



**Republic of Mauritius - European Community**

**Country Strategy Paper  
and  
National Indicative Programme**

**for the period 2008-2013**

The Government of the Republic of Mauritius and the European Commission hereby agree as follows:

- (1) The Government of the Republic of Mauritius, represented by the Hon. Rama Krishna Sithanen, Deputy Prime Minister, Minister of Finance and Economic Development, National Authorising Officer, and the European Commission, represented by Mrs Claudia Widey-Nippold, Head of Delegation in Mauritius, hereinafter referred to as the "parties", held discussions in Mauritius from early 2006 to September 2007 with a view to determining the general approach to cooperation for the period 2008–2013. During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Republic of Mauritius were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in Mauritius. The Country Strategy Paper and the Indicative Programme are annexed to this document.
- (2) As regards the indicative programmable financial resources which the Community plans to make available to the Republic of Mauritius for the period 2008-2013, an amount of **€51 million** is scheduled for the allocation referred to in Article 3.2(a) of Annex IV to the ACP-EC Partnership Agreement (A-Allocation) and of **€12.4 million** for the allocation referred to in Article 3.2(b) (B-Allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV to the ACP-EC Partnership Agreement.
- (3) The A-Allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The National Indicative Programme under Part 2 concerns the resources of the A-Allocation. It also takes into consideration financing from which the Republic of Mauritius benefits or could benefit under other Community resources. It does not preempt financing decisions by the Commission.
- (4) The B-Allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-Allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the National Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Mauritius within the limits of the A- and B-Allocations referred to in this document. Financing decisions can also be taken on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid

down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.  
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of prevailing needs and performance.  
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF Multi-annual Financial Framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

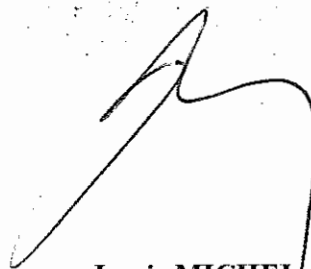
Done at Lisbon on 9 December 2007.

For the Government of  
the Republic of Mauritius



**Madan Murlidhar DULLOO,**  
Minister of Foreign Affairs,  
International Trade and Cooperation

For the European Commission



**Louis MICHEL**  
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## SUMMARY

Since independence in 1968, Mauritius has enjoyed a strong pluralistic democratic system and a sound human rights record. It is now leading an open and constructive dialogue with stakeholders on governance issues, including civil society and its main development partners. The Government remains committed to further improvements in governance as reflected in the broad governance commitments made in the context of the 2008-2013 European Commission – Republic of Mauritius Country Strategy Paper (CSP).

Mauritius has maintained good and friendly relations with its regional neighbours and has been active in peace initiatives and conflict resolution in the region. Mauritius sees significant benefits from increased regional trade and supports an agenda of rapid regional integration. It aspires to a fully effective FTA encompassing COMESA and SADC. Mauritius is negotiating the establishment of an Economic Partnership Agreement (EPA) with the EU as a member of the ESA group. Mauritius is also advocating a fully effective FTA with both the ESA group and the EU, to ensure compliance with WTO provisions.

Economic and social achievements in Mauritius have been impressive by regional and international standards. With an average growth rate of around 6% over the past three decades, general living standards of the population have improved significantly and the country is well on track to reach the Millennium Development Goals before 2015.

With trade liberalisation pressures and the loss of preferential access to export markets, coupled with soaring oil prices and inherent domestic structural weaknesses, the annual average GDP growth has dropped to 4% in the period 2001-2005. With limited natural resources, constraints resulting from its small size, and isolation from main markets, Mauritius needs to urgently redress its macro-economic fundamentals, the education and training system, and the business enabling environment to unleash high-value added growth.

In response to these challenges, the Government has formulated a ten-year economic reform programme to put the economy back onto a growth path of over 6% in the longer term and for which it is relying on external resources, including under the Aid for Trade Initiative. The reform programme outlines a string of measures underpinning the four main planks, namely fiscal consolidation and improving public sector efficiency, improving trade competitiveness, enhancing the investment climate and democratising the economy through participation and social inclusion of all sections of society. The Mauritius Multi-Annual Adaptation Strategy 2006-2015 for the sugar sector forms an integral part of this comprehensive ten-year economic reform programme which the EC supports through the EC Accompanying Measures for Sugar Protocol Countries.

The response strategy outlined in this CSP covering the period 2008-2013 supports the Government's economic reform programme. The CSP has been prepared in close consultation with the World Bank as part of the harmonisation agenda. It includes a shared diagnosis and common results matrix. The two institutions have also agreed to joint implementation, through coordinated budget support operations, as well as to close coordination of supporting analytical work, including joint evaluations and a mid-term review.

## **PART 1: STRATEGY PAPER**

### **CHAPTER 1: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY**

#### **I.1.1. General objectives of the EC's external policy**

1. In accordance with Article 177 of the Treaty establishing the European Community, the purpose of Community policy in the sphere of development co-operation is to foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

2. Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

3. The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, co-operation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

4. EU external action including the Common Foreign and Security Policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

5. Enlargement has placed upon the EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its own neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

#### **I.1.2. Strategic objectives of cooperation with the partner country**

6. The Treaty objectives are confirmed in Article 1 of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Mauritius will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of

"ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

7. While the Treaty and the Cotonou Agreement provide the legal basis for EC co-operation with ACP countries, the recently adopted European Consensus on Development sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular reference to the Millennium Development Goals. Human rights and good governance are recognised as other important objectives.

8. Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

9. Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies should make a positive contribution to developing countries' efforts to attain the MDGs.

10. The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of them: trade and regional integration; the environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

11. The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

12. In December 2005, the European Council agreed on an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals. The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development; (ii) supporting regional integration, trade and interconnectivity to promote economic development and; (iii) improving access to basic social services (health, education) and protection of the environment to reach the MDGs faster.



### **I.1.3 Main bilateral agreements**

13. Mauritius is a signatory of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000 (the Cotonou Agreement). A revision clause provides that the Agreement be adapted every five years (with the exception of the economic and trade provisions, for which there is a special review procedure). In accordance with this clause, negotiations to revise the Agreement were concluded on 23 February 2005 with the overriding objective of enhancing the effectiveness and quality of the ACP-EU partnership.

14. Under the Sugar Protocol of the Lomé Conventions and the Cotonou Agreement Mauritius has been granted preferential access to the European market. It has also signed Fisheries Agreements with the EU, the fifth one covering the period 2004-2007. Mauritius is signatory to 33 double taxation conventions, including with Belgium, Cyprus, France, Germany, Italy, Luxemburg, Sweden and the United Kingdom (Annex 6).

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1. Analysis of the political, economic, social and environmental situation in the recipient country**

#### **II.1.1 Political and institutional situation**

15. The Republic of Mauritius is a parliamentary democracy based on the Westminster system since its independence in 1968. The President is the Head of State but has no executive powers. The Constitution clearly demarcates the separation of power between the Executive, the Legislature, and the Judiciary. Mauritius has a centralised Administration with the exception of the island of Rodrigues which, since 2002, enjoys significant autonomy as well as its own regional assembly whose members are elected through local elections supervised by the Electoral Supervisory Commission.

16. In Mauritius national and local elections are held every five years supervised by the independent Electoral Supervisory Commission. The political landscape consists of numerous political parties, both small and large, but mainly from the same political spectrum (centre-left). It is characterised by changing coalition and alliances among parties. The system of parliamentary democracy has helped boost democratic values and has provided for considerable political stability, which has contributed to steady economic growth during the past decades.

17. Mauritius has agreed to be peer-reviewed under the African Peer Review Mechanism (APRM), an initiative of NEPAD. The self-assessment is to be prepared by the National Economic and Social Council on four broad areas namely: Democracy and Good Political Governance, Economic Governance and Management, Corporate Governance, and Socio-Economic Development. Progress has been slow due to the complexity of the process but the Government remains fully committed to completing the APRM process. The exercise is expected to be completed before end of 2007.

18. Mauritius has a good track record in respecting human and fundamental rights as well as democratic principles. Civil society is today regularly consulted on national policy formulation and stakeholders are involved in issues of national interest. Under the 1998 Act

on the Protection of Human Rights, a National Human Rights Commission (NHRC) has been established to investigate human rights abuses but its scope and capacity are still limited. The Government will address these weaknesses through a review of the functioning of the NHRC and amendment of its Act to strengthen its powers (see Annex 8 on Governance Commitments).

19. The rule of law prevails and the judicial system, which is based on a hybrid system combining both civil and common law, works well<sup>1</sup>. However, there are regular complaints about police brutality during investigations and the prison conditions are still unsatisfactory. The Constitution provides for a Director of Public Prosecution (DPP) to handle all state prosecutions. The system has worked well in providing access to justice, although there has been a build-up of delays in trial of both civil and criminal cases. A Presidential Commission chaired by Lord MacKay in 1998 on the structure and operation of the Judicial System and Legal Professions in Mauritius (Reform of the Judiciary) has made numerous recommendations, including revision of the role of the DPP, which largely remain to be implemented. Upon invitation of the Government, a review of the level of implementation of these recommendations was conducted by Lord MacKay in 2006. The Government is already taking the necessary steps to address these issues and has reaffirmed its commitment to implementing the recommendations.

20. Corruption is a recognised problem in Mauritius. However, the country is placed 42<sup>nd</sup> out of 163 country rankings (second in Africa region, after Botswana) in the 2006 Transparency International's Corruption Perception Index. The corruption perception index which has been worsening from 5 in 1998 to 4.1 in 2005, recently showed a positive trend inversion bringing it up to 5.1 in 2006. The legal framework to combat corruption comprises an Ombudsman, a Financial Intelligence Unit, the Management Audit Bureau and an Independent Commission Against Corruption (ICAC). In April 2006, the National Assembly strengthened ICAC's powers to investigate while retaining the role of the Director of Public Prosecution for pursuing cases. The new Public Procurement (PP) legislation, following lengthy discussion, was enacted in December 2006 and should be promulgated in 2007 to bring it into line with international best practices.

21. The overall security situation in Mauritius is satisfactory and crime rates have in the past remained relatively low. Domestic violence and drug abuse remain major concerns. The difficult economic environment (slower growth, rising unemployment, increased cost of living) may negatively influence the security situation and social harmony. In this context, the Government will have to balance the need for substantial economic restructuring with measures to mitigate the adverse social costs of any reform programme.

## **II.1.2 Economic and commercial situation**

22. Mauritius is a small island economy in the Indian Ocean with a population of 1.2 million people and an income per capita of US\$5,250. It has achieved spectacular economic success since independence in 1968, outperforming most other countries in the region and middle-income and small island states as well. From 1968-2004, per capita GDP growth averaged 3.8%<sup>2</sup> compared to 2.3% for low- and middle-income countries overall, as successive stages of diversification transformed the country from a mono-crop sugar producer

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<sup>1</sup> Mauritius is one of the few Republics within the Commonwealth to retain a right of judicial appeal to the Judicial Committee of the UK's Privy Council against decisions of the Supreme Court.

<sup>2</sup> Average GDP growth for the same period was 6 percent.

to an exporter of sugar, textiles and clothing, tourism and financial services. Underpinning this success was a preference-based strategy to create growth and employment through labour-intensive, export-oriented manufacturing, while maintaining an elaborate social welfare system. Mauritius has been successfully benefiting from the preferential trade regimes in sugar and textiles while expanding the economic base through diversification into new growth pillars (tourism, financial services, ICT).

23. Rodrigues Island, an autonomous district of the Republic of Mauritius at 650 km eastwards of the main island, has an economy different from the main island. It is conditioned by its geography, topography, its low human resource capacity, the scarcity of natural resources (in particular water) and a severe land erosion problem. With the advent of autonomy, the Rodriguan Administration has launched an ambitious programme of infrastructural development, human resource development and strengthening of the tourism sector, the principal viable earning pillar.

24. The traditional productive sectors in Mauritius, sugar and textiles, have been accounting for 12-14% of GDP, 20-25% of employment and 40-50% of foreign exchange earnings. They have been undermined by major exogenous shocks, including the progressive reduction in sugar guaranteed prices by a cumulative 36% by 2009 and the dismantling of the Multi-Fibre Agreement, eroding preferential access to EU and US markets. Many textile firms have closed down resulting in significant job losses while, in the case of the sugar sector, companies will have to adapt to the price on the EU market, with labour downsizing and factory centralisation.

25. The tourism industry and financial services sector have also recorded lower growth rates over the past few years, and new emerging sectors, such as ICT and seafood, have yet to demonstrate their full potential in terms of job and income creation. Nonetheless, it is noteworthy that although fisheries contribute only around 1% of GDP, they provide €100 million in exports earnings annually, representing 10% of net merchandise export earnings (from <6% previously). The seafood sector provides direct and indirect employment for almost 12,000 persons. To further develop the sector, the Seafood Hub was set up in 2005 as a joint private-public initiative.

26. The Government is committed to the principle of effective exchange of information for tax purposes on the basis of the latest OECD model convention on the avoidance of double taxation<sup>3</sup>. For that purpose, it intends to continually update its domestic provisions, whenever required, to ensure that the competent authorities have adequate powers to obtain and share information with its Treaty partners, including banking information and irrespective of domestic tax interest. It also intends to engage in negotiations with EU Member States with which Mauritius has Double Taxation Avoidance agreements in order to render the provisions on exchange of information compliant with the latest OECD model. The Government will continue its dialogue with the OECD, pursuant to commitments undertaken, and pursue ongoing efforts to keep the tax regime and practices free from harmful features.

27. Given the openness of the economy and the ongoing liberalisation process, the resultant adverse terms of trade are impinging negatively on the current account and the

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<sup>3</sup> Mauritius is also a Participating Partner to the “OECD Global Forum on Taxation”, to which it contributed via the “Sub-Group on Level Playing Field Issues”.

overall balance of payments. Trade deficit has doubled from Rs 10 billion in 2003/04 to Rs 20 billion in 2004/05 and is estimated at Rs 25 billion in 2005/06 and around Rs 34 billion in 2006/07. Loss of export earnings in respect of textiles and sugar coupled with a rising import bill are likely to further aggravate the balance of visible trade and the overall balance of payments. With regard to sugar, the progressive price decline (from €523.7/T in 2005/6 to 335.2/T in 2009/2010) on the EU market, which absorbs around 95% of the Mauritian sugar production, would result in €895 million losses in sugar export earnings over a period 2006-2015<sup>4</sup>. The effective loss to the economy would be much higher if all social and environmental costs were also taken into considerations.

28. Europe has remained Mauritius' main trading partner, led by the UK and France, which together account for 53% of its exports (sugar and textiles). The EU as a whole absorbs 67% of Mauritius' exports, and 27% of Mauritius' imports originate in the EU. The EU Member States also account for 53% of tourist arrivals, with another 15% coming from the French DOM Réunion. While Europe has remained the key export destination, Asian markets are increasingly a source of imports, except for machinery, which are still comes predominantly from the EU.

### ***Fiscal Situation and Public Financial Management (PFM)***

29. The fiscal situation over recent years has deteriorated owing to increasing expenditure and falling tax revenues. The Central Government outstanding debt has increased from 49.9% of GDP in 1999-2000 to 57.9% in 2005-06, implying a high level of debt burden. Throughout the 1990s, budget deficit exceeded the long-term target of 3% of GDP, creeping up to 5.5% of GDP in recent years. High budget deficits have been driven not only by high primary deficits but also by an increase in average interest rate of the debt stock. Unless controlled, the debt burden may spiral out of control, but the Government has now taken significant steps to address the problem in the initial phase of the reform programme.

30. The last PFM evaluation in 2003 concluded that Mauritius had one of the most transparent budgetary processes in Africa. Beyond that the Government has conducted a detailed PFM assessment using the PEFA methodology in February 2007. This, together with the programmatic Public Expenditure reviews foreseen in collaboration with the World Bank, will help to define any further PFM reforms needed.

31. Further to a World Bank study for the introduction of a Medium-Term Expenditure Framework (MTEF), an MTEF unit was set up in 2004 within the Ministry of Finance and Economic Development (MOFED). Several pilot ministries have already adopted the framework. For the first time, the 2008/09 budget has also been prepared as a programme-based budget (PBB) covering all Ministries. The PBB will further strengthen budget management, promote fiscal discipline, improve budget resource allocation and support operational efficiency in the delivery of public services.

### ***Infrastructure***

32. Mauritius has a well-developed road network. The growing ability of the population to afford private transport has doubled the fleet of motor vehicles from 1995 to 2005, resulting in increased pressure on road capacity along with declining use of public transport. This situation has led to an increase in accident rates, extended travel times and negative effects on

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<sup>4</sup> Mauritius Chamber of Agriculture – Annual Report 2005-2006

the environment. To address the situation, the Government has undertaken to implement an integrated plan for traffic decongestion and public transport improvement.

33. The port and the airport provide the only means of external communications for freight and passengers. Port facilities were developed and modernised in the 1990s to respond to economic growth. In the long run there are major challenges for the port to sustain a competitive as well as a safe, secure and environmentally sound maritime transportation system based on internationally agreed standards. The development of tourism has had a dramatic impact on air traffic and airport and aviation services. Airport facilities will need to be upgraded in order to handle growth in passenger and aircraft movement and freight volumes in line with the Government's intention to cater for 2 million tourists by 2015 and to raise the level of air freight cargo.

34. Mauritius depends on imported petroleum products to meet most of its energy requirements. There is potential to increase the use of local and renewable energy sources such as biomass, hydro, solar and wind energy. Bagasse, a by-product of the sugar industry, already contributes about 22% of the primary energy supply. In the framework of restructuring the sugar industry and creation of flexi-factories, there are plans to expand the contribution of bagasse in electricity production, which should double its input in co-generation to 600 GWh by 2015. However, as of 2006, the energy sector's legal and institutional framework has to be re-engineered to enhance the involvement of the private sector and encourage sustainable investment while protecting the consumers. The Government will need to define a coherent national energy policy integrating the sugarcane cluster, with proper sequencing and timing for the setting up of new power plants using bagasse and power purchase agreements with energy suppliers.

35. The proportion of the population with sustainable access to piped water is about 99.4 %. An integrated draft plan has been prepared for harnessing additional water resources to meet the anticipated water requirement for different sectors of the economy up to the year 2040. The challenges to be addressed in the sector are: to significantly reduce high potable water losses; to achieve water savings from irrigation; and to ensure the financial sustainability of future investments. Despite the overwhelming majority of the population having access to water, only 25% is connected to a sewer network. The National Sewerage Plan (NSP) is aimed at connecting 50% of the population by 2012. This target has been revised from 2010 due to major delays and cost overruns in the implementation, mainly linked to limited project management capacity and human resources. A new Master Plan will be undertaken by 2010 to provide the overall strategic direction up to 2030.

36. In regard to the Information and Communication Technologies (ICTs) sector, Mauritius is already ranked among the top countries in Africa, with high telephone density and good internet connectivity. The ICT service sector is still limited in terms of its contribution to GDP but is expected to grow significantly in the coming years, with a focus on business process outsourcing, software development, and call centres that benefit from Mauritius's ethnic and linguistic diversity. The Government is considering connecting the country to a second submarine optical fibre network, EaSSy, in addition to the existing SAFE submarine optical fibre network, for increased bandwidth and higher reliability of telecommunication and internet services. An ambitious national ICT skilling programme was launched in 2006 and a National Strategic Plan is currently being developed by the

Government. Intermediary measures have been taken to attract foreign skills to accelerate the development of the sector as a fifth pillar of the economy.

### **II.1.3 Social situation, including decent work and employment**

#### ***Employment***

37. Unemployment has become a serious social problem, climbing steadily from below 3% in 1991 to nearly 10% in 2006. There is an important social dimension to unemployment: nearly a third of the unemployed live in households in the bottom quintile of income distribution, 15% live in households with no other sources of income, and a high proportion of the unemployed are women (who account for two-thirds of the unemployed in the EPZ sector). Another factor is that the unemployed are disproportionately young: in 2005, the unemployment rate among youth (under 25 years old) was 26% compared to a moderate 6.5% for those aged 25 or more. Most of the unemployed have low educational attainment – around 90% have not received a high school certificate.

38. The end of the Multi-Fibre Agreement has resulted in large-scale job losses in the EPZ sector (from 87,204 to 66,931 workers in the last four years). The reform of the sugar sector is also expected to result in a downsizing of its labour force involved in field and factory operations by 7,200 persons. By contrast, the share of employment in the services sector has increased significantly.

39. As regards employment of foreign workers, there were some 16,600 expatriates workers in 2005, compared to 14,600 in 2000. The manufacturing sector continues to absorb the bulk of foreign workers. For workers coming from China, a bilateral agreement is in place to regulate the conditions of work and foster sound industrial relations.

40. The current labour market legislation and the present pay determination system are characterised by rigidities, which are not conducive to productivity improvement and long-term economic progress. The system is segmented and lacks coordination. Organisations responsible for determining wages and salaries in the private and public sectors operate independently. Other major legal constraints are the process of hiring and firing of employees and the formulation of Remuneration Orders. In order to introduce flexibility in the labour market, labour legislation is being reviewed.

41. In 2006 Mauritius joined the International Organisation for Migration (IOM). Mauritius should adhere to the principle of free movement of its nationals but could also regulate migration laws applicable to foreigners entering its territory. Membership of IOM should provide enhanced training and employment opportunities.

#### ***Education and Training***

42. The education sector has gone through successive reforms over the past years. A number of state secondary schools have been constructed to ensure access and a revision of the curriculum, with particular emphasis on science, mathematics and ICT, is under way. But despite the remarkable overall progress, the system is still characterised by significant weaknesses. As of 2006, a new grading system has been put in place at the level of the primary cycle to channel the best performers towards the newly designated national secondary schools.

43. One of the most important factors of long-term growth is the quality of a country's education system. The prime focus is on improving quality, internal and external efficiency and the completion rate. Education has been made compulsory up to the age of sixteen and a pre-vocational stream has been introduced. The Government will need to address 1) the high 35% failure rate at the CPE (end of primary school) level, 2) the high drop-out rate at the secondary level, and 3) the limited capacity and cost recovery at the tertiary level.

44. The Government is committed to developing the country into a knowledge-based economy and a regional Centre of Excellence. The legal framework and incentive regime have been put in place to attract brand name institutions to set up campuses in Mauritius. The roles and functions of the Human Resource Development Council (HRDC) and the Tertiary Education Commission (TEC) are also being adapted to support the transition. An Empowerment Programme, launched in 2006, comprises inter alia a major component emphasising training and retraining to ensure the adaptability and employability of the workforce. A National Human Resource Development Plan has been prepared to address the skill needs for the new economic sectors over the period 2006-10 and to reduce the large skill mismatch on the labour market.

### ***Health***

45. In recent years, the pattern of health problems in Mauritius has changed dramatically. The infectious diseases of the past have been largely eliminated; population growth has declined to less than 1% a year; life expectancy has increased from 62 years at the time of independence in 1968 to 73 years (2005), and infant mortality has fallen from 64 to 14 deaths in the first year of life for every 1000 live born babies.

46. The country now faces growing problems of non-communicable diseases (NCD) including heart disease, diabetes, cancer, tobacco and alcohol-related diseases and mental illnesses. Mauritius has one of the highest prevalence of diabetes in the world. Compared to other countries on the African continent, HIV/AIDS figures have remained relatively low; nevertheless a constant increase has been observed in the number of persons HIV tested positive, in particular among intravenous drug users (IDUs). It is estimated that there are some 18,000 IDUs in Mauritius and that some 13% are already infected with the HIV virus. A multi-sectoral National HIV/AIDS Strategic Framework has been elaborated and is being implemented. Antiretroviral treatment is provided free.

47. If Mauritius is to tackle successfully the major health problems, it will need to devote substantially more resources to the public health sector through the introduction of alternative sources of funding. The health sector will need to be upgraded through the delivery of quality and cost-effective services while ensuring that they are accessible to every citizen.

### ***Gender and Children's issues***

48. Mauritius has acceded to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1984. The National Gender Action Plan produced by Mauritius in 1999 lays the basic framework towards gender equality, within which a number of measures have been taken to eliminate discrimination against women. In the legislative context, the *Protection from Domestic Violence Act* (1997), the *Sex Discrimination Act* (2002) and the '*Convention concernant l'égalité de rémunération entre la main d'oeuvre masculine et la main d'oeuvre féminine pour un travail de valeur égale*' (2002), ratified at the same time as the convention against discrimination at the workplace and for jobs, provide a regulatory framework that allow women to play a proactive role in the

country's economic and social development. An Equal Opportunity Bill to be enacted during FY 2007/08 is expected to address outstanding practical problems relating to racial and gender discrimination. However according to the UN report on HDI in 2005, while men and women are almost at par in terms of life expectancy and literacy rate, and despite the regulatory framework in place, there is still need of significant efforts on the implementation side, especially at the level of the work conditions: the estimated revenue of women from work is only US\$ 6.084 PPA, as compared to US\$ 16.606 PPA for men.

49. Gender issues have been brought to the fore by the labour downsizing in the sugar, textiles and clothing industries, where layoffs have predominantly affected women, whose unemployment rate far exceeds men's. This will have to be addressed through specific programmes aimed at unemployed women, such as those initiated under the recent Empowerment Programme. This should ensure that Mauritius can reach and maintain a solid gender record and make progress towards the SADC target of 50% of women in decision-making positions, to which the Government is fully committed, although so far only 5.7% of women are parliamentarians.

50. Similarly, Mauritius is well equipped to ensure child protection, both legislatively and institutionally. Mauritius applies the UN Convention for Child's rights since 1990. As early marriage and child sexual exploitation seem to be issues that are of concern in the country, ad hoc measures have been taken by the Government, in some cases with the assistance of UNICEF. Child Development Units have been created in five different regions to enforce the Child Protection Act (enacted in 1994 and amended in 2005), and a special police unit and 24hr hotlines were created in 2004 to deal with child abuse in close collaboration with the Ombudsperson for Children's Office and the Ministry. On the prevention side, awareness campaigns and schools sessions are regularly carried out.

#### **II.1.4 Environmental situation**

51. As a small island, Mauritius is highly vulnerable to climate change, cyclones, rising sea levels and other natural disasters. It has a narrow natural resource base comprising very limited land resources, freshwater, coastal and marine resources, biodiversity, solar and wind energy. The total land area of the country is 2,040 km<sup>2</sup> (including the island of Rodrigues with an area of 104 km<sup>2</sup>). 43% of the land is used for agriculture, out of which 39% is under sugar cane cultivation, 30% is forest and shrub land (of which less than 2% is remaining natural or endemic forest), 26% is built-up area (explained by one of the highest population densities in the world).

52. The second National Environmental Strategy (NES) presents the strategy and action plan for the period 2000-2010 in line with Agenda 21 of the Rio Conference. It outlines measures needed to ensure Government involvement for dealing with environmental problems, including several cross-sectoral initiatives, institutional arrangements for implementing the plan, financial and budgetary requirements. The Government has been updating its environmental strategy through a document entitled "National Environmental Policy (2006)".

53. The country's goal of nearly tripling tourist arrivals to two million over the next decade and constructing 18,000 new hotel rooms calls for careful environmental management through an appropriate strategy for waste management and protection of ocean resources.



Similarly, the environmental implications of withdrawing significant amounts of land from sugar cultivation also need to be addressed. To this end, a Strategic Environment Assessment (SEA) was undertaken between February and June 2007, with financing from the EC. This was the first SEA carried out in the Eastern African region.

54. The EC has been a key player in assisting the Government to implement wastewater treatment infrastructure. The Government's National Sewerage Plan, aimed at connecting 50% of the population by 2012, has mobilised the support of the EC and its other Development Partners for a projected investment of MUR 13 billion. The EC participated with €20.8 million under the eighth EDF for the water treatment plant of St Martin and sewer connections of low-income housing. Its ninth EDF contribution amounted to €28 million in budget support and €1.8 million in backup technical assistance (see also III.1).

55. Overall, the key environmental issues that have to be addressed are in the following areas: coastal zone management, setting up of hazardous waste pre-treatment and medical waste incineration facilities, provision of adequate water resources and capacity-building in the environmental sector as well as increasing the role of the civil society in decision-making on environmental issues. The priority programmes, identified by the Ministry of Environment comprise of three main components, with an overall environment management involving capacity-building in the environmental sector, a resource management programme for developing the ICZM strategy and framework, and a sector programme aimed at reducing the environmental impact of industry and developing appropriate environmental industrial management including the setting up of a National Cleaner Production Centre.

### **II.1.5 The country in the international context**

56. Mauritius has been proactive in various regional, multilateral and international fora<sup>5</sup>. The country has signed key treaties in relation to labour laws, environmental laws, aviation laws, disarmament, human and children's rights amongst others (see Annex 6). It plays a leading role in a number of initiatives, in particular to support the cause of small island developing states (SIDS). It is also taking a lead role in consultations with donor countries and international organisations under the Aid for Trade Initiative. This Initiative will support the efforts of developing economies and LDCs to adjust to the new liberalised trading environment.

57. Mauritius maintains good and friendly relations with its nearest neighbours, has participated in conflict resolution efforts in the region (e.g. Comoros) and contributes to peacekeeping efforts at the AU level.

### **II.2. Poverty reduction analysis**

58. In line with its good track record on social and economic development, Mauritius ranks among countries of Medium Human Development level. It has accomplished remarkable results over 15 years in terms of the MDGs, with four out of eight specific goals already achieved<sup>6</sup>, largely due to the maintenance of universal free health care and free

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<sup>5</sup> Mauritius is an active member of the UN, Bretton Woods Institutions, Commonwealth, African Union, the Non-Aligned Movement (NAM), the Indian Ocean Commission (IOC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and La Francophonie. Mauritius is also a founding member of the Indian Ocean Rim - Association for Regional Cooperation (IOR-ARC) and a member of the Africa, Caribbean and Pacific (ACP).

<sup>6</sup> Universal primary education, reduction of child mortality, improvement of maternal health through the reduction by ¼ of maternal mortality ratio, gender equality through equal enrolment in primary and secondary education.

primary and secondary education. On the whole, Mauritius' development challenges go well beyond the reaching of the MDGs and focus on successfully guiding Mauritius to the next level of development.

59. Mauritius is one of the few countries in Africa on track to meet all but one of the Millennium Development Goals (MDGs) by the year 2015. The only MDG that Mauritius is unlikely to meet is the reduction by two-thirds in child mortality. Mauritius' infant mortality rate currently stands at 14 deaths per 1,000 births. Bringing the rate down from 14 to 6 (below the level the USA has today) is considered unlikely given Mauritius' level of income, and in view of the persistence of pockets of poverty.

60. Mauritius has shown constant progress in its Human Development Index from 0.655 in 1980 to 0.721 in 1990 and 0.791 in 2007 (HDI ranking 65). The Gini Coefficient - a measure of inequality - has improved from 0.387 in 1996/97 to 0.371 in 2001/02<sup>8</sup>.

61. The incidence of absolute poverty is relatively low, although pockets still prevail in some suburban and coastal regions in Mauritius and on the island of Rodrigues. Some 12% of the population is estimated to be poor, based on a poverty benchmark calculated at 50% of the median monthly household expenditure. The incidence of poverty is relatively higher among female-headed households (33.8%) than among male-headed households (8%). On the island of Rodrigues, the poverty rate is 30.2%. The incidence of poverty in rural areas is more than three times that of urban areas. The Action Plan for Poverty Alleviation, formulated in 2001, is being reviewed by the Government in the newer context of the Empowerment Programme announced in the 2006/07 budget.

### **II.3. The country's development strategy**

62. As from Financial Year 2006/07 the Government has started an important ten-year reform programme designed to prepare the transition of Mauritius from a trade preference-dependent economy to a globally competitive economy. The reform programme, estimated to cost around €4 billion, aims at overall rationalisation of the economy encompassing all sectors, including reform of public finance management and improvement of the investment climate.

63. As regards the macroeconomic framework, the Government's programme includes measures to enhance efficiency in tax administration and collection as well as to eliminate wastage and inefficiencies, especially in procurement and delivery procedures. To boost private sector competitiveness, the Government is implementing a four-year tariff liberalisation programme aimed at achieving a low and uniform level of protection for the manufacturing sector while preparing Mauritius to become a "duty free" island. The reform also provides for an extensive economic restructuring programme mainly aimed at modernising and diversifying the sugar and textile/clothing sectors, consolidating the tourism and financial sectors while promoting emerging ones such as ICT, knowledge, seafood and land-based oceanic industry. The investment climate has been made more attractive and business-friendly by significantly reducing the cost of doing business, simplifying business registration and unifying all existing incentive schemes into a transparent one. Finally, to

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7 UNDP, Human Development Report, 2005

8 Central Statistical Office, Household Budget Survey 2001/02

counterbalance the effect of liberalisation and reduce existing inequalities, the reform includes several measures to empower the disadvantaged and improve their access to social services. The fiscal consolidation drive will also generate more fiscal space for important social sectors such as health, education and training and low-income housing.

### ***Sugar Reform: Mauritius' Multi-Annual Sugar Adaptation Strategy (MAAS) 2006-15***

64. Even though the sugar sector's contribution to GDP is now comparatively small (4% of GDP in 2005), it still accounts for a significant part of total exports (17% of total exports in 2005 and 30% of net export earnings from merchandise trade) as well as an important proportion of employment and self-employment (approximately 12% of the active population). Consequently, sugar remains an important pillar of today's economy, but the ongoing liberalization process and the restructuring of the industry will lead to a reduction of its overall economic weight, albeit mitigated by the emerging cane-related energy sector.

65. Sectoral plans for improving the industry's competitiveness have been designed and partly implemented in the recent past, but these measures are not sufficient to face the new market conditions. There are high risks that if Mauritius continues to confine itself to being essentially a raw sugar exporter, it will no longer be in a position to satisfy changing international demands, given the fact that less than 1.25% of the Mauritian annual sugar production is absorbed on the world market today.

66. The MAAS 2006-2015, which is supported by an EC Response Strategy under the Sugar Accompanying Measures (see Annex 9), is aimed at re-engineering the sugar industry into a "sugarcane cluster" in order to reduce production costs and enable Mauritius to remain a competitive supplier. This should be attained by consolidation of the industry, rightsizing of the labour force and optimising the use of sugarcane by-products for energy production. One important aspect of the sugar reform programme is the minimisation of its social impact, through provision of a generous retirement package, which includes training geared to the re-skilling of employees going on the Voluntary Retirement Scheme and their re-integration into revenue-generating activities.

67. The MAAS for the sugar sector forms an integral part of the comprehensive ten-year economic reform programme. Indeed the overall economic reform programme fully supports increased competitiveness of the sugarcane sector and endeavours to ensure a smooth social transition.

### ***The regional integration process and Economic Partnership Agreement***

68. Mauritius sees significant benefits from increased regional trade and supports an agenda of rapid regional integration. It aspires to a fully effective FTA encompassing COMESA and SADC which could enter into an FTA with the EU in the context of EPA negotiation to ensure compliance with WTO provisions. Mauritius is negotiating the Economic Partnership Agreement (EPA) with the EU as a member of the ESA group.

69. Mauritius has also been collectively promoting the development dimension of the EPA. While development funding is not a specific part of the EPA negotiations, the EU has been clear that EPA-related assistance will be a central priority for the European Development Fund. Support for regional economic integration is already central to EU regional

development assistance in the ESA region to support economic diversification, infrastructure improvement, private sector development, public sector modernisation, good governance and human resource development.

### ***Trade and Foreign Policy***

70. Besides its regional integration interests Mauritius will continue to strengthen ties with key trading partners including India, with which a Comprehensive Economic Co-operation and Partnership Agreement has been negotiated. Negotiations for similar agreements are under way with other Asian countries including China and Pakistan.

71. The main thrust of Mauritius's foreign policy is to negotiate suitable transition arrangements to protect its preferential access to developed markets and cultivate inflows of foreign direct investment and financial relationships. Mauritius will therefore campaign for the further extension of the US's African Growth and Opportunity Act (AGOA), which gives the country preferential access to the US market for certain products. A Trade and Investment Framework Agreement (TIFA) was signed with the US in 2006.

### **II.4. Analysis of the viability of current policies and the medium-term challenges**

72. The Government's ten-year reform programme charts a new course towards more market-driven, transparent and rules-based economic management replacing the outdated regime of special incentives and interventions. The Government is laying emphasis on improving fiscal discipline, setting up a modernised framework for public expenditure management, and making the country more attractive as an investment destination. The reform programme calls upon all the socio-economic agents to be active participants in this crucial transition stage, with a leading role played by the private sector.

73. While there is broad acceptance of the need for deep structural reforms among the various stakeholders, including civil society, opinions differ on the implementation modalities, in particular with regard to the social impact of specific measures. This may be largely due to long-term issues not fully spelled out and insufficient public communication in the early phase of the reform. Renewed and open dialogue with all stakeholders will be an important element for the success of the reform programme.

74. Given the prevailing economic circumstances, the EC and the World Bank, in their joint assessment, acknowledge that the country's development strategy is highly pertinent. The 2006/07 budget is the first step in an ambitious programme that entails significant political challenges. Some details, including costing and prioritising over the medium and long term, remain to be developed. In particular, a more detailed programme addressing needs in education, the financial sector, infrastructure, energy, institutional development, parastatal reform, air access and telecommunications regulation will have to be developed.

75. The Government will have to address the challenges of implementation by overcoming capacity and organisational constraints within its structures. The main concern is the financial placed upon the Government to finance the economic restructuring programme (including the sugar sector reform). The speed and breadth of the reform efforts will depend to a certain extent on the ability to mobilise necessary funding for the programme and prioritisation and sequencing of investments over the medium term. To fund the programme,

the Government is seeking the required internal and external resources through improving fiscal management, proactively seeking more investment, getting the Diaspora engaged and seeking higher levels of support from the international community, including greater coherence among development partner programmes. The Government is seeking to mobilise a blend of market and concessional financing under the Aid for Trade Initiative.

76. Access to finance for trade-related infrastructure and accompanying measures under the Aid for Trade Initiative constitutes a critical element of risk for the reform programme. Mauritius has been making its case on the international scene<sup>9</sup> that this financing should cover assistance to enterprises to formulate restructuring plans as well as to meet the social costs of adjustments. Delays in accessing such financing would certainly force the Government to search for alternatives in regard to meeting the high costs of social safety nets and of initiatives such as the Empowerment Programme, which aims at mitigating the initial negative impact of opening the economy.

77. Another key challenge for the Government is to address the country's human skills shortages in order to support the development of emerging sectors, such as the seafood hub and ICT. In this context, it will have to either redeploy or appropriately re-train the 8,000 persons who will be laid off in the process of restructuring the sugar industry.

78. As regards sugar, the detailed feasibility analysis on the viability of the restructuring of the sugar sector gives relative confidence that this restructuring should be successful<sup>10</sup>.

79. Regarding the development of the fisheries sector, the promotion of Mauritius as a 'Seafood Hub' will rely significantly on the capacity of the country's Competent Authority (CA) to ensure that Mauritius complies with the sanitary and veterinary requirements for the exportation of seafood and other fishery products to EU markets. Mauritius has developed an action plan in order to address identified shortcomings and several measures have been taken, such as enacting new legislation, including the Fisheries and Marine Resource (Export of Fish and Fish Products) Regulation 2006. In this regard, Mauritius will continue to benefit from trade related technical assistance and capacity development, including capacity building in sanitary and phyto-sanitary control, as foreseen in the context of the 10<sup>th</sup> EDF Regional Indicative Programme.

## **Outlook**

80. Mauritius' long-term prospects are good. Over the past quarter century the country has been a star performer and the recent resilience in the face of a difficult structural transition and a sharp trade shock has also been impressive. Strong institutions and a pragmatic approach to economic management provide a solid platform for reforms which the Government is introducing. Long-term (20-year) scenarios indicated in the World Bank's Country Economic Memorandum show that growth in the range of 4-6 percent annually should be feasible. However, moving the outcome towards the top of the range would entail a significant reform effort in a range of areas.

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<sup>9</sup> July 2006 Aid For Trade meeting in Mauritius, Sep 2006 Joint Annual Meeting of the International Monetary Fund and World Bank at Singapore, Sep 2006 Commonwealth Finance Ministers Meeting at Colombo.

<sup>10</sup> "Evaluation of the Multifunctional Role of the Sugar Cane Cluster and Validation of the 2006/2015 Action Plan", Landell Mills Consultancy International Report, March 2006. The report was funded by EC in the context of the AMSP.

81. In the medium term, the expectation is that growth will recover progressively from recent levels towards a higher growth trajectory (see table in Annex 1c). Of course, the speed of the recovery depends on the quality and credibility of the Government's reform programme and the assumption underlying the outlook is that it will continue and have a significant impact. The World Bank outlook anticipates an acceleration in GDP growth from 3.5 per cent in FY 05/06 to an average of 6.0 per cent in FY 10/11-12/13, while inflation, though relatively high as a result of some budgetary measures and exchange rate depreciation, remains stable. Both savings and investment rate trends are higher, with private investment rising by three percentage points of GDP. The current account deficit will stabilise at around 2 to 3 per cent of GDP. The outlook assumes the successful implementation and acceptance of structural reforms, although it is more cautious than the Government's own projections.

### **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

#### **III.1 Overview of past and present EC cooperation (lessons learned)**

82. Mauritius has, under the 9th EDF, demonstrated a good overall performance – 94% of funds committed, of which 50% had been disbursed as at mid-June 2006. Further, the Mid-Term Review in 2004 rewarded the good financial, sectoral and macro-economic policy performance of the country as well as the promising prospects in the medium term with an additional allocation of €10 million to the Wastewater Sector Policy Support Programme (WSPSP) for the fiscal year 2006/2007, being implemented through sector budget support. In the context of the End-of-Term Review of the 9<sup>th</sup> EDF carried out in 2006, Mauritius received a further allocation of €8.7 million in view of its continued good performance.

83. With the 9<sup>th</sup> EDF WSPSP and following the mid-term evaluation recommendations issued in September 2005, the Government has implemented measures for the improvement of Public Finance Management (PFM), for example by adopting the Medium-Term Expenditure Framework, which was recently extended to all Ministries. Furthermore, the Government has demonstrated willingness to respect its commitments by adopting the Public Procurement Bill in December 2006, which should be promulgated during 2007. Besides highlighting the positive impact of the WSPSP, these measures encourage more extensive use of this funding modality and should also ensure the appropriate use of EC funds under future budget support programmes.

84. The 9th EDF End of Term Review (ETR) concluded that the phasing out of EC support to the Wastewater sector would be accompanied by a phasing in of support initially to the sugar sector restructuring (through sector budget support in 2006/2007) and from 2007 onwards to the overall economic reform programme through general budget support. The sugar sector programme totalling €11 million, made up of €6.5 million from the Sugar Accompanying Measures and €4.5 million from the 9<sup>th</sup> EDF reliquats, was subsequently submitted as per programming schedule.

85. An evaluation of the country strategy for the period 1996-2006 undertaken in 2006 highlighted the good performance of Mauritius in the wastewater sector budget support

programme, and recommended that sector budget support be extended to other focal sectors under subsequent NIPs. This evaluation also revealed that Mauritius fulfilled the requirements for general budget support as aid delivery instrument. However, no donor except the EC had so far any previous budget support experience in Mauritius. The beneficial experience under the wastewater budget support justified the choice of sector budget support for the sugar and general budget support programmes as from 2007/08. Other donors like the World Bank, the Agence Francaise de Développement and the African Development Bank are now also providing general budget support as from 2006/07.

### **III.1.1 Focal sector – 9<sup>th</sup> EDF**

86. 85% of the 9<sup>th</sup> EDF A-envelope for Mauritius was allocated to the environment, and more specifically the treatment and disposal of waste water, and was implemented via sectoral budget support. The 2006 evaluation of the EC – Mauritius Country Strategy for the period 1996-2007 concluded that, with regard to the 9<sup>th</sup> EDF focal sector:

- the EC interventions contributed to the adoption of a sectoral approach with strong donor coordination by the Government,
- a good dialogue was achieved with the various donors (World Bank, European Investment Bank, and others) in the sector,
- but institutional bottlenecks have constrained the efficient implementation of projects in the sector.

### **III.1.2 Projects and programmes outside focal sector – 9<sup>th</sup> EDF**

87. Considerable resources (€5m or 15% of the A-envelope, together with €8.5m released funds from closed projects) were allocated under the 9<sup>th</sup> EDF to a demand-driven Decentralised Cooperation Programme (DCP) targeting the most deprived areas and the poorest segments of the population, including Rodrigues, and complementing actions already implemented under previous EDFs.

### **III.1.3 Utilisation of Envelope B**

88. An amount of €0.499 million from the B-envelope was committed after cyclone “Kalunde” hit the island of Rodrigues in March 2003, causing severe devastation. The objective of the programme was to restore the population’s access to drinking water and improve preparedness for natural disasters. A further €0.5 million was deducted as a contribution to the Peace Facility.

### **III.1.4 Projects and programmes through to 8<sup>th</sup> EDF**

89. The past EDF projects in Mauritius have generally achieved their intended results, whether in terms of provision of infrastructure or of social projects. The wide range of sectors covered by programmes and the high number of relatively small interventions – until the 8<sup>th</sup> EDF – meant that EC-funded programmes often had little measurable impact on a specific sector. However, the Government gathered significant experience in agricultural diversification, including micro-project schemes for small planters, successfully introduced in the framework of the 7<sup>th</sup> EDF Northern Plains Irrigation Project. Under the 8<sup>th</sup> EDF, greater concentration on two focal sectors, environment and private sector/human resource

development, led to a more measurable impact in terms of strengthening of institutional capacity and the sustainability of sectoral investments.

### **III.1.5 Other instruments**

#### ***European Investment Bank (EIB)***

90. At the end of 2005 the EIB's loan portfolio for Mauritius added up to €208 million of signed loans, of which €99 million had been disbursed in favour of large public sector infrastructure projects such as the extension of the SSR Airport (€18 million), the Plaines Wilhems Sewerage project by Wastewater Management Authority (€35 million), the reduction of Central Water Authority's Non Revenue Water (€20 million) and the provision of two additional "ship to shore" gantry cranes for the Mauritius Container Terminal by the Cargo Handling Corporation (€14 million). However, in line with its mandate, the Bank has also concluded loans with private sector promoters including for the "Centrale Thermique de Belle Vue" coal / bagasse power station (Mauritius' first large IPP project worth €10 million) and the Bel Ombre Hotel project (€12.2 million).

#### ***Fisheries Agreement***

91. The fifth Fisheries Protocol for a four-year duration (December 2003 – December 2007) was negotiated with the EC in September 2003, which among others things helped the Mauritius authorities to strengthen their policy for the sector.

As the current protocol will end on the 2 December 2007, negotiations for a new Fisheries Partnership Agreement and a new Protocol have already started in June 2007.

#### ***Sugar Protocol***

92. Since 1975, Mauritius has been granted preferential access to the European market under the Sugar Protocol of the Lomé Conventions. The quota amounts to 491,000 tons (white sugar equivalent) per year together with an additional amount of 65,000 tons per year allowed under the Special Preferential Sugar Agreement. With a 37% share of ACP preferential sugar quotas, the reform of the European sugar market, the resulting price decrease will have an impact on the Mauritian economy and its competitiveness in this field.

#### ***Regional cooperation***

93. Under the 9<sup>th</sup> EDF envelopes for regional cooperation Mauritius could access both the SADC and the Eastern and Southern Africa (ESA) allocations, and in particular the latter by virtue of negotiating the Economic Partnership Agreements within the ESA setting. The Indian Ocean Commission's (IOC) secretariat, based in Mauritius, has important 9<sup>th</sup> EDF regional projects of interest for Mauritius such as the Tuna Tagging Programme, the Maritime Control and Surveillance Programme, the "Programme Régional de Protection des Végétaux", the "ARPEGE" programme and the Coastal and Marine Resources Management Programme. These programmes are contributing significantly to the improvement of environmental protection and the sustainable use of natural resources in the region.



As regards fisheries, the Indian Ocean Commission (IOC) and the EC have signed a framework partnership convention with a view to implement a Regional Plan for Fisheries Surveillance in the Southwest Indian Ocean. The general objective of this Regional Plan is to reduce the number of IUU vessels in this region and to contribute to the sustainable conservation and management of the tuna resources. This Regional Plan will be implemented for a period of three years and a €7 million financial envelope. The first specific convention has been signed on the 14<sup>th</sup> August 2007, which will allow for the start of the first activities scheduled in the Regional Plan.

### **III.2 Information on the programmes of the Member States and other donors (complementarity)**

94. Two EU Member States (France, UK) are present in Mauritius. The *Agence Française de Développement* has resumed activities in Mauritius after more than a decade of absence from the country. In February 2007 a ‘*Document Cadre de Partenariat*’ was signed between France and Mauritius for assistance to the level of €252 million between 2007 and 2011.

95. The donors providing general budget support for the economic reform programme of the Government of Mauritius comprise the World Bank, the *Agence Française de Développement* (AFD) and the African Development Bank along with the EC. In accordance with the Paris Declaration, all these donors participate in joint missions to review and assess the commitments undertaken by the Government and the progress made in implementing the economic reform, as embodied in the government reform matrix, which is used as a common Performance Assessment Framework by all external parties.

96. UNDP has an office in Mauritius while the World Bank and the International Monetary Fund have regional offices in South Africa and Madagascar respectively, with whom the European Commission through the Delegation’s office maintains close and constant contact. In the context of the programming exercise of the 10<sup>th</sup> CSP, the “Objectives and Results Matrix” has been developed with the Government and the World Bank and adopted as a common intervention framework for the respective strategies over the period. The EC and the World Bank regularly hold Annual Business Planning discussions, to determine the sectors in which each party will intervene and the type of support to be provided, including technical assistance.

97. In the context of the 9th EDF sector budget support (environment/wastewater) from which Mauritius benefits, one of the requirements has been effective coordination among donors in the sector. Donors include the European Commission, the European Investment Bank, the World Bank, the Indian Government, the Chinese Government, Agence Française de Développement the Kuwait Fund, the African Development Bank and the Arab Bank for Economic Development. Through a MoU signed in March 2004, donors undertook to ensure continuous monitoring of progress in the sanitation sector.

### **III.3 Other EC policies**

#### ***Transport***

98. Liberalising air transport and reducing the cost of air freight and passenger transport will be key to supporting the development of new industries and reaching the goal of 2 million tourists per annum in the medium term. In the past, Mauritius has carefully managed

air access through bilateral air agreements but has been negotiating the opening of new routes under its open skies policy. The EU sustainable transport policy, based on the principle of partner country ownership, will contribute to ensuring transport safety, affordability and efficiency, while minimising the negative effects on the environment, thereby complementing EC and other donor assistance in the development of related sectors like tourism and trade.

### ***Research and innovation***

99. Innovation will play an important role in the transition towards the new economic model in Mauritius. Access to research grants and extended collaboration with European and international research centres will continue to play a crucial role in promoting innovation. Mauritius' proposal to establish a Regional Centre of Excellence would strengthen its research capacities. This will complement the research efforts undertaken by Mauritius, which are supported by the various instruments available under the Development Cooperation Instrument. Mauritius has actively participated in international research initiatives under the 5<sup>th</sup> and 6<sup>th</sup> Research Framework Programme (2002-2006), but so far only had limited direct research funds to the latter. One example is the support given to the research in the ACP sugar cane sector. The European Regional Development Fund (ERDF) benefiting the outermost regions of the EU, specifically Réunion Island, could also provide opportunities for additional funding in the context of the Indian Ocean Commission.

### **III.4 Description of the political dialogue with the partner country**

100. With a level of dialogue already very satisfactory during past cooperation, the Government is committed to strengthening the political dialogue with the EU in respect of Article 8 of Cotonou and in the light of commitments undertaken with regard to enhancing good governance. In accordance with the provisions of the Cotonou Agreement, Mauritius and the EC accept the key role of political dialogue as a means of addressing all issues of mutual concern and of ensuring consistency and increased impact of development cooperation.

### **III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation**

101. Discussions in the context of the CSP 2008-2013 and of the World Bank's Country Partnership Strategy (CPS) for the same period have prompted a stronger partnership between Mauritius and its main donors for a shared commitment to increasing aid effectiveness through further harmonisation and alignment.

102. Specifically, this CSP includes a common EC-World Bank diagnosis of the political, economic and social situation, a common assessment of the Government's programme, and a shared results matrix (with the Government), thus providing a platform for joint work on both this CSP and the World Bank's CPS in terms of programming, implementation and monitoring of results. Both strategies are also designed to facilitate maximum harmonisation with other donors, such as Agence Française de Développement (AFD), African Development Bank (AfDB), IFAD and United Nations Development Programme.

## **CHAPTER IV: EU RESPONSE STRATEGY**

### **IV.1 General orientation**

103. In line with the EU's development policies defined in its Strategic Partnership for Africa and the European Consensus for Development, the aim of the EC response strategy under the 10<sup>th</sup> EDF CSP is to contribute to the sustainable economic development of Mauritius. In response to the multiple challenges the country faces, the Government launched in June 2006 a comprehensive reform programme which the EC response strategy is supporting. The four pillars of the reform are: (i) fiscal consolidation and improving public-sector efficiency; (ii) improving trade competitiveness; (iii) improving the investment climate; and (iv) democratising the economy through participation, social inclusion and sustainability.

104. The EC will seek to ensure that the resources available under the 10th EDF national indicative programme, regional indicative programme, resources from all ACP instruments and any resources available from the EC budget (Development heading) - in particular the Sugar Accompanying Measures as from 2006 - will complement each other in supporting the country's economic reform programme.

105. Mauritius qualifies for budget support since it fulfils the eligibility criteria as set out in Article 61.2 of the Cotonou Agreement<sup>11</sup>. The macroeconomic environment remains sound and there is a well-defined macroeconomic policy framework. In addition, the required instruments for good financial governance are already applied by the Government and further commitments exist to address shortcomings.

106. The EC has agreed with the Government that for the 10<sup>th</sup> EDF the most appropriate financing mechanism to underpin the overall reform process is General Budget Support (GBS). It will be complemented by the resources available under the Sugar Accompanying Measures for which the Multi-annual Indicative Programme (MIP) has been drawn up. The EC response is based on three main principles, which are: (i) alignment with the Government's reform programme, (ii) flexibility, and (iii) harmonisation with other donors, in particular with the World Bank's Country Partnership Strategy (CPS).

107. The EC also proposes that up to 14.7% of the 10<sup>th</sup> EDF allocation be allocated for a technical cooperation facility (TCF) as well as for a demand-led decentralised cooperation programme (DCP) ensuring direct access to funds by non-state actors.

### **IV.2 Focal Area: Improving Competitiveness for equitable development**

108. The EC will support the overall reform programme of the Government through General Budget Support (GBS) and will focus on specific outcomes within its different components, with emphasis on sugar and social strands of the reform programme. The definition of priorities and outcomes will be carried out in close collaboration with the Government and will be further specified during the preparation of the multi-annual budget

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<sup>11</sup> Namely that public expenditure management is sufficiently transparent and accountable and effective, well-defined macro-economic or sectoral policies are established by the country itself and public procurement is open and transparent.

support programme in conjunction with the assistance provided by other development partners (World Bank, AFD and ADB). The purpose of the reform programme is to move Mauritius to a higher level of growth through restructuring of its key economic sectors to improve export performance while ensuring adequate social accompanying measures to reduce, among others things, the unemployment rate (See results matrix p. 35 ff). The EC GBS will focus particularly on pillars 2 and 4 of the reform, although the four pillars are complementary and pillar 1 provides the basis for the success of the overall reform and therefore the GBS. The expected results to which EC assistance will contribute for each pillar of the Government's reform programme, along with the details of the latter, are described below:

### ***Fiscal Consolidation and improving public sector efficiency***

109. Fiscal consolidation is based on explicit rules intended to put deficits and debt on a downward path by: (i) limiting government borrowing to the financing of the capital budget; and (ii) reducing the ratio of net public debt to GDP. Projections from the Ministry of Finance anticipate revenue stabilising at around 19 percent of GDP, accompanied by a decline in the share of expenditure from 25.4 per cent of GDP and a narrowing of the overall central government budget deficit.

**Table : Fiscal Projections**  
(as % of GDP)

	05/06	06/07	07/08	08/09	09/10	Avg 10/11- 12/13
Current revenues	19.9	20.1	19.3	19.1	19.3	19.4
Current expenditure	22.1	21.5	20.1	19.8	19.2	18.8
Capital expenditure and net lending	3.2	3.4	3.4	3.5	3.5	3.6
Budget balance	-5.4	-4.7	-4.2	-4.1	-3.5	-3.0
Primary balance	-0.6	-0.1	-0.2	-0.2	0.2	0.0
Government debt <sup>1/</sup>	59.0	58.5	57.9	57.4	55.8	51.9

*Source: World Bank Local Data Base, September 2006.*

<sup>1/</sup> Excludes parastatals.

110. The Government's Medium-Term Expenditure Framework (MTEF) will underpin this consolidation, anchoring annual budgets within an aggregate multi-year framework and enabling the Government to set priorities and resolve budgetary trade-offs. Operationalisation of the Mauritius Revenue Authority and a reduction in tax expenditures, along with discretionary ministerial powers to remit taxes and duties, are expected to improve revenue effort. The expectation is that the new tax structure will better reward effort, innovation and entrepreneurship, increase transparency, and encourage investment and job creation, especially by SMEs. On the expenditure side, policy measures focus on eliminating waste and increasing efficiency. More careful monitoring of capital projects is intended to improve the quality of public investments and discourage unjustified cost overruns. Closer scrutiny of recurrent expenditure will reduce wastage and raise efficiency. Better targeting of subsidies and transfers will direct this expenditure to the most vulnerable groups. Long-term sustainability of the pension system will be addressed by raising the eligibility age to 65 over the next decade.

111. In this context, the EC will focus primarily on outcomes related to improvements in the quality and effectiveness of public expenditure, which implies the operationalisation of

the MTEF, enhancing public-sector efficiency, including state-owned enterprises, and encouraging the reform of the civil service. Primary spending ratio to Gross domestic product would assist in evaluating the overall performance of the Government and the specific achievements of the reform programme.

### ***Improving trade competitiveness***

112. The centrepiece of improving trade competitiveness is an overhaul of the incentive framework to reduce distortions and biases. A three-year programme (2006–2009) to liberalise tariffs and turn Mauritius into a duty-free island is aimed at striking the right balance between producing for the domestic and export markets. In the first year, the maximum tariff will be lowered from 65% to 30% and the number of bands reduced to three. Subsequently, revenues will be brought down to 0.1% of GDP by 2008/09 from 1% pre-reforms. In addition, the incentive regimes for EPZ and non-EPZ firms will be unified, including setting all corporate taxes to a neutral 15% (also to be phased in over three years).

113. A second phase of the programme will tackle the high cost of services. The cost of internet access will be reduced by 25% immediately, while increasing competition and strengthening the telecommunications regulator (ICTA) will promote more cost-effective supply in the future. Other measures call for liberalising air access policy, developing ports infrastructure, increasing training and promotional efforts for the hospitality and tourism sector, and strengthening financial institutions.

114. Restoring global competitiveness also requires modernisation and restructuring of existing sectors (sugar, textiles and clothing) and, where a role for the public sector is indicated, provision of public support for the development of new activities such as ICT, financial services, specialty tourism, seafood and land-based oceanic activities. Achieving these objectives will entail adequate planning and preparation of long-term development plans and sectoral strategies as well as enhanced access to financial services.

115. Specifically, regarding the Government's intention to further develop the fisheries sector as a future pillar of the Mauritius economy, the principal objective will be to improve harvesting, processing and export of captured and cultured fish, giving due consideration to the conservation and sustainability of fisheries. The aim will be to increase the contribution of the fisheries sector to GDP and the number of persons employed within that sector over the medium term.

116. Under this second pillar, the EC will pay particular attention to outcomes showing a widening of economic opportunities for all actors in the economy as well as the furthering of the regional integration process, particularly in the context of EPA, and enhancement of regional trade. It will endeavour in this respect to foster complementarity with economic integration programmes envisaged under the 10<sup>th</sup> EDF regional indicative programme for the Eastern and Southern Africa region. Further, the EC will follow progress both in specific economic sectors (such as sugar, fisheries, textiles) in which it has been or is currently active and in industrial and agricultural diversification and innovation underpinning new emerging sectors. The performance of emerging sectors like the seafood hub and Information and Communication Technology will showcase the success of the transition from the traditional sugar and textiles pillars to the new pillars of the economy.

117. More specifically, the results to which EC assistance is expected to contribute are:

(a) The restructuring of the sugar sector, in line with the “Mauritius-EC Sugar Response Strategy 2006-2013”, which would include increased productivity of sugar cane and diversified revenue base of the sugar industry via restructured clusters;

(b) Encourage the emergence of new and sustainable cost-effective energy producers/suppliers. The Government is currently finalising a coherent energy policy, fully integrating the role of the sugarcane cluster and ethanol development on the basis of economic, financial and environmental analyses. The energy policy should ensure transparent decision-making on a competitive basis where subsidies/incentives should be limited to the environment only (e.g. carbon credits);

(c) To support the emergence of new economic sectors that will bring added value to the economy.

### ***Improving the Investment Climate***

118. A range of reforms is proposed to make the regulatory environment more transparent and less burdensome. The plethora of different incentive schemes will be streamlined, development and building permits merged, and the system administered on the basis of ex post verification rather than ex ante approval, with the goal of reducing the time to start a business to three days (from 46 in 2005). Overhauling the current tripartite wage-setting machinery and easing restrictions on redeploying workers will increase labour market flexibility, while liberalisation of the regime for issuing work permits will enable employers to hire workers with needed skills. Most importantly, the Board of Investment will be converted from an administrator to a facilitator and promoter of investment. The aim is to secure a position for Mauritius in the top ten most investment- and business-friendly locations in the world (according to the Doing Business survey). In this context the Government aims at bringing in foreign professionals in the ICT and the financial services sectors under new schemes enacted during 2006. It is thus inviting foreign and Mauritian professionals from the Diaspora to participate in the development of the country. To this aim, with the support of IOM, the Government is setting up a *Circular Migration Pilot Project* aimed at facilitating return migration and encouraging remittances flows while ensuring a better impact on development (See Annex 4). One encouraging signal has been given by taxing only income remitted instead of world-wide income.

119. Although the EC assistance will not be particularly focused on this pillar of the reform programme, it will follow up, together with the World Bank, the regulatory framework, specifically as regards wider economic governance, cross-border investments and international financial flows to and from the country, as well as measures for the protection of investments and for the development of the financial services sector.

### ***Democratising the economy: participation, social inclusion and sustainability***

120. To provide transitional support and broaden the circle of opportunities, the 2006/07 budget announced an Empowerment Programme to ease the burden of unemployment, enhance job prospects, reduce labour and skills mismatches and promote SME development. A major plank of the Programme will provide wage subsidies for on-the-job training or retraining for 20,000 unemployed and recycled workers over the next five years. There will be special programmes for women who have been particularly affected by the downsizing of the

textile sector. Other components will make land available for small entrepreneurs and social housing and increase the financial and technical support for SMEs. The Government is also addressing migration issues under this pillar and has, in this context, already contacted international institutions such as the International Office for Migration (IOM), the EC and the OECD; this in order to set up a temporary migration programme<sup>12</sup>. Education and Training will be a key component of this Programme, both to broaden access and to increase the skills base available to employers. Two priority areas for skills development and upgrading are the tourism sector and ICT. However, the Government will also support the upgrading and training of teachers and supervisory personnel, review the educational curriculum to encourage creativity and cognitive thinking, revitalise the Zones d'Education Prioritaires (ZEP) and develop a national strategy for tertiary education to enhance competitiveness in the global economy.

121. Under this pillar, the EC will focus specifically on the improvement of the effectiveness of social assistance in reaching the needy, and the economic and social inclusion of vulnerable groups of the population. The EC is particularly committed to ensuring that activities relating to protection of the environment, as outlined in the National Environmental Strategy and the National Environmental Policy (2006), will be carried out as planned and in respect of which it will monitor some specific outcomes. Appropriate human resource development, being fundamental to the success of the reform programme, will also attract support from the EC. More specifically, EC GBS in the initial years is aimed at:

(a) supporting the implementation of the Empowerment Programme via job creation for the unemployed, redeployment of retrenched workers (in particular from the sugar industry; this, in addition to financing the social packages) and enhanced economic opportunities for the lower-income groups and self-employment.

(b) assisting in the reform of the education sector with an emphasis on increasing sector efficiency, taking cost-benefit parameters into consideration.

### **IV.3 10th EDF Non-Focal areas**

122. In the non-focal area a 10<sup>th</sup> EDF decentralised cooperation programme (DCP) will prioritise demand-driven projects meeting the general objective of poverty alleviation and benefiting the most deprived areas and poorest segments of the population of Mauritius as well as Rodrigues in addition to activities undertaken by the Government and other donors. The Government has expressed its intention to review the structure and management of its social programme which may provide an opportunity to channel funds through budget support, provided the new institutions servicing civil society organisations are sufficiently independent and have adequate and transparent procedures.

123. The EC, together with the World Bank, will also respond to the Government's needs in respect of analytical and advisory services and policy advice on key strategic issues. Part of the 10<sup>th</sup> EDF funds in the non-focal area will thus be made available for a Technical Cooperation Facility (TCF).

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<sup>12</sup> The Government plans to place emphasis on creating attractive opportunities for low-skilled women, particularly as carers. In parallel, returnees will be encouraged to set up a business via the SME Support Facility, which would match on a one-to-one basis the savings generated abroad.

## **PART 2: INDICATIVE PROGRAMME**

### **1. Introduction**

124. On the basis of the cooperation strategy presented in Part One, where General Budget Support (GBS) has been designated as the main aid delivery instrument under the 10th EDF for the Republic of Mauritius, and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework, by way of an Objective and Results Matrix for Joint Donor Support, for the focal sector, the financial programming timetable and a detailed schedule of activities for all listed programmes over a rolling three-year period.

125. The 10th EDF A-allocation is thus distributed between the support given to "Improving Competitiveness for Equitable Development" and "other programmes", considered as non-focal areas, involving support for initiatives of Non-state actors (NSA), and a Technical Cooperation Facility (TCF).

126. Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector and the non-focal sector programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

### **2. Financial instruments**

127. The implementation of the EC's cooperation strategy with the Republic of Mauritius will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

#### **2.1. 10th EDF, A envelope, €51 million**

128. This envelope will cover long-term programmable development operations under the strategy, as follows:

- General budget support : €43.5 million - 85.3% of total
- Other programmes (non-focal sectors) : max €7.5 million - 14.7% - and consisting of :
  - Support to NSA : €5.5 million
  - TCF : €2 million

#### **2.2. 10th EDF, B envelope, €12.4 million**

129. This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.



130. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

### **2.3. Investment Facility and All-ACP programmes**

131. In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

132. Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

### **2.4. 10th EDF regional indicative programme**

133. This allocation will cover long-term programmable development operations under the regional strategy for the Eastern and Southern Africa and Indian Ocean (ESA-IO) region. The ESA-IO configuration is where Mauritius has chosen to participate regarding 10<sup>th</sup> EDF support for regional economic integration.

134. The 10<sup>th</sup> EDF allocation for the ESA-IO region is not part of the National Indicative Programme but may have repercussions at national level depending on the participation of Mauritius in the programmes proposed under the regional framework, in particular concerning the first area of concentration on regional economic integration, trade and infrastructure where supply-side constraints in the context of EPA may be addressed.

135. At national level, the mainstreaming of trade liberalisation and economic integration policies is supported by instruments such as the working groups of the Integrated Framework (IF) and the National Development and Trade Policy Forum (NDTPF), the latter having been established in the framework of the EPA negotiations. However, their mandate is generally broader than the EPA negotiations and covers issues relevant to intra-regional trade policies and integration, as well as WTO, etc.

136. Second focal area of intervention is to ensure the sustainable management of the natural resources of the region. This focal area is of particular interest to the Indian Ocean Commission based in Mauritius as it will continue to develop regional programmes in the fisheries and marine environment.

137. The regional organisations will, in the implementation of their work plans as agreed with their respective Member States, further strengthen their dialogue with these existing national policy instruments. NDTPF and IF working groups can contribute to coordination, coherence and complementarity between national trade and integration policies and the financial and technical support of the development partners, EU Member States and others.

138. Coherence between the national strategy and the regional strategy of the ESA-IO regional organisations will be further supported through the IRCC mechanism. It has been agreed that the NAOs and the RAOs of the region will meet on a yearly basis to monitor

coherence in the implementation of the respective CSP/NIP and the RSP/RIP of the ESA-IO region.

## **2.5. Other financial instruments**

139. Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non-state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" and the programme for accompanying measures for ACP Sugar Protocol countries, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

For the Sugar Protocol countries benefiting from accompanying measures, the actions envisaged in that context will be complementary to the above financial instruments.

Potential instruments contributing to the outcomes supported in the focal area are listed in the results matrix (p.35 ff). However, this financing is subject to special procedure and depends on the availability of funds.

140. Specific interventions could be financed in complementarity to the European Regional Development Fund (ERDF) benefiting the outermost regions of the EU, specifically Réunion Island. These will most likely contribute to the strategic objective of the Indian Ocean Commission and its regional programme, of which Mauritius is an active member.

### ***EC Country Strategy for Sugar Accompanying Measures***

141. As indicated in Part One, the Republic of Mauritius is among the Sugar Protocol countries eligible to benefit from the sugar accompanying measures which the EU will deploy in the period 2006–2013 to support the country's adaptation strategy in response to the EU internal market reform.

### ***Fisheries***

142. The fifth Fisheries Protocol negotiated between the Republic of Mauritius and the EC has a duration of four years (3 December 2003 – 2 December 2007) with a total compensation per year of €487,500 (excluding the contribution of shipowners maintained at €25 per ton of fish) compared with €412,500 in the previous Protocol (+18%).

143. As the current protocol will end on the 2 December 2007, negotiations for a new Fisheries Partnership Agreement and a new Protocol have already started in June 2007. The overarching aim is to ensure a sustainable and responsible fisheries policy in Mauritius waters, as well as to ensure that the activities of the European fleet are compatible with the development objectives of the third country and that they are progressively embedded into the local economy.

144. These funds will be in addition to amounts from the previous Protocol currently committed to put in place the VMS in Mauritius that will soon be complemented at the regional level by actions scheduled under the “Control and Surveillance Programme” approved in November 2003 for €3.5 million from the regional 9th EDF envelope.

### ***EU-Africa Partnership on Infrastructure***

145. The EU-Africa Partnership on Infrastructure aims to support programmes that facilitate interconnectivity at continental and regional level. The Partnership operations will supplement the EC's sectoral approach to infrastructure at country level and help to implement the Economic Partnership Agreement (EPA) by addressing major supply-side constraints related to infrastructure deficiencies. The approach will ensure that investments at continental and regional levels tie in with national poverty reduction and infrastructure strategies.

## **2.6. Monitoring and evaluation**

146. Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

147. The results and impact of the Community's cooperation with Mauritius implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

## **3 Programming of the 10<sup>th</sup> EDF A-allocation**

### **3.1. General budget support**

148. The EC will support the Government's macroeconomic reform programme through General Budget Support (GBS). GBS will focus on improving economic and fiscal management while special attention will be given to the objective of poverty reduction, particularly with a view to ensuring equitable access to social services.

149. The funds under 10<sup>th</sup> EDF General Budget Support will be disbursed on an annual basis through fixed and variable tranches. It is expected that funds for Mauritius from the EU Budget line regarding accompanying measures for Sugar Protocol countries will be progressively delivered through the same GBS instrument.

150. If a disbursement is not made from the resources of the 10<sup>th</sup> EDF allocation, the non-disbursed amount is de-committed, credited to the NIP, and may be reprogrammed either for new budget support or for one of the other cooperation programmes of the NIP. Such a decision can be taken in the context of the annual review.

151. As an indicative amount, approximately €43.5 million will be set aside for aid delivery through GBS.

152. In GBS, donor funds are transferred to the National Treasury of the partner country, blended with domestic resources and spent according to national procedures to implement national development policies. By financing both capital and recurrent costs, GBS can effectively contribute to the global effort towards the MDGs. Transaction costs in GBS tend to be lower than in other aid modalities because of its high level of alignment to national systems.

153. While its potential impact is considerable, General Budget Support presents numerous risks to which the Commission responds with rigorous eligibility conditions and by linking disbursement of funds to performance. Budget support operations will require careful preparation and constant monitoring. Institutions such as the Court of Auditors, the European Parliament and the Member States regularly scrutinise the Commission's budget support operations.

### ***General budget support (GBS) and focus on outcomes***

154. The EC's GBS approach includes fixed, predictable tranches and outcome-based performance tranches. By using outcome indicators instead of policy conditions, the Commission's general budget support is designed to encourage a focus on results and to there is scope for governments to determine policies. Outcome-based performance tranches allow a graduated response to partial performance, and thus reduce volatility.

### ***General budget support (GBS): "project" funding modalities for institutional reforms***

155. It is noted that specific technical assistance, under General Budget Support programmes, and in addition to those provided for under the TCF (see below), may be mobilised under project modalities to support, or sustain, relevant institutional reforms.

## **3.2. Other programmes (non-focal sectors)**

156. An indicative amount of maximum €7.5 million is set aside for the following actions:

- Support to NSA : €5.5 million
- TCF : €2 million

157. The above may involve contributions to regional programmes and projects wherever applicable. Each programme will include its own reserve for insurance against possible claims and to cover cost increases and contingencies.

### **3.2.1. Support to Non-State Actors (NSA)**

158. A Decentralised Cooperation Programme (DCP), similar to the model implemented during the 9<sup>th</sup> EDF, notwithstanding lessons to be learnt from the evaluation of the latter and a review by the Government of its own social programmes, will mobilise the sum of €5.5 million. The possibility of channelling this sum through budget support can be envisaged, provided that the new institutions servicing civil society organisations are sufficiently

independent and have adequate and transparent procedures and that the focus remains on poverty reduction, with a specific attention paid to Rodrigues Island. In this case, the additional funds would be added to EC budget support to Mauritius under Pillar 4 of the Government's reform programme: "Democratising the Economy through participation, inclusion and sustainability".

159. The DCP will include governance-related activities for non-state actors and focus in particular on Rodrigues.

### **3.2.2. Technical Cooperation Facility (TCF)**

160. The TCF will enable the financing of studies, seminars, workshops, audits and evaluation. These may be implemented through special commitments and/or direct labour.

161. However, the TCF may also be employed by the EC, together with the World Bank, to set up a mechanism for joint analysis and policy work to which the Government may contribute its own resources. This fund will finance analytical and technical assistance work, involving wherever possible local research institutions and universities, and including any support to actions aiming at implementing governance commitments (Annex 8). This approach will allow for greater alignment with the Government's needs and better transfer of knowledge.

## **4 Programming of the Sugar support strategy**

162. With a view to a clear sector policy for the sugar sector, it is proposed that the EC response strategy, in regard to the Multi-Annual Adaptation Strategy for the Sugar sector in Mauritius, will initially focus on accompanying the sector adaptation strategy through Sector Budget Support (SBS) for the financial year 2006/07. As of 2007/08, the EC response strategy will focus on the wider economic restructuring needs of the country, through GBS and will thus be mainstreamed with the 10th EDF GBS vehicle. The programming of respective financial resources under these instruments will be carried out through Multi-Annual Indicative Programmes for the periods 2007-2010 and 2011-2013.

## **5 INTERVENTION FRAMEWORK and PERFORMANCE INDICATORS**

163. The EC general budget support programme under the 10th EDF is reflected together with the inputs of the other main donors, in particular the World Bank, in an Objective and Results Matrix (ORM) of the Government of Mauritius for Joint Donor Support FY07-13.

164. This ORM has been developed through close consultation between the Government, the EC, the World Bank and other donors, and constitutes the common results framework which will be used to monitor the overall Government programme by most of the donors involved. The EC may also contribute to outcomes that are not reflected in the results matrix, if any are added to the programme as a result of the 10<sup>th</sup> EDF periodical reviews.

165. Specific performance indicators related to the outcomes within the overall framework will be developed during the design of the specific multi-annual budget support programmes. Further, in addition to the planned CSP mid-term review, monitoring of progress towards the

long-term goals of the reform programme will be carried out on a regular basis through annual reviews of the budget support programme and adapted within this context if necessary.

166. The SPSP for the sugar sector in 2006-2007 followed by the GBS programme Improved Competitiveness for Equitable Development (ICED) for the year 2007/2008, designed following the 2006 ETR conclusions will provide the basis for the development of the 10<sup>th</sup> EDF GBS. In the framework of the Government's reform programme, the performance indicators of these two programmes are focused on:

- Pillar 1* (i) Reducing primary spending ratio to Gross Domestic Product
- Pillar 2* (ii) Effective regrouping of small planters, *to be measured* by the level of derocking of hectares of land
- (iii) Promoting the redeployment of employees opting for the Early Retirement Scheme and the Voluntary Retirement Scheme and the Blueprint in the sugar sector into other economic sectors
- Pillar 4* (iv) Providing jobs for women who were unemployed in 2005/2006
- (v) Reducing the absentee rate and increasing the pass rate for children from vulnerable groups at primary school level.

For the subsequent General Budget Support Programme from 2008/2009 to 2010/2011, results in the wastewater sector and emerging sectors like the seafood hub and Information and Communication Technology would be considered in addition to the sugar and social dimensions.

167. Budget support programmes will not make reference to wider governance commitments which will be addressed through regular political dialogue with the partner country.

## **6. CROSS-CUTTING ISSUES**

### ***Trade Facilitation***

168. The EC intends to continue development assistance for Trade Facilitation, at both a national and regional level, in the framework of the EU's development assistance, particularly if a set of WTO provisions establishes common standards in relation to which assistance can in future be progressively targeted. At the Hong Kong WTO Ministerial Meeting in December 2005 the EU pledged to increase its trade-related assistance to €2 billion per year by 2010 (€1 billion through the European Commission and €1 billion through EU Member States) provided such programmes are requested by developing countries. The European Commission may also assist in the overall Aid for Trade process with a focus on Regional Funds under the 10<sup>th</sup> EDF and the infrastructure funds committed by the EU/EIB.

### ***Environment***

169. A Strategic Environmental Assessments (SEA) exercise is currently being conducted, financed under the EC Environment and Tropical Forest Budget line, which should confirm and complete the findings and recommendations of the MAAS pertaining to environmental issues. This will enable decision-makers to take necessary corrective measures on comprehensive information. The Government will maintain a constant dialogue with its

development partners on the mainstreaming of environmental considerations in all policies and will ensure the conduct of SEAs in key economic sectors, including energy. Furthermore, Environmental Impact Assessments will continue to be undertaken prior to individual project design. In this framework, the sustainability of the wastewater sector, supported for a long time by the EC, will also be monitored. In a wider context, the Government is developing a draft White Paper for the reformulation of the national environmental policy on the basis of an external assessment of the 2000-2010 Environmental Strategy. The White Paper tackles all main priorities of a small island developing state, including climate change.

### ***Energy***

170. The country is heavily dependent on imports of fossil fuels (80% of electricity requirements and 100% of transport needs) and in particular oil products. The socioeconomic development envisaged for Mauritius requires fairly cheap, regular and substantial energy supply, in both the medium and long term. The MAAS thus provides an opportunity for the country to optimise the use of biomass (bagasse and molasses) in order to substitute the use of fossil fuels, to produce renewable energy and to facilitate earnings in carbon credits.

171. In this framework, under the 2006 sugar SPSP, the EC has set a pre-condition pertaining to the definition of a coherent energy policy fully integrating the sugarcane cluster. However, the definition of a long-term policy and a fully costed framework, incorporating sources of supply, demand management and use of other forms of renewable energy, will require international technical assistance. In the wider context of ACP Sugar Protocol Countries, a study has been commissioned on *Prospects for sugar cane producing ACP countries to produce and market ethanol*. The overall objective of the study will be to develop general reference material for sugar-producing ACP countries on how to assess and address key economic, institutional, policy, technical and environmental variables that determine the potential for sustainable (economically, environmentally and socially) ethanol production for domestic, regional and international biofuel markets.

### ***Gender and Social issues***

172. Gender issues have been brought to the forefront of the reform programme by rightsizing of the labour force in the sugar, textiles and clothing industries, where factory closures have primarily affected the female workforce, whose unemployment rate in 2006 stood at 16.3% compared to 5.6% for men. This pertinent issue will have to be addressed through specific programmes for unemployed and/or unskilled women, as initiated under the recent Empowerment Programme. The Government is seeking international assistance to develop temporary migration programmes, with particular emphasis on creating incentives for women. Social issues will remain important in the overall economic reform programme, and in particular with regard to the vulnerability of small planters within the sugar sector. In this connection, lessons may be learnt from a regional study under the Accompanying Measures currently being conducted on best practices, drivers and conditions for successfully setting up outgrowers' schemes within the sugar sector.

### ***Research and Innovation***

173. Government's commitment to investment in education and innovation has repeatedly been reaffirmed and could be further supported through existing EU research programmes. Access to research facilities, centres of excellence and innovative information systems available for, among others, sustainable water supply and sanitation, marine resources as well

as cooperation on agricultural research in areas such as sugar will be facilitated. In addition, the Technical Centre for Rural and Agricultural Cooperation ACP-EU and the 7<sup>th</sup> Research framework Programme (2007-2013) will provide important opportunities to strengthen the scientific cooperation between Mauritius and EU in these fields.



**7. Objective and Results Matrix of the Government of Mauritius  
for Joint Donor Support FY07-13**

Government Term Objectives	Long Main	Constraints to	Strategy Outcomes	Milestones / Indicators <sup>13</sup>	Process	Potential Instruments
<b>Overall Goal: Sustained and equitable increase in the welfare of the population</b> <i>Overarching Government indicators:</i>						
<ul style="list-style-type: none"> <li>• Increase in the income per capita from US\$ 5,130 in 2005 to around US\$ 9,590 in 2013</li> <li>• Improved Gini-coefficient</li> </ul>						
<b>Strategic Objective: Increase competitiveness of the economy while protecting the vulnerable</b>						
<i>Government indicators:</i>						
<ul style="list-style-type: none"> <li>• Achieve sustained growth of around 5% in the medium term</li> <li>• Reduce unemployment from the current (2006) level of 10%</li> </ul>						

<sup>13</sup> Government of Mauritius' commitments

Government Term Objectives	Long Term Objectives	Main Constraints to achieving long term goals	Strategy Outcomes	Milestones / Process Indicators	Potential Instruments
<b><i>Pillar 1: Fiscal Consolidation and Improving Public Sector Efficiency</i></b>					
<i>Reduce debt to GDP ratio from 59%<sup>14</sup> of GDP to 46%.</i>	High debt is threatening macro stability	Public expenditure management not efficient and prioritized	Improved fiscal management by:	Compilation and publication of tax expenditures in the budget	<u>World Bank</u>
			Making the MTEF operational		DPL (Budget Support)
			Reducing tax expenditures	PEFA review*	Rapid Response TA Facility
			Enforcement of new procurement rules as measured by audits	Allocation of budget according to pre-set ceilings	Debt Management Work
					Public Expenditure Review
Tax system is unfair and distorts incentives	Lack of transparency in public procurement		Adoption and Implementation of new Procurement Act	<u>EC</u>	
		ICAC independence to strengthen effectiveness in investigation strengthened	Budget Support (EDF 10 and Sugar Accomp. Measures)		
		Minister of Finance relinquishing discretionary power to remit duties and taxes and grant exemptions	Technical Cooperation Facility		
				Other EC instruments as appropriate	
				<u>AFD</u>	
				Budget Support	
				Public Expenditure Review	

<sup>14</sup> Excludes parastatal debt

Government Long Term Objectives	Main Constraints to achieving long term goals	Strategy Outcomes	Milestones / Process Indicators	Potential Instruments
<b>Pillar 2: Improving Trade Competitiveness</b>				
<i>Reduce anti-export bias regulations and put in place supporting infrastructure to promote Mauritius by increasing export/GDP ratio from 60% through improving competitiveness of existing and new emerging sectors</i>	Tariff protection creates anti-export bias	Creation of a level playing field throughout the economy as measured by increase in tradables	Unification of incentive regime for EPZ and non-EPZ firms	<u>World Bank</u> Budget Support
	Difficulties in moving resources out of inefficient activities	Sugar industry made a cost competitive supplier and value added and use of by-products optimized*	Implementation of the multi annual adaptation strategy for sugar	EASSy fiber optic cable Infrastructure investments and TA (port, airport)
	Lack of competition in the hotel industry as well as in air access	Increase of competition in air transport as measured by increased number of carriers	Adoption of a Tourism expansion strategy (product development & destination promotion strategy)	Rapid Response TA facility Financial Sector FSAP with IMF
	Limitations in port operational capacity	Deepening of the financial sector as measured by the increase in the ratio of private sector credit/GDP	Development of a plan for strengthening financial sector	Land Administration Policy Note Public Expenditure Review
	High telecom prices and limited connection capacity	Improvement in port performance as measured by shorter turnaround time, lower average costs, and attracting new business	Implementation of the port master plan	<u>EC</u> Budget Support (EDF 10 and Sugar Accompl. Measures)
	Lack of a coherent energy policy	Reduction in cost of International Private Leased Circuits by 20-35% from 2Mbps = US\$7.9K (June 2006)	Establishment of a fiber optic cable under EASSy project Development of an Energy Plan for the medium-long term*	Technical Cooperation Facility Regional Programs
	Need to keep up with evolving international norms relating to food safety and sanitary and phyto-sanitary standards with reference to fish and fishery products	Sustainable and cost effective energy supply*	Tariff reduction program under implementation	ACP-EU global facilities and other intra-ACP programmes
		Increase in exports with the SADC countries from 1% of GDP (2003), and export with the COMESA countries from 3% of GDP (2003)*	Identification and removal of non-tariff barriers for SADC region towards the development of a free trade regime Effective free trade regime with COMESA & SADC in place	EU-Africa/global initiatives (Infrastructure, Water, Energy) Other EC instruments (EDF and Budget), including SPF and Fisheries Agreement
		Increase in fishery exports*		EIB projects

Strengthening of legal AFD  
framework and updating Budget Support  
control  
measures/certification  
procedures with reference  
to fish and fishery  
products\*

Government Term Objectives	Long Term Objectives	Main Constraints to achieving long term goals	Strategy Outcomes	Milestones / Process	Potential Instruments
<b><i>Pillar 3: Improving the Investment Climate</i></b>					
<i>Become one of the top ten business friendly countries as measured by Doing Business indicators and increase FDI inflows from Rs 2.9 billion in 2005</i>	Costly regulatory compliance (business registration, work/residence permits)/corruption	Reduction in cost of doing business as measured by surveys (land, labor regulations)	Creation of a one stop shop business registration mechanism	<u>World Bank</u> Budget Support	
	Rigid labor market	Increase in availability of skills required in emerging sectors	Revision of legislation to facilitate investment (ex post verification)	Infrastructure investments (traffic decongestion)	
	Low level of technological sophistication	Improved traffic flow along the main corridor in compliance with road safety measures	System in place that facilitates entry of foreign labor	EASSy Rapid Response TA facility	
	Unequal access to land	A working land market with reduced Government intervention	Setting up of the National Wages Council to replace the present wage setting mechanism	Financial Assessment FSAP (IMF) Land Administration Policy Note	
	Inadequate land use planning to support the new economy and fast track investments		Implementation of an integrated plan for traffic decongestion and public transport improvement	Public Expenditure Review <u>EC</u>	
			Development and adoption of a land administration and management system	Budget Support (EDF 10 and Sugar Accomp. Measures) Technical Cooperation Facility	
			Preparation of action area plans for tourism growth zones and urban urban/rural regeneration areas	Regional Programs EU-Africa/global initiatives (Infrastructure, Water, Energy) Other EC instruments (EDF and Budget) EIB projects <u>AFD</u> :Budget Support	

Government Long Term Objectives	Main Constraints to achieving long term goals	Strategy Outcomes	Milestones / Process Indicators	Potential Instruments
<b><i>Pillar 4: Democratizing the Economy through participation, inclusion and sustainability</i></b>				
<i>Education system facilitates the delivery of the right skills for the economy</i>	Education attainment levels too low Access to tertiary education too limited	Improvement in education outcomes as measured by reduction in failure rate at CPE below 35% (2005)	Development and early implementation of education sector strategy	<u>World Bank</u> Budget Support Rapid response TA facility
<i>Enhance opportunities for SME development</i>	High unemployment among women Bias against SMEs in favor of large firms	Elimination of bias (financing, regulatory, skills, etc) against SMEs as measured by increased number of new SMEs registered	Redeployment and training programs in place for unemployed and retrenched workers, with a special emphasis on women	Infrastructure Investments GEF projects Public Expenditure Review HIV/AIDS IDF
<i>Empower the Vulnerable Groups</i>	Social safety nets are costly and not targeted to most needy	Protection programs reach the needy as measured by household surveys	Development and introduction of a targeted social assistance scheme	<u>EC</u> Budget Support (EDF 10 and Sugar Accomp. Measures)
<i>Sound Environmental Management for Sustainable Development</i>	Lack of adequate sanitary infrastructure for sustainable development High rate of increase in HIV/AIDS cases	Improvement in the environment by increased use of cleaner technologies in the industrial sector	An SME consultancy services scheme to assist start-ups and existing SMEs put in place	Technical Cooperation Facility Regional Programs Support to non state actors/
<i>Keep HIV/AIDS rate under control not to exceed the current prevalence rate of 0.3%</i>		Adequate wastewater management system in place, ensuring improved health and sanitation Stabilization of the prevalence of HIV/AIDS at 0.3%	Revision of the NEAP 2 and implementation started Development of a Policy Framework and Action Plan for the Management of the Coastal Zone Introduction and promotion of the use of cleaner technologies in the industrial sector	Anti-poverty Program Environment EU-Africa/global initiatives (Infrastructure, Water, Energy) Other EC instruments (EDF and Budget) EIB projects
			Development of Strategy Plan for HIV/AIDS (2006-2010)	<u>AFD</u> Budget Support <u>UNDP</u> HIV/AIDS Environment

**8. Timetable of indicative commitments and disbursements**

**8.1. Indicative timetable of global commitments**

	<b>Indicative allocation</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>GENERAL BUDGET SUPPORT</b>	<b>43.5 M €</b>	<b>43.5</b>					
<b>NON-FOCAL SECTORS</b>	<b>7.50 M €</b>						
▪ Support to NSA	5.50 M €			5.50			
▪ Technical cooperation facility	2.0 M €	2.0					
<b>Total Commitments:</b>	<b>51.0 M €</b>	<b>45.5</b>		<b>5.50</b>			
<b>Total Cumulative Commitments :</b>	<b>51.0</b>	<b>45.5</b>		<b>51.0</b>			

## 8.2. Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010		2011		2012		2013	
		1	2	1	2	1	2	1	2	1	2	1	2
<b>GENERAL BUDGET SUPPORT</b>	<b>43.5 M €</b>			<b>19</b>		<b>11</b>		<b>3.5</b>		<b>3.5</b>		<b>3.5</b>	<b>3</b>
<b>NON-FOCAL SECTORS</b>	<b>7.50 M €</b>												
▪ Support to NSA	5.5 M €							1	1	1	1	1	0.5
▪ Technical cooperation facility	2.0 M €			0.35	0.25	0.30	0.25	0.25	0.25		0.2		0.15
<b>Total Disbursements:</b>	<b>51.0M €</b>			<b>19.35</b>	<b>0.25</b>	<b>11.30</b>	<b>0.25</b>	<b>4.75</b>	<b>1.25</b>	<b>4.5</b>	<b>1.2</b>	<b>4.5</b>	<b>3.65</b>
<b>Total Cumulative Disbursements :</b>	<b>51.0 M €</b>			<b>19.35</b>	<b>19.60</b>	<b>30.9</b>	<b>31.15</b>	<b>35.9</b>	<b>37.15</b>	<b>41.65</b>	<b>42.85</b>	<b>47.35</b>	<b>51.0</b>



### 8.3. Chronogramme of activities

	Indicative allocation	2007				2008				2009				2010				2011→2013			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>General Budget Support</b>	43.5	<b>FS</b>	<b>FS</b>	<b>FP</b>	<b>FP</b>		<b>FD</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>*</b>
<b>Non-focal areas</b>																					
Support to NSA	5.5										<b>FS</b>	<b>FS</b>	<b>FP</b>	<b>FD</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>*</b>
Technical Cooperation Facility	2.0				<b>FP</b>	<b>FD</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>*</b>	<b>**</b>

FS : Feasibility study  
 FP : Financing Proposal  
 FD : Financing Decision  
 \*\* : Project Implementation

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9. EC Response Strategy for Sugar Accompanying Measures for Mauritius

## EU – MAURITIUS Country Strategy Paper 2008 – 2013

### Annex 1a: MAURITIUS AT A GLANCE

#### BASIC FACTS



#### Mauritius

<b>Location</b>	: 20° South of the Equator 57° East of Greenwich
<b>Area</b>	: 2,040 km <sup>2</sup> (including island of Rodrigues with 104 km <sup>2</sup> )
<b>Outlying Islands</b>	: <b>Rodrigues</b> , Agalega, Tromelin and Cargados Carajos
<b>Population</b> (June 2005)	: 1,256,000
<b>Gross Domestic Product (GDP)</b> (at market prices)	: 2005 - Rs 187,037 million (Revised Estimates) : 2006 - Rs 202,380 million (Forecast)
<b>GDP Growth Rate</b>	: 2005 - +2.7% : 2006 - +4.7%
<b>Currency</b> : Mauritian Rupee (as at 21 February 2007)	
	US \$ 1 = Rs 32.33 €1 = Rs 42.56
<b>Financial Year</b> : July 1 – June 30	
<b>External Trade</b> (2005)	:

Exports (f.o.b.)	Rs 63,370 million
of which EPZ	Rs 29,187 million
Imports (c.i.f.)	Rs 93,371 million
of which EPZ	Rs 15,514 million

Net International Reserves : US \$ 1,800 million (31 weeks of imports as at Dec 2005)

## **Government**

Independent 12<sup>th</sup> March, 1968  
 Member of Commonwealth  
 Member of African Union  
 Member of the Indian Ocean Commission-Indian Ocean Rim  
 Member of the Southern African Development Community  
 Member of Eastern Southern African Countries

**EU – MAURITIUS Country Strategy Paper 2008 – 2013**  
**Annex 1b : Millennium Development Goals**

Type	Indicator	1990	2000	2001	2002	2003	2004	2005	Target 2015
<b>Impact</b>	1. Proportion of population below \$1 per day <sup>1</sup>	NA	NA	< 1%		NA	NA	NA	halved
	2. Prevalence of underweight children (under- five years of age)	-	-	-	-	-	-	-	halved
	3. Under-five mortality rate (per 1000)	<b>23.1</b>	<b>18.2</b>	<b>16.8</b>	<b>17.3</b>	16.0	16.5	<b>17.1</b>	Reduced by 2/3
<b>Outcome</b>	4. Net enrolment ratio in primary education <sup>2</sup> -%	<b>99</b>	<b>97</b>	<b>97</b>	<b>96</b>	<b>97</b>	98	97	100%
	Net enrolment in secondary education <sup>3</sup> -%	<b>45</b>	<b>59</b>	<b>61</b>	<b>62</b>	<b>64</b>	64	62	NA
	5. Primary Completion Rate-%	NA	<b>68</b>	<b>68</b>	<b>69</b>	<b>68</b>	69	72	NA
	6. Ratio of girls to boys in:								
	- primary education	<b>98</b>	<b>97</b>	<b>97</b>	<b>98</b>	<b>98</b>	97	97	NA
	- secondary education	<b>100</b>	<b>101</b>	<b>102</b>	<b>104</b>	<b>104</b>	103	103	NA
	- tertiary <sup>4</sup>	NA	<b>116</b>	<b>119</b>	<b>103</b>	<b>99</b>	108	NA	NA
	7. Proportion of births attended by skilled health personnel	<b>91.1</b>	<b>99.7</b>	<b>98.9</b>	<b>98.8</b>	98.3	99.2	99.6 <sup>5</sup>	NA
	8. Coverage Rate for immunization against measles(%) <sup>6</sup>	<b>76.1</b>	<b>84.0</b>	<b>89.9</b>	<b>85.1</b>	93.5	88.6	87.4	NA
	9. No of HIV cases among 15-24 year old pregnant women		<b>4</b>	<b>3</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>19</b>	
10. Proportion of population with sustainable access to an improved water source	<b>95.7</b>	<b>98.9</b>	<b>&gt;99%</b>	<b>&gt;99%</b>	<b>&gt;99%</b>	<b>&gt;99%</b>	<b>&gt;99%</b>	<b>&gt;99%</b>	100%

*Source : Government of Mauritius, Sep 2006*

**Annex 1c**

<b>Basic Data</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Population in 000 (mid year)</b>	1,187	1,200	1,210	1,223	1,234	1,244	1,251
<b>annual change in %</b>	0.99	1.10	0.86	1.04	0.86	0.80	1.01
<b>Nominal GDP (in millions €)</b>	4975	5046	5013	4883	5065	5036	5104
<b>Nominal GDP per capita (in €)</b>	4191	4202	4131	3992	4108	4063	4045
<b>Real GDP (annual change in %)</b>	9.3	5.6	2.1	4.4	4.7	2.5	4.6
<b>Gross domestic fixed capital formation (in % of GDP)</b>	23.5	22.5	21.8	22.6	21.6	21.2	23.9
<b>International transactions</b>							
<b>Export of goods and services (in % of GDP)</b>	61.8	68.4	61.8	56.4	54.0	59.6	60.4
<b>of which the most important: EPZ Exports (in % of GDP)</b>	25.9	25.5	22.9	20.0	18.2	15.7	n/a
<b>Balance of visible trade (in % of GDP)</b>	-11.8	-7.9	-7.5	-8.2	-12.2	-16.1	-20.5
<b>Current account balance (in % of GDP)</b>	-0.8	6.1	5.2	1.7	-1.8	-5.4	n/a
<b>Net inflows of foreign direct investment (in % of GDP)</b>	6.1	0.7	0.7	1.2	1.0	1.5	n/a
<b>Total External debt (in % of GDP) - end of June</b>	24.1	21.2	20.8	18.4	14.9	14.0	13.0

<b>Service of external debt (in % of exports (f.o.b)) - end of June</b>	7.9	9.7	8.4	8.0	6.5	6.5	9.0
<b>Foreign exchange reserves (in weeks of imports of goods and non-factor services - end of June)</b>	31.0	32.9	35.2	36.6	32.6	31.4	34.6
<b>Government</b>							
<b>Revenues (in % of GDP) - end of June</b>	20.7	18.3	18.4	20.2	20.4	19.8	20.0
<b>of which: grants (in % of GDP) - end of June</b>	0.1	0.2	0.2	0.2	0.4	0.2	0.3
<b>Expenditure (in % of GDP) - end of June</b>	24.5	24.9	24.5	26.4	25.8	24.8	25.5
<b>of which: capital expenditure (in % of GDP) - end of June</b>	3.8	3.6	3.7	4.7	4.3	3.5	3.6
<b>Deficit (in % of GDP) including grants - end of June</b>	3.8	6.6	6.1	6.2	5.4	5.0	5.5
<b>Deficit (in % of GDP) excluding grants - end of June</b>	4.0	6.9	6.3	6.5	5.6	5.2	5.8
<b>Total Public Debt (in % of GDP)</b>	50.5	48.9	52.6	56.7	56.2	58.1	57.5
<b>of which: external (in % of total public debt)</b>	17.4	11.3	12.2	10.7	9.1	8.7	7.6
<b>Other</b>							
<b>Consumer price inflation (annual average change in %)</b>	4.2	5.4	6.4	3.9	4.7	4.9	n/a
<b>Lombard Rate (at end June)</b>	11.50	12.00	11.50	10.25	9.50	10.00	11.50
<b>Bank Rate (at end June)</b>	10.65	11.14	10.01	8.26	4.74	6.13	7.30

<b>Exchange rate (annual average of national currency per 1€)</b>	24.02	26.21	28.49	32.23	34.69	37.02	39.56*
<b>Unemployment (in % of labour force, ILO definition)</b>	6.7	6.9	7.3	7.7	8.5	9.6	9.6
<b>Employment in agriculture, forestry and fishing (in % of total employment)</b>	12.1	11.6	10.1	9.9	9.7	9.7	n/a

\* 1 € = Rs 39.5645 as at 23.06.06

Source : Government of Mauritius , Sep 2006

**Table: Medium Term Outlook**

	05/06	06/07	07/08	08/09	09/10	Avg 10/11-12/13
Real GDP growth (%)	3.5	3.5	3.6	3.8	4.3	5.3
Inflation (%)	5.1	8.5	6	6	5.5	4.5
Gross Domestic Investment/GDP (%)	23.7	26.6	24.5	24.0	24.3	26.5
-Private (%)	15.0	15.8	16.1	16.4	16.5	18.2
Gross domestic savings (% GDP)	14.8	18.5	19.3	20.1	21.8	24.5
Current account balance (% GDP)	-5.2	-7.0	-4.8	-3.8	-2.4	-2.2
Government deficit (% GDP)	-5.4	-4.7	-4.2	-4.1	-3.5	-3.0
Government debt (% GDP) <sup>1/</sup>	59.0	58.5	57.9	57.4	55.8	51.9

Source: World Bank Local Data Base, September 2006.

<sup>1/</sup> Excludes parastatals.



## Annex 2

**EU - Mauritius Country Strategy Paper 2008 - 2013**  
**Annex 2 : DONORS' MATRIX: 2001/02-2010 (INDICATIVE)**

	(Disbursements)						Total Disbursements (2001-2007)		Expected Disbursements
	2001/02	2002/03	2003/04	2004/05	2005/06 Bud Est	2006/07 Bud Est			on current loans in 2007-10
	Rs million						Rs million	%	Million
<b>All bilateral lenders/Donors</b>	<b>300</b>	<b>392</b>	<b>742</b>	<b>1,085</b>	<b>371</b>	<b>655</b>	<b>3,546</b>	<b>35.1</b>	
<b>Governments</b>	<b>63</b>	<b>307</b>	<b>724</b>	<b>953</b>	<b>347</b>	<b>635</b>	<b>3,030</b>	<b>30.0</b>	
<i>People's Republic of China</i>	<b>2</b>	<b>0</b>	<b>1</b>	<b>69</b>	<b>72</b>	<b>100</b>	<b>244</b>	<b>2.4</b>	
Container Inspection Equipment	-	-	-	69	70	-	139	1.4	
Feasibility Study for MBC Building	-	-	-	-	2	100	102	1.0	Rs 300
Foreign Aid	2	0	1	-	-	-	3	0.0	
<i>France</i>	<b>38</b>	<b>57</b>	<b>331</b>	<b>36</b>	<b>-</b>	<b>3</b>	<b>464</b>	<b>4.6</b>	<b>Rs 535.9 (€13.5*)</b>
Swami Dayanand Management Institute	21	-	-	-	-	-	21	0.2	

Northern Plains Drip Irrigation Project	4	5	52	34	-	-	95	0.9	
Grand Bay Sewerage Project	13	52	275	-	-	-	340	3.4	
Foreign Aid	1	-	3	2	-	-	6	0.1	
Grants	-	-	-	-	-	3	3	0.0	
<b>Germany</b>	-	<b>93</b>	-	-	-	-	<b>93</b>	<b>0.9</b>	
Baie du Tombeau Sewerage Project	-	8	-	-	-	-	8	0.1	
Grants	-	86	-	-	-	-	86	0.9	
<b>India</b>	-	<b>146</b>	<b>282</b>	<b>311</b>	<b>105</b>	<b>382</b>	<b>1,226</b>	<b>12.1</b>	<b>Rs 486.1(USD 15.5**)</b>
Lines of credit	-	39	-	-	-	-	39	0.4	
Cyber City and IT Education Projects	-	107	232	228	7	-	574	5.7	
International Conference Centre	-	-	-	64	47	6	117	1.2	
Baie du Tombeau Sewerage Project	-	-	-	-	10	45	55	0.5	
Line of credit - SMEs	-	-	-	-	-	19	19	0.2	
Line of credit - Purchase of Helicopter	-	-	-	-	-	225	225	2.2	
Grants	-	-	51	19	41	87	198	2.0	
	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06 Bud Est</b>	<b>2006/07 Bud Est</b>	<b>Total Disbursements (2001-2007)</b>		<b>Expected Disbursements on current loans in 2007-10</b>
							<b>Rs million</b>	<b>%</b>	<b>Rs million</b>

	million						948	9.4	Rs 391.6(JPY 1443***)
	5	11	106	525	151	150			
<i>Japan</i>	5	11	106	525	151	150	948	9.4	Rs 391.6(JPY 1443***)
Environmental Sewerage & Sanitation Project	3	-	-	438	150	150	741	7.3	
Foreign Aid	2	2	-	2	-	-	6	0.1	
Grants	-	9	106	85	1	-	202	2.0	
<i>Luxembourg</i>	18	-	3	11	19	-	51	0.5	
Foreign Aid	10	-	3	-	-	-	13	0.1	
Grants	8	-	-	11	19	-	38	0.4	
<i>America</i>	-	-	1	-	-	-	1	0.0	
Foreign Aid	-	-	1	-	-	-	1	0.0	
<i>Netherlands</i>	-	-	-	1	-	-	1	0.0	
Foreign Aid	-	-	-	1	-	-	1	0.0	
<i>Republic of South Korea</i>	-	-	-	1	-	-	1	0.0	
Foreign Aid	-	-	-	1	-	-	1	0.0	
<b>Other bilateral agencies</b>	<b>238</b>	<b>85</b>	<b>18</b>	<b>131</b>	<b>24</b>	<b>20</b>	<b>516</b>	<b>5.1</b>	
<i>Kuwait fund</i>			18	131		20		5.1	Rs 559.6(KWD 5.1****)

	238	85			24		516		
									<b>Rs 10.0 (€0.3*)</b>
Water projects	8	5	18	47	14	10	103	1.0	
Fort George Power Station	-	4	-	-	-	-	4	0.0	
Midlands Dam	68	51	-	84	10	-	213	2.1	
132 KV Transmission Line	161	25	-	-	-	-	186	1.8	
Kuwait Fund for Arab Economic Development	-	-	-	-	-	10	10	0.1	
<b>Multilateral agencies</b>	<b>2,247</b>	<b>1,196</b>	<b>796</b>	<b>503</b>	<b>927</b>	<b>875</b>	<b>6,543</b>	<b>64.8</b>	
	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06 Bud Est</b>	<b>2006/07 Bud Est</b>	<b>Total Disbursements (2001-2007)</b>		<b>Expected Disbursements on current loans in 2007-10</b>
	<b>Rs million</b>						<b>Rs million</b>	<b>%</b>	<b>Rs million</b>
<i>Arab Bank for Economic Development in Africa</i>	<b>107</b>	<b>236</b>	<b>99</b>	<b>25</b>	<b>118</b>	<b>25</b>	<b>610</b>	<b>6.0</b>	<b>Rs 607.1(USD 19.4**)</b>
Industrial credit	40	46	-	-	-	-	86	0.8	
Water projects	-	2	41	21	90	18	172	1.7	
Midlands Dam	67	57	39	-	13	-	176	1.7	
Upgrading of Victoria Hospital						7		0.5	

	-	-	20	4	15		46		
132 KV Transmission Line	-	132	-	-	-	-	132	1.3	
<i>African Development Bank/Fund</i>	-	-	-	-	140	225	365	3.6	
South Eastern Highway	-	-	-	-	140	110	250	2.5	
Dr. Jeetoo Hospital	-	-	-	-	-	115	115	1.1	
<i>European Development Fund</i>	742	729	644	400	487	430	3,432	34.0	Rs 337(USD 10.8**)
EDF projects/budget aid (6,7,8,9 EDF)	742	729	644	400	487	430	3,432	34.0	<b>EDF 10 TO BE DETERMINED</b>
<i>EC Grant "Sugar Accompanying Measures"</i>	-	-	-	-	-	-	-	0.0	<b>TO BE DETERMINED</b>
From EC Budget	-	-	-	-	-	-	-	0.0	<b>TO BE DETERMINED</b>
<i>European Investment Bank</i>	125	197	-	-	66	110	497	4.9	
Plaines Wilhems sewerage project	-	-	-	-	66	110	176	1.7	
Baie du Tombeau Sewerage	125	197	-	-	-	-	321	3.2	
<i>I.B.R.D</i>	1,256	6	21	42	71	60	1,455	14.4	Rs 133.4(USD 4.3**)
Freeport project	7	-	-	-	-	-	7	0.1	
Sewerage & Sanitation	54	4	14	31	60	60	223	2.2	

Debt & Liquidity Mgt Improvement	1	1	-	-	-	-	1	0.0	
Public Expenditure Reform Loan	1,189	-	-	-	-	-	1,189	11.8	
Financial Sector Supervisory Authority	-	1	5	10	10	-	26	0.3	
	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06 Bud Est</b>	<b>2006/07 Bud Est</b>	<b>Total Disbursements (2001-2007)</b>		<b>Expected Disbursements on current loans in 2007-10</b>
	<b>Rs million</b>						<b>Rs million</b>	<b>%</b>	<b>Rs million</b>
Mauritius Light Rail Transit Project - Studies & Project Preparation	-	-	-	-	-	-	-	0.0	
World Bank:									
Foreign Aid	5	-	-	-	-	-	5	0.0	
Grant	-	0	2	1	1	-	5	0.0	
<b><i>International Fund for Agricultural Devt</i></b>	<b>18</b>	<b>27</b>	<b>31</b>	<b>36</b>	<b>45</b>	<b>25</b>	<b>181</b>	<b>1.8</b>	<b>Rs 95(USD 3.0**)</b>
Rural Diversification Programme	18	27	31	36	45	25	181	1.8	
<b><i>WHO</i></b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0.0</b>	
Foreign Aid	1	2	-	-	-	-	2	0.0	
<b><i>Miscellaneous</i></b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>0.1</b>	
Grants	-	1	2	0	2	-	5	0.1	
<b>Total disbursements</b>	<b>2,547</b>	<b>1,590</b>	<b>1,539</b>	<b>1,588</b>	<b>1,300</b>	<b>1,530</b>	<b>10,094</b>		<b>Rs 3455.7</b>

Source: Ministry of Finance and Economic Development

1/ Fiscal year from July to June

\* 1 € = 39.5645 as at 23.06.06

\*\* 1 USD = 31.2923 as at 23.06.06

\*\*\* 100 JPY = 27.1377, 1JPY = 0.271377 as at 23.06.06

\*\*\*\*1 KWD = 109 as at 23.06.06

Note:

1. Total disbursements (incl. grants) from Bilateral Donors/Lenders amounted to Rs 3,546m over the period 2001-07
2. Total disbursements (incl. grants) from Multilateral Agencies amounted to Rs 6,863m over the same period
3. Total Grants and Foreign Aid amounted to Rs. 3,943m (38% of total disbursements) over the period 2001-07
4. Expected disbursements from current loans over the period 2007-10 are estimated at Rs. 3,456m (€90 million)
5. The expected disbursements are largely insufficient to meet the financial requirements of the country which are estimated at around€4 billion for the period 2006-2015

12.07.2006





# **EU – MAURITIUS COUNTRY STRATEGY PAPER 2008-2013**

## **ANNEX 3**

### **EXECUTIVE SUMMARY OF THE COUNTRY ENVIRONMENTAL PROFILE**

The Republic of Mauritius consists of a main island in the South West Indian Ocean, with a total land area of 2045 km<sup>2</sup> (mainland Mauritius: 1865 km<sup>2</sup>, Rodrigues 110 km<sup>2</sup>, Agalega 70 km<sup>2</sup>) and a marine exclusive economic zone (EEZ) of about 1.9 million km<sup>2</sup>. As a Small Island Developing State (SIDS), Mauritius is geopolitically, economically and ecologically vulnerable to external shocks. This situation continues to be one of exposure and growing vulnerability due to new challenges and emerging economic, social and environmental issues. Over the years as a democratic developing country, Mauritius has been on the forefront of international trends to achieve development for socio-economic uplifting and enhancing the well being of the nation.

Nationally, it has developed an arsenal of policy, legislation and institutional set-ups to protect its fragile environment whilst promoting socio-economic development. Social and economic developments are dependent on a very limited range of natural resources. Nonetheless, the environment, its ecosystems, and their goods and services continue to be degraded due to social and economic driving forces.

The Country Environmental Profile presents a snap shot of the state of the economy and natural resources of Mauritius such as biodiversity, land, water and air, and also addresses key concerns like coastal erosion, solid wastes, coastal development and marine pollution, water and wastewater management, climate change, and natural and environmental disaster risks. Policy, legislation and institutional frameworks relevant to each of these sectors are summarized. The commitment of Mauritius to multilateral environmental agreements (MEAs) and integration of environmental concerns into the main sectors are also addressed. Technical assistance provided for environmental rehabilitation, protection and management are highlighted, and a glimpse of the future needs for Mauritius to sustain the level of development whilst protecting the environment is provided in the chapter of recommendations.

The socio-economic performance of Mauritius has been good, with a high Human Development Index (HDI: 0.779 in 2003). However, Mauritius remains one of the most densely populated countries in the world with 629 inhabitants/km<sup>2</sup>, and although the growth rate has been low at about 1% during recent years, its total population is still increasing and stood at 1.2 million in 2005. Undoubtedly, this places tremendous pressure on the island. This intensified pressure emanates principally from the rapid economic growth during the past quarter century, and further expansion will outstrip the regenerative capacities of the island's natural environment if appropriate and timely controls are not applied. Along with measures to maintain its good social and economic performance, Mauritius has also to pursue its strong efforts in order to manage its environment in a sustainable manner. No doubt, Mauritius was designated at the Earth Summit in 1992 in Rio as a vulnerable economy requiring special attention and support. Only 30% of the island (<2% of the original) is left covered with forest and scrubland and the rich biodiversity of the island has undergone dramatic decline due to direct exploitation since the colonial period. Many species have already gone extinct (e.g. the

famous Dodo bird) and there are many others which are either on the brink of extinction or are severely threatened. Mauritius is also high on the world's list of countries for plant and bird species threatened by extinction. There are some 900 species of indigenous plants and a high proportion of them are endangered by invasive exotic species competing in their natural habitats. Management measures are being initiated by local authorities to protect threatened species through establishment of Conservation Management Areas (CMAs), captive breeding of endangered bird species, and several other projects are being executed through technical and financial assistance from international donor agencies.

The vast EEZ remains largely unexplored and unexploited owing due to limited capabilities, but its limited land and coastal zone environments are already under intense demographic and economic development pressures. Rising population and economic development continue to exert increased pressure on the environment and natural resources such as land, biodiversity, water and marine fisheries among others, leading to environmental degradation and depletion of the very resources on which economic and social development depend. Thus, domestic fish catches have been declining below the maximum sustainable yield during the past decade due to overexploitation of lagoonal fish stocks. Coastal fishermen, both in Mauritius and Rodrigues, are indemnified during cyclonic days when they cannot venture out at sea. Government is providing incentives to fishermen for offshore fishing, namely around Fish Aggregating Devices (FADs) put in place with the technical assistance of the FAO. Mauritius has growing interest also in exploiting the resources of the EEZ. Thus, since 2003 it has signed bilateral agreements with the EEC and a Japanese Fishing Consortium on fishing of tuna and tuna-like species in the EEZ of Mauritius against financial compensation. Taiwanese fishing fleet stopping in Port Louis is the problem for large fish resources, thus threatening the survival of tourist activities such as big game fishing that was once more important in Mauritius. It is also declared policy of Government is to develop a Sea Food Hub in the region, which necessarily implies enhancing capability for judicious exploitation of the resources in the EEZ.

With the increasing frequency and intensity of extreme natural events (cyclones and storms), coupled with the rise in sea level and inappropriate construction of hard structures along the seafront, many beaches continue to erode, and some very popular ones in an irreversible manner. To better comprehend the problem, the Ministry of Environment commissioned a study on 'Coastal Erosion in Mauritius' in 2003, and most of the recommendations which in fact necessitate thorough scientific investigations, are pending implementation. The long proposed ICZM has not really been in place yet. The lagoons of Mauritius are complex systems comprising a variety of habitats: beaches, some mangrove belts, sand or mud swamps, lagoon channels, seagrass beds, coral colonies, sand cays and a reef zone. With agriculture, industry, and tourism (mainly marine-based) as its principal economic bases, Mauritius has enjoyed two decades of rapid development, but now the natural resource base of the coastal zone is increasingly being degraded by terrestrial inputs (dyestuff, heavy metals and complex chemical compounds, sewage) from intensified urbanization. Such degraded lagoon not only exhibits poor diversity and become unsightly to visitors but also greatly reduces the resilience and natural capability of the coastal system to adapt to climate change. The general indication is one of an incessant increase in the accumulation of pollutants with development of anthropogenic activities, pointing towards a model of dynamic contamination of the coastal environment despite the much lower intensity of industrial rather than marine tourism development on the island. This demonstrates an unbearable and an unsustainable pressure on coastal resources, with most lagoons being severely (hopefully not irreversibly) damaged; fortunately, there is regrowth of coral in several lagoons of late. These should be

identified and declared. Marine Protected Areas initiatives of the civil society have to be encouraged and recognised.

Thus, Integrated Coastal Zone Management (ICZM) constitutes a real challenge for Mauritius not only to protect its marine biodiversity but also to safeguard and promote sustainable tourism. As far as development is concerned along the coast, according to the National Development Strategy 2003, a presumption in favour of development clustering in existing settlements, resort complexes and major *campement* sites within tourist zones approved by the Ministry of Tourism will be promoted. In such zones, presumptions in favour of most forms of mixed use tourism-related developments, including hotels, resorts housing and mixed business uses would be generally applicable.

Inadequate land planning in the past coupled with inadequate control of development have led to a mixture of incompatible developments and encroachment into environmentally sensitive areas. Land degradation, urbanization and competition for land are major concerns that need attention to be addressed for sustainable management of this scarce resource. A National Development Strategy (NDS 2003) was produced based on the concept of achieving critical mass through clustering of settlements and employment generating activities for effectiveness of government and private sector initiatives. A cornerstone objective of the new strategy is to focus on key settlement clusters and growth zones island-wide and on the coast where strategic developments should be guided. Designation of Urban Renaissance Zones, Rural Regeneration Zones, Special Use Zones and Tourism Zones form the basis of the NDS. The Land and Development Act 2004 provide a comprehensive framework for land use planning, taking special consideration of the Sugar Sector Strategic Plan 2001-2005.

Being an island, Mauritius is faced with major challenges for developing efficient transport systems so as to overcome isolation. Air, sea and road transport have been well developed in order to boost economic and social progress. Economic development has also brought traffic congestion (in particular in Port Louis, thus warranting alternative measures presently being actively studied), and air pollution, namely from motor vehicles. A recent survey revealed elevated levels of particulate matter in the air, the problem being particularly acute in towns with heavy vehicular traffic and polluting industries. Kruger Consult (1993) found significantly increased concentrations of lead in the blood of highly exposed groups such as traffic policemen and gas stations attendants. Unleaded petrol has been introduced since 2002 to help improve the quality of ambient air. New traffic regulations are also being promulgated to monitor vehicular exhaust emissions.

Water use is high because of heavy demands for irrigation, domestic and industrial purposes. The sources of water are mainly surface water and water from aquifers. A small percentage is extracted from boreholes. Many projects have been implemented to provide safe water and sanitation for all. Construction of new dams, increasing supply, maintenance of network, increasing efficiency of use are some examples of good water management practice being implemented. However, sustainable use of water has to be enforced to ensure an adequate supply. Water scarcity is a critical development challenge for Mauritius because of several factors such as rainfall variability, high run-off, porous soil and poor watershed management. Climate change can reduce freshwater availability, especially in extended periods of drought, as that of 1998.

The Sewerage Master Plan (1994) aimed at providing a global framework for a long-term commitment to establish and maintain wastewater treatment and water quality goals. The

National Environmental Action Plan (NEAP 1999) identified that the inadequate disposal of urban wastewaters was a major threat to the quality of groundwater, the principal source of domestic water supply of the country as well as the health of the coastal marine ecosystems. Within the framework of the Master Plan, the National Sewerage Programme (NSP 2004) was developed to cater for an increase of the coverage of the sewer system to 50% of the population by 2012 and provide adequate wastewater treatment facilities with the construction of new wastewater treatment plants.

The level of consumption and solid waste production has increased significantly with economic development. It is estimated that around 1000 tones of municipal solid wastes are generated per day. The cost of solid wastes collection, compaction and disposal amounted to around Rs 500 million in 2005. The sanitary landfill at Mare Chicose has eased the problem to some extent but the increase in waste generation will soon exceed the capacity of this facility. The sorting of waste, composting, re-cycling, reduction of waste at source and conversion of waste to energy schemes are currently being looked into. However, the facilities of pretreatment and disposal of hazardous waste are still not yet available. It is to be noted that solid and liquid wastes are common in drains and rivers (despite the fact that the situation has improved since the Chikungunya outbreak in early 2006 and cleaning campaigns!) and these end up in the sea.

Mauritius is not spared of the impacts of climate change: frequency and intensity of natural extreme events are increasing; effects of larger inter-annual variations in oceanic and atmospheric conditions, increased drought and enhanced erosion. Geographical and topographical characteristics of the island limit its capacity to adapt to and mitigate against climate change and sea level rise impacts. The National Climate Action Plan defines the system to monitor progress of global warming and to prepare for adaptation in line with the recommendations of the UNFCCC and the Kyoto Protocol. Most of the energy needs of Mauritius are derived from imported petroleum but initiatives have been taken to reduce emissions of greenhouse gases (GHG) and regular inventories are carried out. The country is pushing forward with a number of projects on energy efficiency and an alternative energy programme for production of electricity and bio diesel from sugar cane by-products to reduce dependency on imported petroleum. However, it also relies largely on international technical assistance to combat the problems related to climate change and sea level rise.

Mauritius is highly vulnerable to the threat of natural and environmental hazards and disasters like cyclones, tsunamis, droughts, floods, diseases and environmental hazards such as spills. The changes due to these calamities represent additional stresses on the stressed environmental systems. During a cyclone ocean water sweeps over the coastline causing coastal flooding, and damage to coral reefs, mangroves, and fisheries. Tropical cyclones can cause huge economic losses, especially by damaging dwellings, infrastructure (power, telecommunications, roads). Heavy rainfall can cause floods that damage infrastructure and crops, trigger landslides and promote disease. Mauritius has adapted itself to cyclones with precautionary measures, early warning systems and disaster reduction programmes. Bush fires on mountains are a problem and could be easily avoided. Risks of other environmental disasters include fire, explosions from supplies of oil and chemicals, airline crashes as well as terrorist attack. Precautions and contingency plans (national and regional) are moving more towards meeting the pragmatic measures.

Certain constraints (e.g. lack of scientific data and trained personnel, funds, appropriate technology) sometimes hamper the implementation of plans, programmes and projects. The

primary legislation encompassing all sectors is the Environmental Protection Act 2002, whereby the Department of Environment of the Ministry of Environment is empowered with responsibilities for general environmental protection. An Environment Police squad has also been set up and the general enforcement of the law has some public disapproval. Several ministries and parastatal institutions (e.g. University of Mauritius, Mauritius Sugar Industry Research Institute) also play a key role in implementing environmental projects. However, actions that have been implemented are often "green square/area" projects in cities rather than adopting a proper management approach.

The rising challenges with the reform of the sugar (through land conversion into Integrated Resorts Schemes) and land sectors, development of seafood hub, setting up of the light engineering sector and expansion of tourism sector will undoubtedly have significant impacts on the environment and increasingly, efforts will have to be done at all levels to consolidate and improve upon the existing technical, legal and institutional environmental framework. Land planning is a key issue inside the islands; in Rodrigues this has been acknowledged for a long time. Mauritius must not run the risk of being covered by concrete buildings and roads one day. Forestry policies should be geared more towards reforestation with endemic species and the collaboration of NGOs would be crucial in such projects.

A number of programmes and projects in the environmental sector in Mauritius are supported by donor agencies, the two most important ones, being the European Commission and the UNDP GEF agencies. The European Commission has played a key role in the field of waste/wastewater management by providing funds to develop the institutional, regulatory, legal and technical aspects of wastewater management, provide funds for accompanying measures in the sugar reform sector and for opportunities in the fishing sector by building capacity for monitoring of vessels and others. Key completed achievements of the EC have been the upgrading of the existing wastewater treatment plants as well as establishing connection to sewer systems and in reviewing solid waste management plans which have had a significant impact on improving the sanitation aspects of the island. The UNDP GEF has helped to develop capacity building and implementation of projects through its diverse operational programmes in the fields of biodiversity, coastal zone and general environmental protection. Of particular importance is the impact caused by the UNDP GEF/Small Grants Programme, through its community projects, on Government's policy in the field of solid wastes composting. Other donor agencies such as the World Bank, Japan technical cooperation programme and France have provided funds in capacity building in the field of environment while Japan is also providing funds to the fisheries sector.

The recommended key areas to be addressed as identified in this study consist of four strategic objectives, the main ones being environmental education at all levels and capacity building in public and private institutions. Sectoral improvements are coastal zone management with the operationalisation of the ICZM (Integrated Coastal Zone Management System), setting up of hazardous wastes pretreatment and medical wastes incineration facilities, sustainable solid waste management programmes provision for adequate water resources and increasing the role of the civil society in decision making on environmental issues. Specific actions are (i) Preparation and adoption of an integrated urban water resource management plan to empower communities to decide on the level of access to safe water and hygienic living conditions; (ii) The ICZM should amongst others ensure monitoring of reef health and careful evaluation of creation and/or expansion of reef passes are critical; establish

the sediment budgets of the whole system for improved understanding of lagoon coral sand production and net losses to abrasion and offshore; (iii) Setting up coral gardens is quite overdue; (iv) Declaration of more protected areas both terrestrial and marine are urgencies and in the manufacturing sector, there is scope for developing a programme with the Cleaner Production concept to reduce the pollution of existing and future manufacturing industries.

The priority programmes, identified by the Ministry of Environment comprise of three main components with an overall environment management at capacity building in the environmental sector, a resource management programme for developing the ICZM strategy and framework and a sector programme aiming at reducing environmental impacts of industry and development of adequate environmental industrial management.

In terms of capacity building, there is need to develop a strategy to develop training programmes in related environmental issues to be implemented at all levels in the curricula: such as empowering community programs, developing projects to reinforce the know-how and participation of civil society actors in the field of environment. Sustained public sensitization and environmental education is a sine qua none to change the public mindset that must evolve from a "business approach" paradigm to a more environmental friendly attitude.

## EU – MAURITIUS Country Strategy Paper 2008 – 2013

### Annex 4: Country Migration Profile (Mauritius)

The mid 1940s marked a turn in the migration process in Mauritius. Before 1940s, Mauritius was a net beneficiary of migrants. However, after 1945 or so, Mauritius has witnessed several waves of emigrants to different destinations such as UK, France, Canada, United States, Singapore and Australia, among others. The emigrants came from different social strata, ethnic groups, industrial and professional groups. The first major wave was in the early 1950s, when Mauritians started emigrating to South Africa. The independence of Mauritius in 1968 led to another wave of emigration to Australia. Owing to unemployment problems, many Mauritians have left for UK and France from 1960 to 1975. From the 1980s to 1990s, Mauritians have been emigrating to Italy, mainly to work as semi-skilled and manual workers.

Since the 1990s, Mauritians have been leaving for Dubai and Canada owing to attractive employment opportunities and less stringent emigration rules. In Dubai, there are opportunities for skilled personnel in the tourism sector. Many Mauritians who migrated to the US as students, have not returned and are highly educated. Today, entry requirements for skilled workers are more lenient in host countries. The proportion of skilled workers emigrating is thus greater.

In 2005, the total labour force is estimated at 559,100 (358,500 males and 200,600 females). The number of foreign workers stood at 16,600 (9,100 males and 7,500 females) while the Mauritian labour force is estimated at 542,500 (349,400 males and 193,100 females). Most of the foreign workers came from China and India. In order to promote better industrial relations with the Chinese workers, an Agreement is to be signed between Mauritius and China on the conditions in which the Chinese would work in Mauritius. The majority of the foreign workers were engaged in the manufacturing and construction sectors. In 2005, the number of unemployed persons is estimated at 48,500 comprising 18,200 males and 30,300 females. The unemployment rate works out to 8.9 percent.

Mauritius is reengineering itself to move up the value chain and build a knowledge economy based on services and information and communication technologies. The emphasis put on expanding these sectors increase the demand for skilled labour. Yet, the educational composition of the labour force shows that Mauritius is not equipped to meet the requirements of a knowledge-based economy in the short and medium terms.

There is need to attract Mauritian skills and entrepreneurship from overseas for specific assignments or to extend their technical know-how in developing key areas in the long term. There is, at present, a shortage of skills in specialized areas e.g. financial services, information and communication technology and actuarial sciences. This shortage is being met with technical assistance from various sources.

According to the Investment Assessment Climate 2006 Report, in Mauritius, 43 percent of firms believe that the skill level of the workforce is a serious obstacle to their operations and growth. Mauritius has a greater percentage of managers perceiving the skills and education of their workforce to be a greater problem than South Africa, Malaysia, Indonesia and India. This is a serious concern when Mauritius intends to move its economy towards services, which require a greater average education level than manufacturing.

The skill level of the workforce is the second most important constraint for service firms in Mauritius. With a tertiary enrolment of 15 percent in 2002, Mauritius will have difficulty attracting firms that require higher levels of education if it is to compete against Poland, Malaysia or Turkey, which all have tertiary enrolment levels double that of Mauritius.

Owing to the absence of reliable data on immigrants and emigrants, the net migration is taken as the difference between international arrivals and departures of residents. The net migration rate is the net migration in a year per 1,000 mid-year population. According to the Central Statistical Office, the net international migration for the period 1995-2004 is as indicated in Table 1 below:

**Table 1: Growth of the resident population , Republic of Mauritius, 1995-2004**

Year	Net International Migration	% International Migration
1995	-1,466	-0.13
1996	-41	0.00
1997	+1,358	+0.12
1998	-37	0.00
1999	+1,092	+0.09
2000	+591	+0.05
2001	+500	+0.04
2002	-569	-0.05
2003	+524	+0.04
2004	-822	-0.07

Source: Central Statistical Office

According to the Bank of Mauritius 2004 Annual Report, there is a net shortfall in remittances in 2003/2004. Figures include total remittances by individuals and enterprises. The inward and outward remittances of category 1 banks are as detailed in Table 2 below:

**Table 2: Inward and Outward Remittances of Category 1 Banks**

	Inward remittances	Outward remittances	Surplus/Shortfall (-)
	(Rs million)	(Rs million)	(Rs million)
	(1)	(2)	(1) – (2)
Jul 03-Dec03	35,911	36,360	-449
Jan04-Jun04	35,053	38,306	-3,253
2003-04	70,964	74,666	-3,702

Source: Bank of Mauritius 2004 Annual Report

The Scheme for Attracting Professionals in Emerging Sectors (SAPES) introduced in 2002, aims at foreign professionals in the ICT and the financial services sectors. The Scheme was not successful probably due to long administrative procedures. Out of 29 applications, only 10 were approved and only 5 materialised. Beneficiaries of the Integrated Resort Scheme (IRS) have to invest a minimum of US\$500,000. However, they lose their Permanent Status if they sell their property in Mauritius.



Government wishes to attract foreign talent, know how, ideas, technology and money to absorb the unemployed, upgrade skills and raise earnings of the labour force. Government is encouraging foreign and Mauritian professionals from the Diaspora to participate in the development of the country by taxing Mauritians on income remitted instead of world-wide income. In the Budget speech 2006/2007, it was announced that residence permits and work permits will be combined into an occupation permit for (i) investors generating more than Rs 3 million of annual turnover; (ii) professionals offered employment paying more than Rs 30,000 a month; and (iii) self-employed generating an annual income of Rs 600,000 a year. Non-citizen retirees providing evidence that he will bring in at least US\$ 40,000 annually can apply through the Board of Investment for a residence permit. He will have to provide a bank guarantee of US\$ 10,000. The same will apply to self-employed professionals. This measure is a building block to expand from the current model of short term tourism to an integrated hospitality and leisure industry.

Mauritius has joined the International Organisation for Migration (IOM), an Inter-governmental organization in the field of migration. Mauritius would adhere to the principle of free movement of its nationals but could also regulate migration laws applicable to foreigners entering its territory. As a member of IOM, Mauritius would derive the following benefits:

- (i) obtain assistance in reaching migration agreements with countries like South Africa, Australia, United Kingdom, Canada and countries in the Middle East;
- (ii) obtain assistance in mobilizing resources from the Mauritian Diaspora by facilitating their return home, bringing new skills, knowledge and financial resources; and
- (iii) obtain funds for a study of labour demands/opportunities abroad.

In this context, the Government of Mauritius is currently setting up a *Circular Migration Pilot Project* which objective is three-fold:

- To enable Mauritian participants to build their skills abroad and on their return, find employment in emerging sectors;
- To encourage remittance flows and enhance their development impact;
- To harness the intellectual and financial resources of the Diaspora, by facilitating return migration and encouraging assistance in the development of the country.

The Action Plan proposed foresees a pilot initiative with an EU destination country and includes a profiling exercise for retrenched workers, a support system for migrants working abroad as well as assistance to facilitate their return and investment in the country.

## **EU –Mauritius Country Strategy Paper**

### **Annex 5 – CSP Drafting Process : Involvement of NSAs and local authorities**

The Government of Mauritius and the EC Delegation have jointly conducted wide consultations with non-state actors including members of civil society and local authorities, on the main thrust of the CSP. EU member states have also been closely associated throughout the consultation process. The purpose of these consultations was to receive direct feedback on the country assessment and proposed response strategy for the 10<sup>th</sup> EDF. The process reconfirmed the usefulness of consultations as participants highlighted the importance of involving NSA, recommending to have structured and continuous consultations in future and improve on communication on the Government's reform programme.

A plenary discussion was held on the 4<sup>th</sup> July 2006, in Port Louis at which the lessons learned of the 9<sup>th</sup> EDF and the orientations of the 10<sup>th</sup> EDF were presented. On the same date, Mauritius was consulting in Brussels with its major development and donor partners on its ten year reform programme.

Targeted consultations were conducted with civil society, EU Members States and various government agencies on governance related issues, through a survey questionnaire and bilateral meetings. In the context of the dialogue, Government has listed a series of commitments to further improve on governance. The dialogue on governance has been notably open and constructive.

Together with the World Bank, and in line with the harmonization initiative, two further consultations were held in July 2006 with government ministries and non-government actors respectively on the proposed WB and EU response strategies, based upon a presentation of the common results matrix and the specific EU and WB intervention roadmap over the periods of their respective CSP and CPS.

The EC and the World Bank also held extensive bilateral consultations to ensure common country assessment and to align the respective assistance strategies and implementation modalities.

**EU –Mauritius Country Strategy Paper 2008 – 2013**

**ANNEX 6 – TABLE ON KEY INTERNATIONAL COMMITMENTS**

**MULTILATERAL CONVENTIONS/TREATIES SIGNED/RATIFIED/ACCEDED TO BY MAURITIUS AFTER INDEPENDENCE**

Name of Conventions/Treaties	Date Signed/Ratified/ Acceded to
<b><u>CONVENTIONS RELATING TO AFRICA</u></b>	
Convention on Nature & Natural Resources	Signed on 15.09.68
Convention on Governing Refugee Problems in Africa	Signed on 10.09.69
Convention on Cultural Charter for Africa	Ratified on 18.03.86
Convention on African Civil Aviation Commission	Ratified on 25.05.90
Convention on African Economic Community	Ratified on 14.02.92
Convention on African Charter on the Rights & Welfare of the Child	Ratified on 14.02.92
Bamako Convention on the Ban of the Import into Africa and the Control of Transboundary movement of Hazardous Waste within Africa	Ratified on 26.11.92
Africa Nuclear Weapon Free Zone Treaty-Treaty of Pelindaba	Ratified on 19.04.96
Convention on Africa Court on Human & P. Rights	Signed on 09.06.98
Convention on African Maritime Transport	Ratified on 28.07.98
African Union	Ratified on 13.04.01
African Energy Commission	Signed on 23.05.02
Convention on African Charter for Human and People's Rights	Ratified on 19.06.02
OUA Convention on the Prevention and Combating of	Acceded on 27.01.03

## Terrorism

Protocol to the African Charter on Human and People's Rights on Establishment of an African Court on Human and People's Rights      Ratified on 03.03.03

Protocol relating to the Establishment of the Peace and Security Council of the African Union      Ratified on 16.06.03

*Source: Ministry of Foreign Affairs, International Trade and Cooperation*

## **AVIATION LAW / HIJACKING**

Convention on the Privileges of the Specialised Agencies – 21/11/47      Acceded on 18 July 1969

Convention on International Civil Aviation – Chicago, 7/12/44      Acceded on 30 January 1970

International Air Services Transit Agreement – Chicago, 7/12/44      Acceded on 13 September 1971

International Convention against the taking the hostages, adopted by the General Assembly of the United Nations on 17 December 1979 and which entered into force on 3 June 1983      Ratified on 17 October 1980

Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963 and entered into force on 4 December 1969.      Ratified on 5 April 1983

Convention on the Suppression of Unlawful Seizure of Aircraft signed at the Hague on 16 December 1970 and entered into force on 14 October 1971      Ratified on 25 April 1983

Convention on the Suppression of Unlawful Acts Against the Safety of Civil Aviation, Signed at Montreal on 23 September 1971 and which entered into force on 26 January 1973      Ratified on 25 April 1983

Protocol for Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation of 1971, done in Montreal on 24 February 1988 and entered into force on 6 August 1989      Ratified on 17 August 1989

Convention for the Unification of Certain Rules relating to International Carriage by Air-Warsaw, 12/10/29      Acceded on 17 October 1989

Protocol to Amend the Warsaw Convention of 12 October 1929, 2002 1929-The Hague, 28/9/55	Acceded on 17 October 1989
Protocol on the Authentic Quadrilingual Text of the Convention on International Civil Aviation – Montreal, 30/9/77	Acceded on 2 July 1990
Convention Supplementary to the Warsaw Convention, for the Unification of Certain Rules relating to International Carriage by Air Performed by a Person other than the Contracting Carrier – Guadalajara, 18/9/61	Acceded on 15 October 1990 [Continued]

**AVIATION LAW / HIJACKING [contd.]**

Convention on the International Recognition of Rights in Aircraft – Geneva, 19/6/48	Acceded on 17 April 1991
Protocol on the Authentic Quinquelingual Text of the Convention on International Civil Aviation – Montreal, 29/9/95	Acceded on 29 September 1995
Protocol on the Authentic Six-Language Text of the Convention on International Civil Aviation – Montreal, 1/10/98	Acceded on 1 October 1998

**DISARMAMENT**

1963 Treaty on Principles Governing the Activities of States in Exploration and Use of Outer Space	Acceded on 7 April 69
1968 Non Proliferation Treaty	Ratified on 8 April 69
1971 Treaty on the Prohibition of Emplacement of Nuclear Weapons on Ocean Floor and in the Subsoil (seabed arms Control Treaty)	Ratified on 23 April 71
1972 Convention on the Prohibition of the Development, Production, Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction	Ratified on 7 August 1972
1997 Ottawa Convention on the Prohibition of the use Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction	Ratified on 3 December 1997
1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction (also called Chemical Weapons Convention)	Ratified on 9 February 1993
1996 Africa Nuclear Weapon Free Zone Treaty (Pelindaba Treaty)	Ratified on 24 April 96

1980 UN Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which may be deemed to be excessively injurious or to have indiscriminate effects	Acceded on 6 May 1996
1980 Protocol I on Non-Detectable Fragments	Acceded on 6 May 1996
1980 Protocol II on Prohibitions and Restrictions on the Use of Mines, Booby-traps and Other Devices	Acceded on 6 May 1996
	[Continued]

### **DISARMAMENT [contd.]**

1980 Protocol III on Prohibitions or Restrictions of the Use of Incendiary Weapons	Acceded on 6 May 1996
2000 Optional Protocol to the Convention on the Rights of the Child on the involvement of Children in armed Conflicts	Signed on 11 November, 2001

### **CONVENTION / TREATY RELATING TO IAEA**

1968 Non Proliferation Treaty *	Ratified on 8 April 1969
Revised Supplementary Agreement concerning the Provision of Technical Assistance by IAEA	Signed on 3 April 1989
1996 Africa Nuclear Weapon Free Zone Treaty (Pelindaba Treaty) *	Ratified on 24 April 1996
Convention on Early Notification of a Nuclear Accident	Acceded on 17 September 1992
Convention on Assistance in Case of a Nuclear Accident or Radiological Emergency	Acceded on 17 September 1992
African Regional Co-operative Agreement for Research, Development and Training related to Nuclear Science and Technology (AFRA)	Accepted on 26 April 2000
Additional Protocol to the Agreement with the IAEA for the Application of Safeguards in connection with N.P.T.	Signed on 09.12.04

\* Also listed under 'DISARMAMENT'

### **ENVIRONMENTAL LAW**

Convention on International Trade in endangered species of Wild Flora and Fauna (CITES)	Ratified on 28.04.75
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United Nations Framework Convention on Climate Change	Ratified on 17.8.92
Convention on Biological Diversity	Ratified on 17.8.92
Vienna Convention for the Protection of the Ozone Layer	Acceded on 18.8.92
Montreal Protocol on Substances that Deplete the Ozone Layer	Acceded on 18.8.92
London Amendment to the Montreal Protocol (1990)	Acceded on 20.10.92
Bamako Convention on the Ban of the Import into Africa and the Control of Transboundary Movement of Hazardous Wastes within Africa	Ratified on 29.10.92
	[Continued]

### **ENVIRONMENTAL LAW [contd.]**

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes	Ratified on 24.11.92
Copenhagen Amendment to the Montreal Protocol (1992)	Ratified on 30.11.93
International Convention to Combat Drought and Desertification	Acceded on 11.1.96
Convention for the Protection, Management and Development of the Marine and Coastal Environment in the Eastern African Region and Related Protocols (Nairobi Convention)	Acceded on 10.07.2000
1992 Civil Liability Convention CLC and Fund Convention	Acceded on 06.12.2000
The Kyoto Protocol to the Convention on Climate Change	Ratified on 9.05.01
The Stockholm Convention on Persistent Organic Pollutants	Ratified on 05.07.04
Ramsar Convention on Wetlands of International Importance (Ramsar)	Ratified on 25.05.01
Cartagena Protocol on Biosafety	Ratified on 9.05.01
Montreal (1997) and Beijing (1999) Amendments to the Montreal Protocol on substances that Deplete the Ozone Layer	Accepted on 03.03.03

### **CHILDREN'S RIGHTS**

Hague Convention on Civil Aspects of child Abduction	Acceded on 1.06.93
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Convention on the Rights of the Child	Acceded on 26.07.90
Amendment to article 43(2) of the Convention on the Rights of the Child	Acceded on 25.08.99
Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict	Signed on 11.11.01
Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography	Signed on 11.11.01
Worst Forms of Child Labour Convention 1999	Ratified on 26.05.00

### **HUMAN RIGHTS**

International Convention on the Elimination of All Forms of Racial Discrimination	Acceded on 30.05.72
International Covenant on Economic, Social and Cultural Rights	Acceded on 12.12.73
Optional Protocol to the International Covenant on Civil and Political Rights	Acceded on 12.12.73
International Covenant on Civil and Political Rights	Acceded on 12.12.73
Convention on the Elimination of All Forms of Discrimination against Women	Acceded on 9.7.84
Convention against Torture and Other Cruel, Inhuman or Degrading treatment or Punishment	Acceded on 9.12.92
Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women	Signed on 11.11.01

### **LABOUR RIGHTS / ILO**

Unemployment Convention 1919 (No. 2)	Ratified on 02.12.69
Unemployment Indemnity (Shipwreck) Convention 1921 (No. 8)	Ratified on 02.12.69
Right of Association (Agriculture) Convention 1921 (No. 11)	Ratified on 02.12.69
Workmen's compensation (Agriculture) Convention 1921 (No. 12)	Ratified on 02.12.69
Weekly Rest (Industry) Convention 1921 (No. 14)	Ratified on 02.12.69



Medical Examination of Young Persons (Sea) Convention 1921 (No. 16)	Ratified on 02.12.69
Workmen's Compensation (Accidents) Convention 1925 (No. 17)	Ratified on 02.12.69
Equality of Treatment (Accidents Compensation) Convention 1925 (No. 19)	Ratified on 02.12.69
Minimum Wage Fixing Machinery Convention 1928 (No. 26)	Ratified on 02.12.69
	[Continued]

**LABOUR RIGHTS / ILO [contd.]**

Forced Labour Convention 1930 (No. 29)	Ratified on 02.12.69
Protection against Accidents (Dockers) Convention (Revised) 1932 (No. 32)	Ratified on 02.12.69
Workmen's Compensation (Occupational Diseases) Convention (Revised) 1934 (No. 42)	Ratified on 02.12.69
Certificate of Able Seamen Convention 1946 (No.74)	Ratified on 02.12.69
Labour Inspection Convention 1947 (No. 81)	Ratified on 02.12.69
Contracts of Employment [Indigenous Worker Convention 1947 (N.86)]	Ratified on 02.12.69
Labour Clauses (Public Contracts) Convention 1949 (No. 94)	Ratified on 02.12.69
Migration for Employment Convention (Revised) 1949 (No. 97)	Ratified on 02.12.69
Right to Organise and Collective Bargaining Convention 1949 (No. 98)	Ratified on 02.12.69
Minimum Wage Fixing Machinery (Agriculture) Convention 1951 (No. 99)	Ratified on 02.12.69
Abolition of Forced Labour Convention 1957 (No. 105)	Ratified on 02.12.69
Seafarer's Identity Documents Convention 1958 (No. 108)	Ratified on 02.12.69
Minimum Age Convention 1973 (No. 138)	Ratified on 30.07.90
Tripartite Consultation (International Labour Standards) Convention 1976 (No. 144)	Ratified on 14.06.94

Labour Statistics Convention, 1985 (No. 160)	Ratified on 14.06.94
Part-time Work Convention 1994 (No. 175)	Ratified on 14.06.94
Equal Remuneration Convention 1951 (No. 100)	Ratified on 3.12.02
Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	Ratified on 3.12.02
Dock Work Convention 1973 (No. 137)	Ratified on 03.03.03
Labour Administration Convention(No. 150)	Acceded on 24/02/04
Convention on workers and family responsibilities (No. 156)	Acceded on 24/02/04
	[Continued]
Convention Concerning Vocational Rehabilitation and Employment (Disabled Persons) No. 159	Acceded on 12/05/04
Employment Service Convention, 1948, (No. 88)	Ratified 05/08/04
<b><u>WOMEN'S RIGHTS</u></b>	
Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW)	Acceded on 9.07.84
Optional Protocol to the Convention on the Elimination of all forms of Discrimination Against Women	Signed on 11.11.01
<b><u>LAW OF THE SEA</u></b>	
1958 Convention on the Territorial Sea & Contiguous Zone	Succeeded 05.10.70
1958 Convention on the High Seas	Succeeded 05.10.70
1958 Convention on Fishing & Conservation of Living Resourced of the High Seas	Succeeded 05.10.70
1958 Convention on the Continental Shelf	Succeeded 05.10.70
Optional Protocol of Signature concerning the compulsory settlement of Disputes	Succeeded 05.10.70
United Nations Convention on the Law of the Sea (UNCLOS), 1982	Ratified on 4.11.94
Protocol on the Priviledges and Immunities of the International Seabed Authority	Acceded on 20.12.04
<b><u>MARITIME LAW</u></b>	
International Convention for the Safety of Life at Sea (SOLAS)	Acceded on 01.02.88

1974

International Convention on Load Lines, 1996	Acceded on 13.08.88
International Convention on Tonnage Measurement of Ships (TONNAGE), 1969	Acceded on 13.08.88
Convention on International Regulations for Preventing Collisions at Sea (COLREG)	Acceded on 26.11.88
Convention on Facilitation of International Maritime Traffic (FAL), 1965	Acceded on 18.06.90
International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), 1978	Acceded on 04.07.91
The Convention on the International MARITIME Satellite Organisation (INMARSAT), 1976	Acceded on 07.06.92

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**MARITIME LAW.]**

International Convention for the Prevention of Pollution from Ships (MARPOL), 1973 as amended by the Protocol, 1978	Acceded on 06.04.95
International Convention on Maritime Search and Rescue (SAR), 1979	Acceded on 04.05.99
International Convention relating to Intervention on the High Seas in cases of Oil Pollution casualties	Ratified on 22.11.02
International Convention on Salvage	Ratified on 22.11.02
Convention on Limitation of Liability for Maritime claims	Ratified on 22.11.02
Protocol of 1988 relating to the International Convention for the safety of Life at Sea (SOLAS)	Ratified on 22.11.02
Protocol of 1988 relating to the International Convention of Load Lines	Ratified on 22.11.02

Protocol Relating to International Convention on the High Seas in cases of Pollution by substances other than oil	Acceded on 07/10/03
Convention for the Suppression of Unlawful Acts against the Safety of maritime Navigation, 1988;	Acceded on 21/07/2004
Protocol for the Suppression of Unlawful Acts against the safety of Fixed Platforms located on the Continental Shelf 1988	Acceded on 27/07/2004

### **MARINE POLLUTION**

International Convention for the Prevention of Pollution from Ships (MARPOL), 1973 as amended by the Protocol, 1978	Acceded on 06.04.95
International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC) 1990	Acceded on 02.03.2000

### **NARCOTIC DRUGS**

Single Convention on Narcotic Drugs, 1961, as amended by the Protocol amending the Single Convention on Narcotic Drugs 1961, New York	Succession 12.03.68
Single Convention on Narcotic Drugs	Succession 18.7.69
Convention on Psychotropic Substances, Vienna 1971	Acceded on 8.05.73

Protocol Amending the Single Convention on Narcotic Drugs 1961, Geneva 1972	Acceded on 12.12.94
UN Convention against Illicit Traffick in Narcotic Drugs and Psychotropic substances, Vienna, 1971	Acceded on 6.03.01
<b><u>PENAL MATTERS</u></b>	
Convention on the Recognition and Enforcement of Foreign Arbitral Awards	Acceded on 19/06/96
UN Convention Against Transnational Organised Crime(Palermo Convention)	Ratified on 18/04/03
1998 Rome Statute for the International Criminal Court	Ratified on 5//03/02
Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women & children, Supplementing the United Nations Convention against Transnational Organized Crime, 2000	Acceded on 24/09/03
Protocol against the Smuggling of Migrants by Land, Sea and Air, Supplementing the United Nations Convention against Transnational Organized Crime	Acceded on 24/09/03
Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime, 2000 and	Acceded on 24/09/03
Convention on the Prevention and punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, 1973	Acceded on 24/09/03
UN Convention against Corruption	Ratified on 14/12/04
<b><u>PRIVATE INTERNATIONAL LAW (HAGUE CONVENTIONS)</u></b>	
Convention Abolishing the Requirement of Legislation for Foreign Public Document	Succeeded 12.03.68
Hague Convention on Civil Aspects of International Child Abduction	Acceded on 1.06.93
Hague Convention on Protection of Children and Cooperation in respect of Intercountry Adoption	Acceded on 28.09.98

**PRIVILEGES & IMMUNITIES**

Convention on the Privileges and Immunities of the U.N.	Succession 18.07.69
Convention on the Privileges and Immunities of Specialized Agencies	Succession 18.07.69 Continued.....

Vienna Convention on Diplomatic Relations	Succession 18.07.69
Optional Protocol to the Vienna Convention on Diplomatic Relations, concerning the Compulsory Settlement of Disputes	Succession 18.07.69
Vienna Convention on Consular Relations	Acceded on 13.05.70

**TELECOMMUNICATIONS**

International Telecommunication Union (ITU)	Acceded on 4.7.69
Postal Union	Acceded August 1969
Commonwealth Telecommunication Organisation (CTO)	Signed in 1985
International Telecommunications Satellite Organisation (INTELSAT) [Note: INTELSAT has been privatized as from 18 July 2001 into a new intergovernmental organization known as International Telecommunications Satellite Organisation – ITSO]	Acceded on 27.8.86

**TERRORISM**

International Convention against the taking the hostages, adopted by the General Assembly of the United Nations on 17 December 1979 and which entered into force on 3 June 1983	Ratified on 17 October 1980
1977 Protocol I & II– Additional to 1949 Geneva Convention relating to the Protection of victims of International Armed Conflicts	Acceded on 22 March 1982
Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963 and entered into force on 4 December 1969.	Ratified on 5 April 1983
Convention on the Suppression of Unlawful Seizure of Aircraft signed at the Hague on 16 December 1970 and entered into force on 14 October 1971	Ratified on 25 April 1983

Convention on the Suppression of Unlawful Acts Against the Safety of Civil Aviation, Signed at Montreal on 23 September 1971 and which entered into force on 26 January 1973	Ratified on 25 April 1983
Protocol for Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation of 1971, done in Montreal on 24 February 1988 and entered into force on 6 August 1989	Ratified on 17 August 1989
UN International Convention for the suppression of Terrorist Bombings	Acceded on 24/01/03
OAU Convention on the Prevention and Combating of Terrorism adopted at Algiers on 14/07/99	Acceded on 27/01/03

AU Convention on the Prevention and Combating of Terrorism (Adopted by the 35 <sup>th</sup> Ordinary Session of the Assembly of Heads of State and Government in Algiers, Algeria on 13 <sup>th</sup> July 1999 and entered into force on 6 December 2002	Acceded on 27 January 2003
International Convention for the suppression of the financing of Terrorism adopted by the UNGA in 1999	Ratified on 14 December 2004

### **TRAFFIC IN PERSONS**

Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others, 1950 and	Signed on 24/09/03
Final Protocol to the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others, 1950	Signed on 24/09/03

### **UNESCO**

Accord pour l'importance d'objets de caractère éducatif, scientifique ou culturel avec annexes A, B, C, D et E et protocole annexe	Déclaration 18.07.69
Convention concernant la lutte contre la discrimination dans le domaine de l'enseignement – 1960	Déclaration d'application 20.08.70
Convention universelle sur le droit d'auteur et protocoles 1, 2 et 3 – 1952	Déclaration d'application 20.08.70
Convention relative à l'établissement d'un Centre de	Acceptation pure et simple

formation et de recherche administratives pour le développement (CAFRAD) – 1967	01.06.77
Convention concernant les mesures à prendre pour interdire et empêcher l'importation et le transfert de propriété illicites des biens culturels – 1970	Acceptation 27.02.78
Convention pour la protection du patrimoine mondial culturel et naturel – 1972	Ratification 19.09.95
Statuts du Centre international d'études pour la conservation et la restauration des biens culturels ICCROM	Adhésion 29.06.98

### MISCELLANEOUS CONVENTIONS/TREATIES

Vienna Convention on the Law of Treaties;	Acceded on 18.09.73
Amendment to Article 61 of the Charter of the United Nations, adopted by the General Assembly of the United Nations in resolution 2847 (XXVI) of 20 December 1971	Ratified on 19.06.73
Agreement establishing the African Development Bank	Acceded on 1.01.74
Convention Avec l'Agence Intergouvernementale de la Francophonie – Centre de Lecture et d'Animation Culturelle	Signed December 1977
Agreement establishing the International Fund for Agricultural Development	Acceded on 29.01.79
Constitution of the United Nations Industrial Development Organisation	Ratified on 9.12.81
Constitution of the World Health Organisation	Accepted on 17.03.99
Amendments to Articles 24 and 25 of the Constitution of the WHO	Accepted on 17.03.99
ACP-EU Partnership Agreement, Cotonou	Ratified on 18.09.2000
Southern African Regional Police Chiefs Cooperation Organisation (SARPCCO) Agreement on Cooperation and Mutual Assistance in the field of Crime Combating	Signed on 31.08.01 Ratified on 20.01.03
SADC Protocol on Culture, Information and Sports	Ratified on 4.01.02
Agreement between Indian Ocean Rim Association for Regional Cooperation and the Govt. of Mauritius for the	Signed on 24.02.02



setting up of a Coordinating Secretariat in Mauritius

International Treaty on Plant Genetic Resources for Food and Agriculture	Ratified on 03.03.03
Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas	Accepted on 12.05.04
Framework Convention on Tobacco Control	Ratified on 14.05.04
Convention on the Conservation of Migratory species of wild Animals	Acceded on 17/01/04
Convention on the Conservation of the Antarctic Marine Living Resources	Acceded on 02/10/04

## DOUBLE TAXATION AVOIDANCE AGREEMENTS

as at 12.10.2004

	<b>Country</b>	<b>Date of Signature</b>	<b>Date of Entry into force</b>
1	Belgium	04.07.95	28.01.99
2	Botswana	26.09.95	13.03.96
3	China	01.08.94	05.05.95
4	Croatia	06.09.02	-
5	Cyprus	21.01.2000	12.06.2000
6	France	11.12.80	17.09.82
7	Germany	15.03.78	01.01.81
8	India	24.08.82	11.06.85
9	Indonesia	10.12.96	20.02.98
10	Italy	09.03.90	28.04.95
11	Kuwait	24.03.97	01.09.98
12	Lesotho	29.08.97	-
13	Luxembourg	15.02.95	12.09.96
14	Madagascar	30.08.94	04.12.95
15	Malaysia	23.08.92	19.08.93
16	Mozambique	14.02.97	08.05.99
17	Namibia	04.03.95	25.07.96
18	Nepal	03.08.99	10.11.99
19	Oman	30.03.98	20.07.98
20	Pakistan	03.09.94	19.05.95
21	Russian Federation	24.08.95	Not yet
22	Rwanda	30.07.01	Not yet
23	Senegal	17.04.02	Not yet
24	Singapore	19.08.95	07.06.96
25	Sri Lanka	12.03.96	02.05.97
26	South Africa	05.07.96	20.06.97
27	Swaziland	29.06.94	08.11.94
28	Sweden	23.04.92	21.12.92
29	Thailand	01.10.97	10.06.98
30	United Kingdom	11.02.81	26.10.87
31	Zimbabwe	06.03.92	05.11.92
32	Uganda	19.09.03	-
33	Barbados	28.09.04	-

**INVESTMENT PROMOTION AND PROTECTION AGREEMENTS**

**as at 12.10.2004**

	<b>Country</b>	<b>Date of Signature</b>	<b>Date of Entry into force</b>
1	Germany	25 May 71	27 August 73
2	France	22 March 73	01 March 74
3	United Kingdom	20 May 86	13 October 86
4	China	04 May 96	08 June 97
5	Mozambique	14 February 97	Not Yet
6	Indonesia	05 March 97	28 March 2000
7	Pakistan	03 April 97	Not Yet
8	Portugal	12 December 97	3 January 99
9	South Africa	17 February 98	7 October 98
10	India	04 September 98	20 June 2000
11	Switzerland	26 November 98	21 April 2000
12	Czech Republic	05 April 99	6 May 2000
13	Nepal	03 August 99	Not Yet
14	Romania	20 January 2000	20 December 2000
15	Singapore	4 March 2000	20 March 2000
16	Swaziland	15 May 2000	Not Yet
17	Zimbabwe	17 May 2000	Not Yet
18	Benin	18 May 2001	Not Yet
19	Burundi	18 May 2001	Not Yet
20	Ghana	18 May 2001	Not Yet
21	Mauritania	18 May 2001	Not Yet
22	Tchad	18 May 2001	Not Yet
23	Comoros	18 May 2001	Not Yet
24	Guinea Republic	18 May 2001	Not Yet
25	Rwanda	30 July 2001	Not Yet
26	Cameroon	03 August 2001	Not Yet
27	Senegal	14 March 2002	Not Yet
28	Sweden	23 February 2004	Not Yet
29	Madagascar	06 April 2004	Not Yet
30	Barbados	28 September 2004	Not Yet

## ANNEXE 8: PROSPECTIVE GOVERNANCE COMMITMENTS: MAURITIUS

OVERALL CONCLUSION	
GOVERNANCE PROFILE	COMMITMENTS
<b>I. POLITICAL/DEMOCRATIC GOVERNANCE (VOICE AND ACCOUNTABILITY FOR WBI)</b>	<ul style="list-style-type: none"> <li>• Government is committed to ensuring that human rights are well respected in Mauritius. In this context amendments will be brought to the Protection of Human Rights Act by December 2007 to strengthen the National Human Rights Commission (“NHRC”).</li> <li>• The functioning and enforcement powers of the National Human Rights Commission will be reviewed, in the light of the recommendations made by the UN Human Rights Committee in March 2005 and of the Paris Principles.</li> <li>• The Equal Opportunities Bill which will be introduced by December 2007 will provide for the establishment of an Equal Opportunities Commission.</li> </ul>
<b>II. POLITICAL GOVERNANCE/RULE OF LAW: JUDICIAL AND LAW ENFORCEMENT SYSTEM</b>	<p><b>Prisons</b></p> <ul style="list-style-type: none"> <li>• It is proposed to further improve the prison conditions and environment and to provide better facilities for detainees. The objective is to have one cell per detainee and a dormitory to accommodate between three and twenty detainees.</li> <li>• A strategic plan which will cover accommodation, safety and security of detainees. Will be finalised by March 2007.</li> </ul>

	<ul style="list-style-type: none"> <li>• A new prison which would house up to 750 detainees will be constructed at Melrose. Construction works are scheduled to start by June 2008 and to be completed by 2011.</li> </ul> <p><b>Police</b></p> <ul style="list-style-type: none"> <li>• Government is firmly committed to improve investigative methods and eliminate and punish police violence.</li> <li>• To achieve this, the following measures will be introduced: <ul style="list-style-type: none"> <li>→ The DNA Bill will be finalised by December 2007.</li> <li>→ Improved training will be dispensed to police officers in investigative methods. The French Government will provide training during the first semester of 2007 in the following fields:- <ul style="list-style-type: none"> <li>(a) <i>graphologie</i></li> <li>(b) <i>identité judiciaire</i></li> <li>(c) <i>ballistiques</i></li> <li>(d) <i>techniques de l'enquête et d'audition</i></li> <li>(e) <i>formation sur l'ADN</i></li> </ul> </li> <li>→ An Independent Police Complaints Commission will be established and will provide for more transparency in the investigation of complaints made against police officers.</li> </ul> </li> </ul>
	<p><b>Judiciary</b></p> <ul style="list-style-type: none"> <li>• By letter dated 12 February 2007, the Judiciary has indicated that it proposes to reduce delays in completing pre-trial procedures and court proceedings by almost 50 % by the end of December 2008.</li> </ul>

	<ul style="list-style-type: none"><li>• Government proposes to implement measures recommended by Lord Mackay in 1997 and 2006 in his review of the structure and operation of the judicial system and legal profession.</li><li>• Those measures include-<ul style="list-style-type: none"><li>(a) the restructuring of the Supreme Court into a High Court and a Court of Appeal, which will result in a permanent Division of the High Court hearing first instance criminal cases throughout the Court term;</li><li>(b) the setting up a separate DPP's Office with a team of law officers doing exclusively criminal prosecution work, which will result in less backlog at the level of the DPP's Office; and</li><li>(c) the introduction of statutory time-limits for instituting proceedings before Court.</li></ul></li></ul>
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### III. CONTROL OF CORRUPTION

Government aims at improving the ranking of Mauritius on the corruption index. The following measures *inter alia* will be implemented-

- (i) amendment of the Prevention of Corruption Act ("PoCA") with a view to:-
  - widening the definition of corruption offence to include "private corruption";
  - strengthening the evidence-gathering powers of ICAC; and
  - streamlining the procedures laid down in PoCA.
- (ii) implementation of the recommendations of ICAC (contained in Corruption Prevention Reviews) on reducing risks for corruption in public bodies;
- (iii) intensifying the education programme to educate the citizens on the evils of corruption; and
- (iv) implementation of the Public Procurement Act which was passed in December 2006 with a view to ensuring maximum transparency in public procurement matters. The Act will be operational by June 2007.

<b>IV. GOVERNMENT EFFECTIVENESS</b>	<ul style="list-style-type: none"> <li>• A Public Finance Management (PFM) assessment based on PEFA methodology is underway and will be completed by June 2007. Once the areas requiring improvement are identified, the consultants will be requested to formulate a costed action plan and timetable for implementation. Government has requested assistance from the IMF Fiscal Affairs Dept to strengthen the PFM system.</li> </ul>
<b>V. ECONOMIC GOVERNANCE (REGULATORY CAPACITY FOR WBI)</b>	<ul style="list-style-type: none"> <li>• The Business Facilitation (Miscellaneous Provisions) Act 2006 which aims at improving the investment climate and at the same time our ranking in the “Doing Business Survey” is fully operational.</li> <li>• The government is committed to the principle of effective exchange of information for tax purposes on the basis of the latest OECD model convention on the avoidance of double taxation. For that purpose, it intends to continually update its domestic provisions, whenever required, to ensure that the competent authorities have adequate powers to obtain and share information with its Treaty partners, including banking information and irrespective of domestic tax interest. It also intends to engage into negotiations with EU Member States with which Mauritius has a Double Taxation Avoidance in order to render the provisions on exchange of information compliant with the latest OECD model for those Member States Convention. The government will continue its dialogue with the OECD, pursuant to commitments taken, and pursue on-going efforts to keep the tax regime free from harmful features</li> <li>• The Fisheries and Marine Resources (Amendment) Act aims at harmonising the fisheries administrative and legislative framework of countries of the IOC region. The draft Fisheries and Marine Resources Bill is being finalised by the Attorney-General’s Office and will be enacted by June 2007</li> </ul>
<b>VI. INTERNAL AND EXTERNAL SECURITY (POLITICAL STABILITY AND ABSENCE OF VIOLENCE FOR WBI)</b>	<p style="text-align: center;">-</p>



<p><b>VII. SOCIAL GOVERNANCE</b></p>	<ul style="list-style-type: none"> <li>• The Labour (Amendment) Act 2006 bringing the minimum age of employment from 15 to 16 was proclaimed on 18 December 2006 and is in operation as from that date. The objective of the Act is to prohibit child employment</li> <li>• Government has committed itself to adopt an Equal Opportunities Act which shall, <i>inter alia</i>, provide for equal opportunities in employment and in access to resources, and the establishment of an Equal Opportunities Commission. The Bill will be enacted by December 2007.</li> <li>• Legislation on measures to further prevent and punish trafficking in persons will be introduced by December 2007.</li> <li>• It is envisaged to reduce Commercial Sexual Exploitation of children by 50% and progressively eliminate this phenomenon by the year 2010.</li> </ul>
<p><b>VIII. INTERNATIONAL AND REGIONAL CONTEXT</b></p>	<ul style="list-style-type: none"> <li>• Mauritius became a member of the International Organisation for Migration (IOM) on 08 June 06. IOM is financing a study on the Mauritian diaspora as well as overseas labour migration funded under the 1035 facility. The duration of the project will be 6 months. A draft Report is expected by end of May 2007, and the final Report is expected in April 2007.</li> </ul>
<p><b>IX. QUALITY OF PARTNERSHIP</b></p>	<ul style="list-style-type: none"> <li>• Government commits itself to a formal Article 8 dialogue starting in 2007.</li> </ul>

**MAURITIUS - EC MULTIANNUAL ADAPTATION STRATEGY**

**SUMMARY**

The Mauritian economy has developed rapidly over the last two decades; during this period, its key economic sectors, particularly sugar, benefited substantially from preferential trade arrangements. Mauritius is now facing a changing global trade environment, which is set against a backdrop of soaring oil prices, current supply-side capacity constraints, an unsustainable deficit and public debt and human skills' shortages coupled with a high unemployment rate. In this context, structural reforms are now urgently required to increase the country's economic competitiveness in previously protected sectors and to create a conducive environment for the diversification of the country's economic base.

In so far as sugar is concerned, the EU sugar reform is primarily an unavoidable internal market reform that brings the sugar sector in line with the reform that has been taking place with other agricultural products (i.e. towards sustainable production for the market). It will reduce the price paid to ACP countries by 5% in 2006 and a total of 36% by 2009. It is in this context that the Multi-Annual Adaptation Strategy, has been jointly defined by the Government and the private sector; this Adaptation Strategy is an integral part of the Mauritian Government's overall economic reform programme.

The Adaptation Strategy aims at establishing a more competitive sugar sector, although at a significant but unavoidable social cost during the transitional phase. This should be attained by a concentration of the industry, rightsizing of the labour force and optimising the use of sugarcane by-products for energy production. This Adaptation Strategy will be jointly funded by the private sector, the Government and other financial partners: the EU will play a significant role through the EC Accompanying Measures. For 2006, the Accompanying Measures will support the Government in contributing to the social packages linked to the right-sizing of the workforce as a consequence of factory closures. Activities to support the small planters shall also be initiated. EC Accompanying Measures will support the Government's ten-year economic restructuring programme, including the bold sugar reform process.

In order to maximise aid delivery effectiveness, the EC Accompanying Measures will be disbursed through budget support via sector budget support initially and moving gradually to general budget support in line with the 10<sup>th</sup> EDF.

**I FRAMEWORK OF RELATIONS BETWEEN THE EC AND MAURITIUS**

**1.1 General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development shall foster: (i) the sustainable economic and social development of the developing countries, (ii) the smooth and gradual integration of the developing countries into the world economy and (iii) the campaign against poverty in the developing countries.

**1.2 Strategic Objectives of Cooperation with Mauritius**

The Treaty objectives are confirmed in Article 1 of the ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000 and revised on 25 June 2005. The overarching objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction. Cooperation between the Community and the Republic of Mauritius shall

pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of ownership of the strategy by the country and populations concerned. In addition to the Treaty and the Cotonou Agreement, the recently adopted European Consensus on Development sets the general policy framework at EU level. The main objective of the EU development policy remains the eradication of poverty in the context of sustainable development. Moreover, through the EU Action Plan for Agricultural Commodities adopted in April 2004, the EU is engaged in helping economies dependent on commodities such as sugar to address the challenges related to these sectors. In this context, the Commission produced an "Action Plan on Accompanying Measures for Sugar Protocol Countries by the Reform of the EU Sugar Regime" which was then transformed into EC Regulation No. 266/2006.

## II COUNTRY DIAGNOSIS

### 2.1 Analysis of the Political, Economic, Social and Environmental Situation in Mauritius

#### 2.1.1 *Economic and Commercial Situation*

Since 1990, Mauritius has experienced accelerated economic growth, with annual growth rates averaging 4.9%. This, combined with a significant reduction in the population growth rate, has allowed the country to move from a low-income country, based on a single revenue earner – sugar<sup>15</sup> – to a middle-income country with a diversified economic base and a GDP per capita of slightly above US\$ 5,000.

The economic success of the past is today under threat as key economic sectors, previously protected under preferential arrangements, now face major economic challenges due to the changing global environment. The reform of the EU sugar regime, the dismantling of the Multi-Fibre Agreement in January 2005, and the increase in energy/oil prices have led to a slowdown of economic activity. The economy is currently marked by several economic imbalances: below-potential growth rates (2.7% in 2005), a high budget deficit (-5% for FY 2004/05) and increasing public debt (58.3% of GDP in 2005), the deterioration of the current account deficit (-5.4% of GDP in 2005), a rising unemployment rate (from 7.3% in 2002 to 9.6% in 2005) and continued inflationary pressures (4.9% in 2005). Furthermore, an estimated 12% of the population is currently living below the poverty line<sup>16</sup>. As a result, and in recognition of the changing economic realities, *Government is proposing a comprehensive economic reform programme, of which the sugar sector forms an integral part.*

Sugar has traditionally been viewed as a multifunctional pillar of Mauritius' economy, given its direct contribution to economic growth, rural stability, increased social welfare provision and the protection of the environment. Net sugar revenues under the preferential terms (well above the world market price) of the Sugar Protocol have been estimated at some €4 billion over the last 30 years. The country has judiciously used these revenues for investment not only in the sugar sector but also to transform the economy from a mono-crop to a five-pillar-based economy (manufacturing, tourism, sugar, financial services and more recently ICT).

Even though the sugar sector's contribution to GDP is now comparatively small (4% of GDP in 2005), it still accounts for a significant share of total exports (17% of total exports in 2005 and 30% of net export earnings from merchandise trade) as well as a large proportion of employment and self-employment (approximately 12% of the active population).

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<sup>15</sup> Mauritius is by far the prime beneficiary of the Sugar Protocol, with 38% of the quota. Over the last 30 years the revenue earned from sugar exports to the EU market has been judiciously invested in diversifying the country's economic base.

<sup>16</sup> Equivalent to 50% of the median of the monthly household expenditure.

Consequently, sugar remains an important pillar of today's economy, but the EU price reduction and the sectoral restructuring will lead to a reduction of its overall economic weight, albeit mitigated by the emerging cane-related energy sector.

Sectoral plans for improvement of the industry's competitiveness have been designed and partly implemented in the recent past, but these measures are not sufficient to face the market conditions following the EU reform. There are high risks that *if* Mauritius continues to confine itself to being essentially a raw sugar exporter it will no longer be in a position to satisfy changing international demands. Further, Mauritius' sugar industry is highly vulnerable to the "sugar-related trade shock" owing to its heavy dependence on one specific market (i.e. the EU). The sugar reform is primarily an unavoidable internal market reform that brings the sugar sector in line with the reform that has been taking place with other agricultural products (i.e. towards sustainable production for the market). It will reduce the price paid to ACP countries by 5% in 2006 and a total of 36% by 2009.

### **2.1.2 Social Situation**

The country has accomplished notable results over the last 15 years in terms of the MDGs, with 4 out of 8 specific goals already achieved<sup>17</sup>; it has also made further progress in terms of Human Development, moving from 0.779 in 2001 to 0.791 in 2005<sup>18</sup>. In addition, Mauritius's Gini coefficient, which is a measurement of a country's income distribution, has improved from 0.387 in 1996/97 to 0.371 in 2001/02. The general state of health of the population of Mauritius is good and has been improving steadily over the past decades: in the last 30 years, life expectancy has risen from 63 years to 72.2 years and infant mortality has fallen from 64 to 14.8. Mauritius, being one of the most densely populated countries (700 inhabitants per sq km), has also successfully managed its population growth rate over the past decades (from 3% in the early 1970s to around 0.9% today).

Today, Mauritius is characterised by an extensive welfare system, which provides free education and health care, universal basic pension for persons of 60 years old and specific social benefits for the vulnerable groups. In this context, sugar earnings have contributed significantly to the development of social sectors. The sugar sector is a direct provider of social benefits to some 60,000 workers (around 12% of the active population), which includes the factory and field workers, and small planters, who are employed by the industry. Nonetheless, the provision of social services by sugar companies means that such benefits are at risk when the sugar industry is weakened; the mitigating factor remains, however, that Government provides the bulk of social services in the rural areas.

Rising unemployment remains a major concern for Government, which has placed education and re-skilling high on its agenda. Despite remarkable progress in the education sector (adult literacy rates now attaining 84.3%), a major challenge for Government lies in creating a sufficient pool of qualified and adequately trained labour to meet the demands of the evolving economy.

In terms of employment within the sugar sector it is anticipated that, if no reforms are carried out, 20,000 workers would keep their jobs and 40,000 persons would have to be redeployed in other sectors of the economy. This decline in employment would affect in particular the most vulnerable groups of the society, including the small planters.

### **2.1.3 Political situation**

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<sup>17</sup> Universal primary education; reduction of child mortality; improvement of maternal health through the reduction by  $\frac{3}{4}$  of maternal mortality ratio; gender equality through equal enrolment in primary and secondary education.

<sup>18</sup> Mauritius was ranked 65 out of 177 countries for the Human Development Index (HDI)

Since its independence in 1968, Mauritius has been a parliamentary democracy based on the Westminster model. This parliamentary democracy has ensured a high level of political stability, which has been fundamental to the country's sustained economic progress. This political stability has also enabled a regular dialogue between Government, private sector and civil society, which is becoming more active in decision-making processes.

Following the general elections in July 2005, the country is governed by a multi-party coalition (the Labour Party holds the majority). The elections were free and fair and the transition to the new Government was smooth. Given the intense lobbying across European capitals at the time of the electoral campaign, and the fact that the EU sugar reform is a key element of each Party's manifesto, there is a strong public focus and expectations regarding the transformation of this sector are high.

Despite the change in Government, the political commitment to re-engineer the sugar industry has remained the same given the multi-functional role of the sugar industry and its significant social and ethnic cross-linkages.

#### ***2.1.4 Institutional situation***

Good governance remains a priority of Government and is implemented via a comprehensive regulatory framework: Government has defined an anti-corruption framework and enacted "The Prevention of Corruption Act (2002) and "The Financial Intelligence and Anti-Money Laundering Act (2002). In addition, in order to monitor the integrity of financial reporting and compliance with international standards of accounting and auditing, a Financial Reporting Council was established in 2005.

Public Finance Management (PFM), in particular, is well integrated within a clearly defined regulatory framework. Specifically, it provides for the separation of executive and legislative functions in the preparation and appropriation of the Budget as well as the necessary mechanisms to ensure rigorous oversight of public funds. In order to further improve the management of public finance, a Medium Term Expenditure Framework (MTEF) was introduced in 2004 for the 'Education and Training' sector and extended to five other sectors in 2005; the aim of Government is to adopt this budget planning tool in all sectors.

#### ***2.1.5 Environmental Situation***

Mauritius is an island of volcanic origin, with a total land area of 1,860 sq km. High population density, urbanization and also industrial, commercial and tourism development have exerted severe pressure on its scarce land and water resources over the past decades. The island has a fragile ecosystem and is prone to occasional droughts and to tropical cyclones. Sugarcane, due to the current trade regime, is the most profitable cash crop and, given its cyclone-resistant characteristics, accounts for 40% of all land use and 89% of cultivated land. Sugarcane prevents soil erosion and is thus beneficial to the protection of the lagoons on which small-scale fishermen depend for their livelihood and which is critical to the country's tourism industry. In addition, the extensive cultivation of sugarcane on the island and the use of carbon-neutral bagasse in electricity generation enable Mauritius to generate carbon credits under the Kyoto Protocol of an estimated value of US\$ 8.5 million/p.a. If the current sugar industry structure were to be maintained, there is a high probability that marginal sugarcane producers would shift away from sugar. This could, if not properly managed, result in an increase in unsustainable land management. There would also be a risk of over-development on certain prime agricultural land which is sold for commercial purposes and this would impact adversely on the environment. There is also an urgent need to explore alternative, environmentally-safe ways of exploiting marginal lands and, in this context, the Adaptation Strategy envisages the cultivation of other crops and reforestation in particular with endemic species that existed prior to sugarcane.

## **2.2 Mauritius's Development Strategy**

In order to address the country's unfavourable macroeconomic environment and the exogenous shocks, the Government has recently drafted, with the support of the IMF and the World Bank which have conducted several missions in 2006, a comprehensive ten-year economic reform programme. This programme focuses on fiscal consolidation, improvement of the investment climate (including proactive efforts to attract foreign investment), as well as the restructuring of sectors affected by trade shocks (including sugar and textiles) and development of new emerging sectors such as the seafood hub and ICT.

One key aspect of the economic reform programme is to increase the competitiveness of its key economic sectors (in particular export sectors), including sugar. Government and the population still value the sector for its multifunctional role<sup>19</sup> in Mauritius. Further, the economic reform programme addresses the problem of human skills shortages in growing service sectors and recognises that this issue can be resolved by increased education and training. In this context, the economic reform programme includes the setting up of an "Empowerment Programme"<sup>20</sup>, estimated at MUR 5 billion (€135 million) over the next five years.

The overall assessment of the economic situation concludes, via the Multi-Annual Adaptation Strategy, that sugar still remains competitive, with a bold reform process; however, further sectoral adjustments may be required after 2013.

The main concern of Government, due to its persistent budgetary deficit, is its current financial constraint to finance the economic restructuring programme (including the sugar sector reform). In this respect, the major objective of Government is to attract sufficient investment and financial assistance from multilateral and bilateral organisations, to fund, together with the Mauritian private sector, the economic restructuring programme which is estimated at MUR 150 billion (€4 billion) over 10 years.

### ***2.2.1 Mauritius' Multi-Annual "Sugar" Adaptation Strategy***

In April 2006, the Government presented its Multi-annual strategy and Action Plan 2006-2015 for the re-engineering of the sugar industry following an impact assessment study on the competitiveness of the sugar industry commissioned in late 2004. The Adaptation Strategy aims at re-engineering the sugar industry into a "sugarcane cluster" in order to reduce production costs and enable Mauritius to remain a competitive supplier for the EU market after the 36% price reduction that is due to become fully effective as from 2009.

The overall objective of the Adaptation Strategy is to ensure the commercial viability and sustainability of the sugar sector for it to continue fulfilling its multi-functional role in the Mauritian economy, but at a significant social cost. In this context, the Adaptation Strategy has five specific objectives: (a) transformation of the sugar industry into a sugar cane cluster (production of several types of sugar, of electricity from bagasse/coal and ethanol); (b) establishment of a competitive, viable and sustainable sector; (c) fulfilment of the country's trade commitments; (d) reduction of the dependency on imported fossil fuels; (e) continuing the multifunctional role of sugar and in particular the support to national environment and social objectives.

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<sup>19</sup> The multifunctional role of the sugar sector includes the significant multiplier effects for the economy as a whole – social, environmental and commercial (sugar export earnings contribute to financing the country's food import bill).

<sup>20</sup> This Programme focuses on provision of training and includes on-the-job-training; re-skilling activities for women...

The assumptions underlying the Adaptation Strategy are as follows: (i) production of 520,000 tonnes of sugar by small and large producers; (ii) labour downsizing strategy; (iii) increase in the proportion of direct consumption sugars<sup>21</sup> in total exports; (iv) optimisation of by-products of cane<sup>22</sup>; (v) adequate provision of energy to meet the sugarcane cluster requirements<sup>23</sup>; (vi) a long-term parity of US\$/€ rate of 1.175 and (vii) long-term crude oil price of at least US\$ 60/barrel.

The Strategy provides for a set of measures/projects aiming at increasing the country's revenue, optimising the use of by-products, maintaining the social welfare of low income groups of the sugar industry, while fully taking into account the social and environmental implications. In addition, the development of the energy sector is fundamental to the setting up of the sugarcane cluster in the light of the soaring price of oil on international markets.

The principal measures/intervention areas outlined by the Adaptation Strategy are as follows:

- a) *Improving the cost competitiveness of the sugar milling sector via mill centralisation.* The decrease in the number of factories from 11 to 4 will mean the laying-off of some 2,000 workers. These workers will receive a compensation package: 2½ months per year of service, a plot of land, a training grant of MUR 5,000 (€135) and a business grant of MUR 50,000 (€1,350) or be redeployed into the remaining factories;
- b) *Rightsizing of the labour force* in order to reduce labour costs and create a more flexible workforce. This will entail the voluntary retirement of an estimated 6,000 persons. Voluntarily retired workers will be provided with a compensation package<sup>24</sup> of maximum 2 months' salary per year of service and a plot of land with basic infrastructure. In addition, the regulatory framework will facilitate the use of seasonal labour. Moreover, prior to the voluntary retirement of an employee, he/she would be provided re-skilling/training opportunities for eventual redeployment into other economic sectors or support for the setting up of a small enterprise within the agricultural or non-agricultural sector; this will be implemented under the Government's new Empowerment Programme.
- c) *Mechanisation of field operations* which includes: mechanical derocking of an additional area of 14,000 ha, mechanisation of cultural practices on 19,000 ha and the irrigation of an additional 7,000 ha of land. The aim of mechanisation of field operations is to improve the cost competitiveness of sugarcane production and to increase sugarcane yield per hectare;
- d) *Regrouping of small planters* to enable them to benefit from economies of scale and improved sugarcane yields through modernised growing practices;
- e) *Sustaining difficult areas* (steep and/or rocky land of 5,000 ha) in order to prevent adverse environmental consequences (sugarcane helps to prevent soil erosion) and social consequences (cultivation by the poorer income groups of the sector). The objective is to maintain sugar cultivation on 2,000 ha and the remaining 3,000 ha will be reforested or used for Integrated Resort Schemes (IRS)<sup>25</sup>;
- f) *Increasing the contribution of the sugarcane cluster to national electricity production* with the installation of new power plants in the remaining mills. Electricity will be

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<sup>21</sup> Direct consumption sugars accounts for 15% of sugar exports in 2005 and is expected to increase to 50% by 2015.

<sup>22</sup> Doubling of the production of electricity from bagasse and conversion of molasses to ethanol

<sup>23</sup> The timely commissioning of power plants will be essential for the provision of steam and electricity to the sugar factories and the national grid.

<sup>24</sup> Voluntary Retirement Scheme (VRS II)

<sup>25</sup> Properties sold to foreigners for residential and recreational purposes.

generated using bagasse, one of the main by-products of sugarcane; the present production of 300 GWh (16% of national electricity output) will be doubled to 600 GWh<sup>26</sup>;

- g) *Producing 30 million litres of ethanol* from molasses in two of the four remaining sugar factories to be used locally for blending with gasoline<sup>27</sup>. This would provide additional revenue to the sugar industry and reduce total gasoline imports.
- h) *Reducing institutional expenditure*<sup>28</sup>;
- i) *Undertaking Research and Development* in areas of sugarcane crop improvement, biotechnology, by-products and biomass utilisation in order to increase sugar cane yield;
- j) *Optimising the use of sugarcane lands* via production of horticultural crops on rotational land and in sugarcane interlines, as well as the lands freed up from sugarcane production;

With the re-structuring of the sugar industry and the creation of the cluster, revenue from sugar will account for 75% of the cluster's total revenue, whilst electricity, ethanol and carbon credits will account for 15%, 7% and 3% respectively. This compares to the current proportions of 93% from raw sugar and 7% from electricity generation.

The cost of the Adaptation Strategy, according to Government figures, amounts to MUR 25 billion (€675 million) over the period 2005-2015, of which 43% is capital investment in the energy sector and around 23% is social costs. It is estimated that 87% of the global amount will have to be frontloaded and be disbursed before 2010. Frontloading of investment is fundamental given the sequencing, timing and inter-linkages of all the projects defined in the Strategy. The core expenditures in the initial years relate to measures, on the one hand, to reduce sugarcane production costs (factory closures and associated social costs) and, on the other hand, to develop the energy sector, which entails significant private sector capital investment.

## **2.3 Analysis of the Adaptation Strategy**

### ***2.3.1 Economic and Commercial***

From a macroeconomic perspective, the reformed sugar sector is fully integrated into the larger vision that Government has for the Mauritian economy. With an accelerated and comprehensive re-engineering of the sugar industry, the country would continue to be a competitive supplier on the EU market. The interlinking of all the actions defined in the Adaptation Strategy makes for a coherent and technically feasible reform process; nonetheless, this intertwining of actions means that if one action is not successfully implemented this could impede implementation of other actions ('domino effect'). That is why the strong public-private partnership has to be maintained and further strengthened.

The detailed feasibility analyses give relative confidence that the sugar industry restructuring should be successful. However, considerable socio-economic and environmental resources will continue to be tied up in a single sector in the future, leaving the industry still relatively vulnerable to further reductions in the price of sugar.

After 2009, there is a high risk that Mauritius's sugar industry could be vulnerable to the normal commodity market fluctuations; this vulnerability is compounded by the small size of

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<sup>26</sup> Greater capacity could be generated through the use of cane trash as fuel and the cultivation of high-fibre canes.

<sup>27</sup> This will be used in a 20/80 gasoline mix.

<sup>28</sup> Many institutions of the sugar industry secure their funding through a levy (cess), representing 6%-8% of sales proceeds.



its industry which is marked by high wage rates and limited economies of scale; this means that it will most probably never achieve the low costs of production figures of large sugar exporters. This is a commercial risk which the Government is endeavouring to address by exploiting new emerging sectors and hence looking beyond the sugarcane cluster.

### ***2.3.2 Political, Social and Environmental***

The social and political implications of the reform remain highly sensitive, given both the historic role of sugar for the country's development and the underlying ethnic structures of the sugar economy.

Although VRS II and centralisation involve the laying off of some 8,000 persons, who come from the poorest segments of the population (unskilled, very low literacy rates and large rural families), the Adaptation Strategy comprises a set of measures to compensate and assist the affected populations (pro-poor dimension). The proposed VRS II social package is significantly larger than in any other sector of the Mauritian economy. Nonetheless, there is a risk of increased poverty for families that are directly dependent on the sugar industry unless alternative employment opportunities are created. Indeed, the redeployment of the sugar workers into other economic sectors will be a challenge for the Government, since they are generally low-skilled and hence will need time to be trained. There is thus a need for swift and comprehensive intervention on the part of Government.

It is in this context that the Adaptation Strategy provides for increasing empowerment and welfare schemes, with a special focus on women (pro-gender). This will include programmes to support re-skilling as well as incentives for small farmers to regroup for better economic efficiency. In addition, the Adaptation Strategy provides funds to Trade Unions from the Empowerment Schemes *and* provides for the welfare of the rural groups who depend on the sugar sector.

Although the environmental dimension is well integrated in the Adaptation Strategy, in particular through projects to be implemented in 'difficult areas', environmental impact assessment studies will need to be carried out more systematically to ensure that the country's environment is not further adversely affected.

### ***2.3.3 Institutional***

The implementation of the Adaptation Strategy will be supervised by a High Powered Committee (HPC) chaired by the Minister of Finance that will meet on a regular basis. The set of projects will be implemented under the umbrella of the relevant ministries (e.g. Ministry of Agro-Industry, Ministry of Public Utilities) wherein several specialised government and semi-state organisations will be brought in for technical matters. In addition, the private sector and civil society (including farmers' groups) will be collaborating directly with Government. So far, there has been a good relationship between the private sector, the Government and the small planters' community and an equitable sharing of responsibilities within the sugar industry.

### ***2.3.4 Medium Term Challenges***

The main challenge for the country is to attract significant investment to finance the macroeconomic reform programme, including the sugar reform process. Although the overall investment climate remains positive, this has not resulted in the level of Foreign Direct Investment (FDI) required to spur growth. In the light of this trend, Government policy to stimulate investment and its commitment to create a business-friendly environment will be critical. In the case of sugar industry re-structuring, the most "difficult" years for the sugar sector are likely to be 2007-10, as (i) the industry would still be in a transitional state and (ii) around 90% of the Strategy's funding requirements will need to be frontloaded during this

period. Indications are that the private sector should in principle fund its own investment projects (focused particularly in the energy sector), but it is less clear whether it can fully finance the social dimension. It would appear that the urgency is for Government to provide bridging finance to the private sector for the centralisation process (in particular the social costs) that will occur this year; bridging finance that could then be reimbursed by the Government's budget from EC accompanying measures. One immediate challenge for Government is to adopt a gradual liberalisation of the price of sugar on the local market, which is still highly subsidised by the sugar industry, in order to reduce revenue losses<sup>29</sup> to the sector.

Another key challenge for Government is to address the country's human skills shortages in order to support the development of emerging sectors, such as the seafood hub and SMEs. In this context, a specific challenge will be to either redeploy (in the remaining sugar estates) or appropriately re-train the 8,000 persons who will be laid off in the process of re-engineering the sugar industry.

A medium-to-long term challenge is to implement measures to make the country less dependent on preferential trade arrangements by further diversifying its economic base. Although the analysis of the viability of re-engineering the sugar sector has already been carried out, Government is currently undertaking further analyses on other sectors in order to better define the corresponding sectoral strategies.

Support, through EC accompanying measures, will be instrumental in the implementation of the key elements of the Adaptation Strategy and of the overall macroeconomic restructuring programme. During this period, there will be a need for a regular assessment of further developments, in particular in the energy sector and the international (not only EU) markets for processed sugars, plus a constant follow up of emerging alternatives for sugarcane land use.

### **III OVERVIEW OF PAST AND PRESENT EC COOPERATION**

#### **3.1 Overview of Past and Present EC Cooperation - lessons learned**

Mauritius has, under the 9<sup>th</sup> EDF, demonstrated a good overall performance – 94% of funds committed of which 50% had been disbursed as at mid-June 2006. Further, the Mid Term Review in 2004 rewarded the good financial, sectoral and macro-economic policy performance of the country as well as the promising prospects in the medium term with an additional allocation of €10m to the Waste Water Sector Policy Support Programme (WWSPSP) for the fiscal year 2006/2007, implemented through sector budget support. With this programme, the Government has implemented the necessary measures for the improvement of Public Finance Management, such as the introduction of the Mid-Term Expenditure Framework, as well as a new law on public procurement - which is due to be enacted. These measures should ensure the appropriate use of EC funds under future budget support programmes. Despite its relatively recent experience in the ongoing sector budget support programme, Government has the human resource capacity to utilise this aid delivery mechanism.

The implementation of the EC strategy under the accompanying measures could also benefit from the experience gathered under previous projects and use complementarities under ongoing projects. The EC is currently financing a Decentralized Cooperation Programme (DCP) under the 9<sup>th</sup> EDF which includes activities to support SMEs and develop innovative

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<sup>29</sup> Ever since 1995, the Mauritius Sugar Syndicate imports sugar and sells it on the local market at the institutional prices which are lower than the import price.

economic activities, as well as social projects in rural areas. These will complement projects envisaged under the Adaptation Strategy for the sugar sector. The Government has also gathered significant experience in agricultural diversification, including micro-project schemes for small planters, which have already been successfully introduced in the framework of the 7<sup>th</sup> EDF Northern Plains Irrigation Project.

In terms of possible financing of the Adaptation Strategy, it is worth noting that, as part of the significant financial assistance it has provided to the private sector in Mauritius, the EIB has already been involved in the sugar sector via a loan of €10 million to finance the setting up of the first cogeneration (bagasse/coal) power plant in Bellevue. To date, total EIB investments in Mauritius in both the private and public sectors amount to €216 million.

### **3.2 Description of the Political Dialogue with Mauritius**

Political dialogue on the Government strategy for the restructuring of the Mauritian sugar sector began as early as June 2005, with the EC Delegation having formal discussions with the Government, the private sector and other stakeholders of the sugar industry. In parallel, throughout 2005, the Government undertook an intensive lobbying campaign with respect to the EC proposal of reforming its sugar market.

The Government set up a High Task Force Committee, under the chairmanship of the Minister of Finance, to elaborate the Multi-Annual Adaptation Strategy. In this framework, extensive discussions have been carried out with the EC Delegation. Key (public and private) stakeholders of the sector have also actively participated in these consultations.

Discussions on the EC response Strategy for the Accompanying measures are also being held, in parallel, in the framework of the 10<sup>th</sup> EDF programming. At present, it is envisaged that the 10<sup>th</sup> EDF will be channelled via a General Budget Support (GBS) to accompany Mauritius in its ten-year macro economic reform programme. In this context, the EC dialogue with the Mauritian authorities on the Country Strategy Paper (CSP) could also serve as a basis for the intervention of other partners such as the World Bank to support the macroeconomic reform.

## **IV RESPONSE STRATEGY**

### **4.1 General Objective**

In line with the EU's development policies defined in its Strategic Partnership for Africa and European Consensus for Development and the 10<sup>th</sup> EDF Country Strategy Paper, the aim of the EC response strategy under the accompanying measures is to contribute to the sustainable economic development of Mauritius.

The overall economic restructuring programme of the Government, which includes the sugar sector and its reform process, supports the improvement of the competitiveness of the sugarcane sector and attempts to ensure a smooth social transition. The principal areas of intervention in the Adaptation Strategy are fully in line with the 10<sup>th</sup> EDF CSP, within which the focus will be on poverty reduction, and in particular on widening access to economic opportunities and social issues. This complementarity will ensure full coherence of the EC Response Strategy for Accompanying measures and the 10<sup>th</sup> EDF CSP during the period 2008-2013.

The EC will seek to ensure that the resources available under the 10<sup>th</sup> EDF national indicative programme, regional indicative programme, resources from all-ACP instruments and any resources available from the EC budget (Development heading) will complement each other in supporting the restructuring programme of the Government. Further, in order to ensure that the economic welfare of the small planters is adequately safeguarded in the context of the sugar reform process, the EC will seek to undertake a comprehensive assessment on the

viability of sugarcane production by small planters compared to alternative income-generating activities. In addition, given the impact on the environment from the sugar sector reform process, the EC will seek to elaborate jointly with Government, in the medium term, a Strategic Environmental Assessment<sup>30</sup> (SEA) the recommendations from which will be used to mitigate the possible adverse impact of the implementation of the Adaptation Strategy.

As outlined above, the key development challenge facing Mauritius is the need to restructure its economy in order to maintain a sustainable growth economic rate and to expand the good social development it has already achieved. The restructuring of the economy will cover all sectors of the economy, and include a number of new emerging growth sectors. This will require major investments by both the Government and the private sector in productive infrastructure, communications infrastructure and human resources.

The total costs of the restructuring plan 2006-2015 for the sugar sector reform have been estimated at MUR 25 billion (€675 million). In the light of the significant financial needs, the Government has carried out a prioritisation and sequencing exercise for the projects defined in its Adaptation Strategy: giving first ranking to those projects that have both the economic and social dimensions and second ranking to projects relating to the energy dimension of sugar industry restructuring.

In view of the financing requirements of the Adaptation Strategy and Mauritius' good and longstanding collaboration with the European Investment Bank (EIB), which has a significant projects portfolio in the country, the EC will seek - where appropriate - to develop synergies with the EIB, in particular for financing the energy component.

As regards coordination of the implementation of the Adaptation Strategy, this is already in place with the creation of a HPC of which the EC Delegation is also a member. This could, in the future, include other potential financial partners (e.g. AFD, EIB...).

The Government is planning to undertake a full review of the Adaptation Strategy in 2009. Since it is indispensable that there is a single EU strategy for each ACP country covering all Community instruments, the EC Multiannual Adaptation Strategy will be incorporated into the Mauritius CSP and subject to the system foreseen for the CSP monitoring and review process under the Cotonou Agreement.

#### **4.2 Areas for EC Support in 2006**

The specific objective of the EC Response Strategy is to accompany, over the transitional period, the restructuring of the sugar industry in order to diversify its revenue base and reduce production costs. In this framework the Government will, as a first priority, act as a facilitator for the downsizing of the industry via strategic investments that facilitate factory consolidation. In this context, the proposed plan is to close one factory in 2006 and two factories in 2007. These closures would provide a substantial cost-saving to the industry through economies of scale and, in addition, would allow the setting up of a power plant, mainly fuelled from bagasse during the cane harvesting season and only coal during the off-season. The factory closures would also trigger the rightsizing of the sugar workforce (first phase of the VRS II) - wages currently make up some 50% of total sugarcane production costs and about one-third of factory operating costs.

For these two measures, the private sector will finance 25% of total blueprint costs associated with factory closures and 30% of the VRS II overall costs; the remaining funding requirements would be met by Government through EC accompanying measures.

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<sup>30</sup> The SEA will be a reference document during the formulation phase of the Financing proposals as well as during the review of the EC Response Strategy.

Furthermore, in late 2006, de-rocking operations will be initiated on small planters' fields. For the 2006/07 and 2007/08 financial years the funding requirements for these three projects are estimated at MUR 1.08 billion (€29 million) for VRS II, MUR 608 million (€16 million) for centralisation and MUR 120 million (€3.2 million) for de-rocking. The EC Accompanying measures (amounting to €6.543 million for 2006) will focus on actions of a social dimension: (i) VRS II (ii) centralisation and (iii) field operations (de-rocking) and shall continue as from 2007 onwards.

During this period, the private sector is already undertaking significant capital investment for the generation of electricity and the modernisation and expansion of sugar factories such as Savannah Sugar Estate (€140 million of investment already committed).

In order to ensure sustainable investment in the sector, as a pre-condition for the FY 2006/07, Government will need to be firmly committed to maintaining a coherent national Energy Sector policy in particular as regards (i) electricity generation using bagasse, including the sequencing and timing for the setting up of new power plants and power purchase arrangements with energy suppliers, and also (ii) ethanol development<sup>31</sup>.

The implementation of the Adaptation Strategy will be supervised by a High Powered Committee (HPC) chaired by the Minister of Finance that will meet on a regular basis. The set of projects will be implemented under the umbrella of the relevant ministries (e.g. Ministry of Agro-Industry, Ministry of Public Utilities) wherein several specialised government and semi-state organisations will be brought in for technical matters. In addition, the private sector and civil society (including farmers' groups) will be collaborating directly with Government.

#### **4.3 Areas for EC Support for 2007 onwards**

In view of the challenges facing several key sectors of the Mauritian economy (including sugar), the Government has requested that resources under accompanying measures and the 10<sup>th</sup> EDF be made available as GBS to accompany its economic restructuring efforts. As from FY 2007/2008, the Accompanying Measures could be channelled via a GBS since, by that time, the ten-year macro economic reform programme should, have been defined for all the economic sectors (current and new), and discussed with the Commission, EU Member States, other donors (IMF and World Bank) and partner countries. Indeed, using GBS for the Accompanying Measures could facilitate the dialogue process, as GBS would also be used in complementarity to the 10<sup>th</sup> EDF to support Mauritius' overall macroeconomic reform programme. It is also expected that, by 2007, the policy dialogue on budget support should be well advanced in terms of the selection of indicators, in particular those related to the sugar sector. Monitoring of progress in sugar sector restructuring will be carried out through a continuous policy dialogue with the Government and specific indicators, focusing in particular on social outcomes and measures undertaken by the Government in the sector.

Moreover, during the period 2007-13, the EC will encourage research and development institutions in Mauritius to participate in the 7<sup>th</sup> Research Framework Programme, in particular in theme 2 "Food, Agriculture and Biotechnology, building the knowledge based economy".

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<sup>31</sup> At present blending of the ethanol with gasoline is being undertaken on a pilot basis.

#### **4.4 Proposed Delivery Mechanism**

During the period 2006 to 2013, the EC Accompanying Measures will be implemented under Financing Agreements that will be formulated in accordance to the Response Strategy and in conformity to EC Regulation No. 266/2006<sup>32</sup>.

With a view to achieving a clear sectoral policy for the sugar sector, it is proposed that the EC response strategy will initially focus on accompanying the sector adaptation strategy through Sector Budget Support (SBS) for the financial year 2006/7. As of 2007/8, the EC response strategy will focus on the wider economic restructuring needs of the country, through GBS, provided the economic reform programme has been agreed upon.

The EC budget support as from 2007/8 will assist the Government to implement important public investment projects in the context of the wider economic restructuring, while at the same time setting objectives to maintain macroeconomic balance, in particular with regard to government revenues, budget deficit and efficient debt management. From 2008 onwards, the Accompanying Measures will be in direct complementarity to 10<sup>th</sup> EDF funds.

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<sup>32</sup> The Financing Agreements will ensure, in conformity to Article 10 of EC Regulation 266/2006 that the Community's financial interests are protected, in particular with respect to fraud, corruption and any other irregularities.