursements	35.9	127.6	163.5
Undisbursed Commitments	1.3	6.6	7.9
Resources Available for Commitments	34.6	121.0	155.6
Uncommitted Approvals	-	71.6	71.6
Resources Available for Approvals	34.6	49.4 b/	84.0 b/

E. Year-End Financial Position

Year Ending June 30	Actual 1977	1978	1979	1980	1981
Total Assets (Rs million)	261.0	300.0	328.9	384.5	424.2
Net Worth (Rs million)	48.4	55.1	57.6	75.8	86.5
Long Term Debt (net of sinking fund)/ Year End Networth (%)	3.6	3.9	4.4	4.0	3.6
Provisions as Percentage of Loan and Equity Portfolio	2.1	2.1	3.7	3.8	4.2

a/ Excluding Rs 28.5 million in uncommitted funds expected to be cancelled.
b/ Of which Rs 18 million is under tied lines of credit.

Projected Financial Position and Performance	Projected 1982	1983	1984	1985	1986
Total Assets (Rs million)	464.9	492.9	515.6	539.8	569.3
Networth (Rs million)	91.1	98.7	107.7	117.8	129.7
Long Term Debt (net of sinking fund)/Year end Networth (%)	3.8	3.7	3.5	3.3	3.2
Net Income/Average Networth	12.4	13.2	13.5	13.3	13.6
Provision as % of Loan and Equity Portfolio	4.6	5.2	5.8	6.3	6.7

F. Interest Rates and Commitment Fees

	November 1981
Industrial and Tourism Loans:	14.5%
Commitment Fee	1.0%
Small-Scale Industrial Loans:	
(Up to Rs 25,000)	10.0%
(Above Rs 25,000)	13.0%

G. Basic Data on IDA Credits and Bank Loans

Status as of February 28, 1982

Credit/Loan	Date of Effectiveness	In $ '000 Amount of Credit/Loan	Authorized	Disbursed
313-MAS	August 17, 1972	3,500	3,500	3,500
979-MAS	July 18, 1974	5,000	5,000	5,000
411-MAS a/	Oct. 1, 1973	4,000	4,000	4,000
1168-MAS	Dec. 19, 1975	7,500	7,064	7,064
1481-MAS	Oct. 6, 1977	7,500	7,372	5,669
1789-MAS	April 29, 1980	6,000	3,883	710

Summary of Features of Credit 313-MAS and Loans 979-MAS, 1168-MAS, 1481-MAS and 1789-MAS.

a/ For Coromandel Industrial Estates.

	313-MAS	979-MAS	1168-MAS	1481-MAS	1789-MAS
1. Foreign Exchange Risk taken by:	Government	Subborrower	Subborrower	Subborrower/ Government (split risk)	Subborrower/ Government (split risk)
2. Terminal Date for Project Submission:	June 30, 1974	Dec. 31 1976	Dec. 31 1979	Dec. 31 1979	Dec. 31 1982
3. Closing Date for Disbursements:	June 30, 1976	Dec. 31 1978	Dec. 31 1981	Dec. 31 1982	Dec. 31 1983
4. Free Limit:	$50,000	$150,000	$400,000	$600,000	$600,000
5. Aggregate Free Limit:	$750,000	$1 million	$2 million	$4 million	$3 million

ANNEX V

THE DEVELOPMENT BANK OF MAURITIUS

SUMMARIZED BALANCE SHEETS 1977-1981

(Rs million)

	Year ending June 30				
	1977	1978	1979	1980	1981
ASSETS					
Cash	0.2	0.9	1.1	6.8	11.1
Other Current Assets & Accrued Interest	8.0	12.1	18.1	25.0	34.9
Short-term Investments	8.4	3.0	3.0	-	-
Government of Mauritius Securities	-	-	-	3.0	3.0
Sinking Fund Investments	11.2	5.9	5.9	5.9	5.8
Portfolio Investments					
Agriculture (incl. tea)	12.2	12.2	16.0	20.6	20.2
Industry (net of loan deposits)	136.7	178.9	202.9	242.7	263.0
Provision for Bad Debts	(3.3)	(4.3)	(8.7)	(10.7)	(12.1)
Equity Investments	13.4	15.8	16.0	16.0	16.0
Industrial Estates (net)	71.8	73.8	73.0	71.4	77.0
Fixed Assets	1.9	1.7	1.6	1.8	2.8
Staff Pension Fund Investments	-	-	-	2.0	2.5
Total Assets	260.5	300.0	328.9	384.5	424.2
LIABILITIES					
Borrowings from Bank of Mauritius	-	8.2	-	-	-
Bank Overdraft	9.4	-	-	-	-
Depositors	11.9	10.1	7.4	7.4	7.3
Other Current Liabilities	4.6	5.4	6.4	6.7	14.6
Long-term Debt, Credits and Debentures	11.7	5.7	8.4	11.7	19.9
Government Loans	82.7	96.0	108.9	141.6	139.0
IDBI Credit	-	3.6	9.0	16.3	18.8
IBRD/IDA Credit	87.7	105.4	118.5	108.2	117.6
ADB Credit	4.1	10.5	12.6	17.6	18.0
Staff Pension Fund	-	-	-	2.0	2.5
Paid-in Capital	27.5	31.4	31.5	41.8	50.0
Exchange Fluctuation Reserve	0.9	-	.6	1.0	1.4
General Reserves and Retained Earnings	20.0	23.7	25.6	30.2	35.1
Total Liabilities and Net Worth	260.5	300.0	328.9	384.5	424.2

THE DEVELOPMENT BANK OF MAURITIUS

Summarized Profit and Loss Accounts 1977-1981
(Rs 000)

	Year Ending June 30				
	1977 1/	1978 1/	1979 1/	1980 1/	1981 1/
Loan Interest Earned and Commitment Fees	11,229	16,049	19,449	23,436	24,511
Dividend Income	579	1,191	1,620	3,984	4,440
Rent on Buildings	3,593	5,498	6,649	6,700	8,536
Interest on Short-term Investments and Sinking Fund	1,641	1,189	830	1,454	1,500
Other Income	708	174	1,156	254	490
Gross Income	17,750	24,101	29,704	35,828	39,477
Financial Expenses	8,915	13,434	15,755	20,315	21,895
Salaries and Administrative Expenses	2,235	2,790	3,604	4,740	5,174
Depreciation on Industrial Estates	785	1,748	2,342	2,291	2,497
Depreciation on Other Fixed Assets	65	68	70	80	123
Expenses	12,000	18,040	21,771	27,426	29,689
Profit from Operations	5,750	6,061	7,933	8,402	9,788
Add: Profit on Sale of Assets	--	--	--	--	1,590
Profit before Provisions	5,750	6,061	7,933	8,402	11,378
Provision for Possible Losses	761	975	4,499	1,423	2,376
Net Income	4,989	5,086	3,434	6,979	9,002
Dividends	1,175	1,375	1,570	1,570	4,190
Net Income/Share Capital (%)	16.1	16.2	10.9	16.7	18.0
Net Income/Average Net Worth (%)	11.2	9.9	6.1	10.8	11.2

1/ Foreign exchange gains realized have been directly credited to an Exchange Fluctuation Reserve account and do not appear in the income statement.

ANNEX VII

THE DEVELOPMENT BANK OF MAURITIUS

Past and Projected Financial Ratios

(Rs Million)

Year Ending June 30	Actual					Projected				
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
A. INCOME STATEMENT ITEMS AS % OF AVERAGE TOTAL ASSETS										
Interest on Loans	4.7	4.0	6.2	6.6	6.1	7.2	7.4	7.6	7.9	8.3
Rents on Industrial Estates	1.5	1.4	2.1	2.0	2.1	2.2	2.2	2.3	2.4	2.4
Other (Short-term Interest Dividends)	1.2	0.6	1.1	1.4	1.6	1.0	1.0	1.2	1.2	1.3
Profit on Sale of Assets	-	-	-	-	0.4	-	-	-	-	-
Total Income	7.4	6.0	9.4	10.0	10.2	10.4	10.6	11.1	11.5	12.0
Interest Payments	3.8	3.3	5.0	5.7	5.4	5.3	5.4	5.6	5.8	6.1
Administrative Expenses	0.9	0.7	1.1	1.3	1.3	1.4	1.5	1.6	1.7	1.8
Depreciation	0.3	0.4	0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.5
Increase in Provisions	0.3	0.2	1.4	0.4	0.6	0.6	0.6	0.6	0.6	0.5
Net Profit	2.1	1.3	1.1	1.9	2.2	2.5	2.6	2.8	2.9	3.1
B. ADMINISTRATIVE EXPENSES AS % OF AMOUNTS APPROVED	2.4	3.4	7.4	9.2	8.2	9.6	10.2	10.6	10.8	10.9
C. SELECTED INCOME AND COST ITEMS										
Dividends as % of Aver. Equity Portfolio	4.5	8.2	10.1	10.0	27.5	29.3	20.9	23.7	22.1	20.0
Income from Loans as % of Average Loan Portfolio	8.8	9.6	10.2	10.1	9.4	10.8	11.1	11.4	11.9	12.6
Cost of Debt as % of Average Term-Debt	5.5	6.6	6.6	7.4	7.2	8.2	7.2	7.4	7.8	8.2
Spread	3.3	3.0	3.6	2.7	2.2	2.6	3.9	4.0	4.1	4.4
D. PROFITABILITY INDICATOR										
Net Profit as % of Average Net Worth	11.2	9.9	6.1	10.7	11.3	12.7	13.2	13.6	13.4	13.7
Net Profit as % of Year-End Net Worth	10.1	9.2	6.0	9.5	10.4	12.1	12.7	13.0	12.8	13.0
E. FINANCIAL STRUCTURE INDICATORS										
Total Debt 1/ Year-End Net Worth	4.1	4.3	4.6	4.2	3.8	4.0	3.9	3.7	3.5	3.3
Long Term Debt 1/ Year-End Net Worth	3.6	3.9	4.4	4.0	3.6	3.8	3.6	3.5	3.3	3.1
Long Term Debt 1/ Year-End Net Worth (As per Loan Covenant)	2.3	2.9	3.3	2.8	2.6	2.8	2.8	2.7	2.6	2.7
Provisions as % of Loan & Equity Portfolio	2.1	2.1	3.7	3.8	4.0	4.4	4.9	5.4	5.9	6.4
Interest Coverage Ratio	1.6	1.5	1.7	1.4	1.5	1.5	1.5	1.5	1.5	1.5

1/ Net of sinking fund.

ANNEX VIII

THE DEVELOPMENT BANK OF MAURITIUS (DBM)

Forecast of Operations FY 1982 to FY 1986

(Rs. Million)

Year ending June 30	1982	1983	1984	1985	1986
APPROVALS					
Medium/Large Industry	46.0	50.5	56.0	61.5	68.0
Foreign Currency Loans	(42.0)	(46.0)	(51.0)	(56.0)	(62.0)
Local Currency Loans	(4.0)	(4.5)	(5.0)	(5.5)	(6.0)
Agro-Industry	7.0	7.5	8.0	9.5	10.5
Foreign Currency Loans	(6.0)	(6.5)	(7.0)	(8.0)	(9.0)
Local Currency Loans	(1.0)	(1.0)	(1.0)	(1.5)	(1.5)
Small Scale Industry	3.0	3.5	4.0	4.5	5.0
Foreign Currency Loans	(2.5)	(3.0)	(3.5)	(4.0)	(4.5)
Local Currency Loans	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Agriculture	2.5	3.0	3.5	3.5	4.0
Equity	2.0	2.0	2.0	2.0	2.0
Industrial Estates	2.0	2.0	2.0	2.0	2.0
	62.5	68.5	75.5	83.0	91.5
COMMITMENTS					
Medium/Large Industry	58.0	44.0	48.0	53.0	58.0
Foreign Currency Loans	(56.0)	(40.0)	(43.5)	(48.0)	(53.0)
Local Currency Loans	(2.0)	(4.0)	(4.5)	(5.0)	(5.0)
Agro-Industry	6.0	6.5	7.0	7.5	9.0
Foreign Currency Loans	(5.5)	(5.5)	(6.0)	(6.5)	(7.5)
Local Currency Loans	(0.5)	(1.0)	(1.0)	(1.0)	(1.5)
Small Scale Industry	3.0	3.0	3.5	4.0	4.5
Foreign Currency Loans	(2.5)	(2.5)	(3.0)	(3.5)	(4.0)
Local Currency Loans	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Agriculture	2.5	2.5	3.0	3.0	3.5
Equity	2.0	2.0	2.0	2.0	2.0
Industrial Estates	2.0	2.0	2.0	2.0	2.0
	73.5	60.0	65.5	71.5	79.0
DISBURSEMENTS					
Medium/Large Industry	34.5	46.0	42.0	44.0	48.5
Foreign Currency Loans	(30.0)	(43.5)	(38.5)	(40.0)	(44.0)
Local Currency Loans	(4.5)	(2.5)	(3.5)	(4.0)	(4.5)
Agro-Industry	4.5	5.5	6.0	6.5	7.0
Foreign Currency Loans	(4.5)	(5.0)	(5.0)	(5.5)	(6.0)
Local Currency Loans	(-)	(0.5)	(1.0)	(1.0)	(1.0)
Small Scale Industry	2.5	3.0	3.0	3.5	4.0
Foreign Currency Loans	(2.0)	(2.5)	(2.5)	(3.0)	3.5
Local Currency Loans	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Agriculture	2.0	2.5	2.5	3.0	3.0
Equity	2.0	2.0	2.0	2.0	2.0
Industrial Estates	2.0	2.0	2.0	2.0	2.0
	47.5	61.0	57.5	61.0	66.5

ANNEX IX

THE DEVELOPMENT BANK OF MAURITIUS (DBM)

Projected Balance Sheet FY 1982 to FY 1986
(Rs. Million)

	Year ending June 30				
	1982	1983	1984	1985	1986
ASSETS					
Cash	10.0	10.0	10.0	10.0	10.0
Receivables, etc.	41.0	48.0	56.0	64.0	74.0
Sinking Fund Investments and Government Securities	8.9	8.9	8.9	8.9	8.9
	59.9	66.9	74.9	82.9	92.9
Portfolio Investments					
Loans					
Medium/large industry and agro-industry	279.6	303.0	320.5	338.7	360.1
Financial Sector	15.9	13.6	11.3	9.0	6.7
Small-scale industry	8.9	10.1	11.0	12.2	13.7
Agriculture	19.0	19.1	19.2	19.8	20.2
Equity	18.1	20.1	22.1	24.1	26.1
Less: Provisions for doubtful debts	(15.1)	(18.1)	(21.1)	(24.1)	(27.1)
	326.4	347.8	363.0	379.7	399.7
Industrial Estates (Net)	76.5	76.0	75.5	75.0	74.5
Other Fixed Assets (Net)	2.1	2.2	2.2	2.2	2.2
	78.6	78.2	77.7	77.2	76.7
Total Assets	464.9	492.9	515.6	539.8	569.3
LIABILITIES AND EQUITY					
Depositors and Current Liabilites	23.2	23.2	23.2	23.2	23.2
Long Term Debts	211.6	237.5	255.2	273.5	295.9
- Foreign currency					
- Local currency					
subordinated	135.7	132.4	128.6	124.6	120.0
unsubordinated	3.3	1.1	0.9	0.7	0.5
Total Liabilities	373.8	394.2	407.9	422.0	439.6
Share Capital	50.0	50.0	50.0	50.0	50.0
Reserves and Surplus	41.1	48.7	57.7	67.8	79.7
Total Equity	91.1	98.7	107.7	117.8	129.7
Total Liabilities and Equity	464.9	292.9	515.6	539.8	569.3

ANNEX X

THE DEVELOPMENT BANK OF MAURITIUS (DBM)

Projected Income Statements FY 1982 to FY 1986

(Rs Million)

Year ending June 30	1982	1983	1984	1985	1986
INCOME					
Loan Interest earned	31.4	35.2	30.4	41.6	45.9
Dividends Income	4.0	4.0	4.5	5.0	5.5
Interests on Sinking Fund Investments, Government Securities and Other Deposits	1.0	1.0	1.0	1.0	1.0
Rent Receivable	9.5	10.5	11.5	12.5	13.5
Other Income	0.5	0.5	0.5	0.5	0.5
TOTAL INCOME	46.4	51.2	55.9	60.6	66.4
EXPENSES					
Interest on Indebtedness	23.7	26.0	28.2	30.8	33.8
Administrative and General Expenses	6.0	7.0	8.0	9.0	10.0
Depreciation					
- Industrial Estates	2.6	2.5	2.5	2.5	2.5
- Other Fixed Assets	0.1	0.1	0.2	0.2	0.2
Provision for possible Losses	3.0	3.0	3.0	3.0	3.0
TOTAL EXPENSES	35.4	38.6	41.9	45.5	49.5
NET INCOME	11.0	12.6	14.0	15.1	16.9
Dividends to Shareholders	5.0	5.0	5.0	5.0	5.0
NET SURPLUS	6.0	7.6	9.0	10.1	11.9

THE DEVELOPMENT BANK OF MAURITIUS (DBM)

Schedule of Disbursements

IBRD Fiscal Year and Quarter Ending	Cumulative Disbursements		
	Studies	Subloans	Total
FY82			
June 30, 1982			
FY83			
September 30, 1982	-	89 1/	89
December 31, 1982	-	117	117
March 31, 1983	-	271	271
June 30, 1983	-	426	426
FY84			
September 30, 1983	-	706	706
December 31, 1983	-	987	987
March 31, 1984	-	1,323	1,323
June 30, 1984	150,000	1,660	1,810
FY85			
September 30, 1984	300,000	2,025	2,325
December 31, 1984	300,000	2,389	2,689
March 31, 1985	300,000	2,726	3,026
June 30, 1985	300,000	3,063	3,363
FY86			
September 30, 1985	300,000	3,399	3,699
December 31, 1985	300,000	3,736	4,036
March 31, 1986	300,000	4,017	4,317
June 30, 1986	300,000	4,297	4,597
FY87			
September 30, 1986	300,000	4,523	4,823
December 31, 1986	300,000	4,746	5,046
March 31, 1987	300,000	4,942	5,242
June 30, 1987	300,000	5,139	5,439

1/ Capitalized front-end fee

IBRD Fiscal Year and Quarter Ending	Cumulative Disbursements		
	Studies	Subloans	Total
FY88			
September 30, 1987	300,000	5,279	5,579
December 31, 1987	300,000	5,419	5,719
March 31, 1988	300,000	5,560	5,860
June 30, 1988	300,000	5,700	6,000

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