

COOPERATION  
European Union - Republic of Mauritius

J O I N T   A N N U A L   R E P O R T

2003

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## **1. Executive Summary**

The Republic of Mauritius ranks among countries of Medium Human Development level. The maintenance of free health care and free primary and secondary education has been fundamental in the high level of human development in these fields. The country has, through sustained policies and actions, already essentially achieved four of the Millennium Development Goals (MDG), namely universal primary education; reduction of child mortality; improvement of maternal health through the reduction by three quarters of maternal mortality ratio; and gender equality through equal enrolment in primary and secondary education. Efforts in these areas will be sustained, and attention directed to ensuring that all parts of the Republic, in particular the island of Rodrigues, achieve similar results. It is of note that, with UN Assistance, the Government has published a specific MDG report for Rodrigues in 2003.

The Country Strategy Paper agreed between the EU and Mauritius puts poverty reduction as the overall objective of the common agenda and is in coherence with the Cotonou Agreement. The EU will specifically provide full support to Mauritius to ensure the adequate and sustainable preservation of the country's water resources (lagoons, aquifers, etc) and all socio-economic activities dependent thereof, with the obvious impact on health and employment, through a sector-wide approach in the wastewater sector. In December 2003 a Financing decision has been taken by the European Commission committing 85% of the 9<sup>th</sup> EDF A-envelope together with some unused funds from prior EDFs, total amount being € 29.8 million, for a Sector Policy Support Programme (SPSP) in the wastewater sector.

The implementation of the 9<sup>th</sup> EDF SPSP will be conditioned, through annual country reviews, to a monitoring of specific macroeconomic (among which budgetary deficit still at a high +6%) and sectoral indicators (including a quantification of access of the poor to water and adequate sanitary and wastewater disposal facilities) together with a commitment from all donors for better coordination and dialogue. The involvement of non-state actors will also be enhanced.

With respect to past and on-going operations, individual EU-funded projects in Mauritius have generally achieved their intended results, whether in terms of provision of infrastructure or of social development. Micro-projects have been particularly successful, especially where a participatory approach has been adopted.

The key issue rising over the horizon is trade. Mauritius has been favoured under successive Lomé Conventions mainly by the Sugar Protocol as well as by the Multi-fibre Agreement (MFA) for preferential access of its products to the European market, its main trade partner. With the dismantlement of the MFA and the foreseeable erosion of preferences, Mauritius will have to move from traditional comparative advantage to competitive advantage, seen by major stakeholders as a daunting challenge. This will no doubt influence Mauritius' position in the forthcoming negotiating sessions on an Economic Partnership Agreement (EPA) between the Eastern and Southern African Countries and the European Union.

## **2. The policy agenda of the partner country**

Government is responding to the challenge of sustaining economic success against the backdrop of a rapidly changing world economic environment. New policies, legal and institutional reforms are being adopted. However, in parallel, adequate policies are being sought to sustain the level of human development it has committed itself to, including the challenge of growing structural unemployment and improved productivity linked to wages as well as the reduction in the growing pockets of poverty. Major policy reforms with wide implications for the future development of Mauritius include the Education Sector Reform and the Sugar Sector Reform, which Government has undertaken without external assistance. On the socio-economic front, Government has revitalized the Trust Fund for the Social Integration of Vulnerable Groups, and prepared a National Poverty Alleviation Action Plan, with technical input from UN Agencies, and the National Strategic HIV/AIDS Action Plan, formulated with UN technical and financial support in 2001. In order to maintain its competitive edge, Mauritius needs to address the rising cost of social obligations, structural unemployment, the ageing population issue, environmental pressure resulting from conflicting demand for land use, the need for improved productivity and product quality, and the need for increased investment in education and training.

The 2003-2004 Budget, being one at mid-term of the current government's mandate, is directed to consolidate on-going reforms while undertaking a number of new initiatives to address the challenges facing the country.

*Information and Communications Technology (ICT)* is the cross-cutting sector where Government has firmly committed itself to create a whole new sector of activity and to transform Mauritius into a "cyber island".

*Modernisation and consolidation of growth sectors* : A fundamental restructuring of the country's sugar sector has been undertaken. The Sugar Sector Strategic Plan, including the Voluntary Retirement Scheme (VRS), has been widely endorsed. As regards non-sugar agriculture, a comprehensive plan has been elaborated. This is in light of the anticipated changes to the EU-ACP Sugar Protocol.

In its policy statement through the budget, the Mauritian Government acknowledges the dramatic situation created by erosion of trade preferences and fierce international competition. While weaknesses underlying the sector have been singled out and new approaches have been designed to restructure enterprises, vertical integration has been promoted in textiles and multi-skilling encouraged. The Government is very much aware that the future of the sector will, however, depend significantly on future developments in WTO negotiations, ACP-EU Economic Partnership Agreements, and the US African Growth and Opportunity Act (AGOA).

In the area of global business and financial services, the legislative and institutional framework for the sector has been strengthened. The Companies Act, the Financial

Services Development Act, the Trusts Act and the Anti-Money Laundering and Financial Intelligence Act have been passed. New institutions, namely the Financial Services Commission, the Financial Services Promotion Agency and the Financial Intelligence Unit, have been set up. The Freeport sector has been restructured with results evidenced by rising investment in the Freeport and substantial growth in transshipment traffic.

The Government has also strengthened the framework for *investment promotion and facilitation* and a Government body, the Board of Investment, now acts as a one-stop shop.

In terms of *modernisation of economic infrastructure*, in 2003 a second carriageway has been opened from Nouvelle France to Plaine Magnien, thus completing a full highway facility from the capital, Port Louis, to the airport. Concerning the traffic congestion in the Port Louis – Curepipe corridor, the Light Rail Transport (LRT) option has been confirmed albeit completion of more technical studies. The northern part of the island has obtained adequate and reliable supply of water after the completion of the Midlands Dam and the construction of the M1 and A5 pipelines.

As regards the *environment*, the Government is pursuing its major investment programme to protect and better manage the country's environment in line with the National Environment Action Plan. Capital expenditure on wastewater projects in the financial years 2001 – 2003 has exceeded Rs 1.6 billion. Solid waste disposal and management are also being addressed through the rehabilitation of dumping grounds and the construction of new transfer stations. The legal framework and enforcement capacity have been strengthened. A series of projects have been implemented to improve the natural environment and living conditions across the island, with a particular focus on deprived areas. In the 9<sup>th</sup> EDF Country Support Strategy agreed between the European Union and the Government, 85% of the A-envelope has been earmarked for concentration of EU grant aid in way of a sector policy support programme (through budgetary aid) directed to the wastewater sector. Almost a similar amount has also been voted by the European Investment Bank to accompany the same programme.

Concerning *poverty alleviation and social welfare*, a comprehensive programme has been initiated to empower the poor and vulnerable groups in particular with provision of housing, education and other welfare assistance. It is of note that the EU grant counterpart on resources of the various EDFs has been very substantial in the form of projects for financial support to microprojects and other beneficiary-driven initiatives promoting education, health and revenue-generation capacity for the poor.

Under the chapter of *economic management* it is noted that Government will continue its reform of public enterprises to improve their management and financial viability.

I For an overview of major events during 2003, please refer to Annex i.

#### Rodrigues :

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 (water) and a severe land erosion problem. Its population can be seen as the poorest of the Republic. In 2003 an MDG report was specifically drawn for Rodrigues, with UN assistance, as the MDG report for Mauritius did not address the particular case of Rodrigues.

In March 2003 Rodrigues has been severely hit by the tropical cyclone “Kalunde” with widespread devastation to agriculture, water supply and infrastructures. The EU responded rapidly by mobilizing € 499 000 from the EDF 9 B-envelope for a programme to prepare Rodrigues to be better equipped in terms of disaster management and prevention.

With the advent of the autonomy of its local administration since end 2002, the Rodriguan Administration, politically embodied by the Rodrigues Regional Assembly, has launched an ambitious programme of infrastructural development, human resource development and strengthening of the tourism sector, the principal viable earning pillar.

### 3. Update on the political, economic and social situation

#### 3.1 Progress towards poverty reduction : Millennium Development Goals (MDG)

Type	Indicator	2000	2001	2002	2003	2004	2005
<b>Impact</b>	1. Proportion of population below \$1 per day <sup>1</sup>	NA	NA	NA	NA	NA	NA
	2. Prevalence of underweight children (under- five years of age)	NA	NA	NA	NA	NA	NA
	3. Under-five mortality rate (per 1000)	<b>18.2</b>	<b>16.7</b>	<b>17.3</b>	NA	NA	NA
<b>Outcome</b>	4. Net enrolment ratio in primary education-%	<b>97</b>	<b>97</b>	<b>96</b>	<b>97</b>	NA	NA
	Net enrolment in secondary education-%	<b>56</b>	<b>57</b>	<b>58</b>	<b>60</b>	NA	NA
	5. Primary Completion Rate-%	<b>68</b>	<b>68</b>	<b>69</b>	<b>68</b>	NA	NA
	6. Ratio of girls to boys <sup>2</sup> in:					NA	NA
	- primary education	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>	NA	NA
	- secondary education	<b>105</b>	<b>106</b>	<b>108</b>	<b>108</b>	NA	NA
	- tertiary education	<b>119<sup>3</sup></b>	<b>135<sup>4</sup></b>	<b>135<sup>5</sup></b>	<b>143<sup>6</sup></b>	NA	NA
	7. Proportion of births attended by skilled health personnel	<b>99.8</b>	<b>98.9</b>	<b>98.8</b>	NA	NA	NA
	8. Proportion of 1 year old children immunised against measles (per 100 livebirths)	<b>84.0</b>	<b>89.9</b>	<b>85.1</b>	NA	NA	NA
9. HIV prevalence among 15-24 year old pregnant women	<b>&lt;0.1%</b>	<b>&lt;0.1%</b>	<b>&lt;0.1%</b>	NA	NA	NA	

10. Proportion of population with sustainable access to an improved water source	98%	>99%	>99%	>99%	NA	NA
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1. % of households with less than half-median monthly expenditure=11.8% (2001-2002)

2. No of girls per 100 boys

3. Academic year 2000-2001

4. Academic year 2001-2002

5. Academic year 2002-2003

6. Academic year 2003-2004

NA : Not available

Source : Central Statistical Office, Republic of Mauritius

In regard of the commitments tabled in the MDG report effected by the country and based on an overview of public capital and recurrent expenditures over the last years (where a significant increase is visible in the education sector) it may be safely advanced that most indicators are set to improve further over the coming years despite the absence of official forecasts.

### 3.2 Assessment of the health sector

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; expectation of life has increased by an average of three months a year over the last 40 years. However, the country now faces growing problems of non communicable diseases including heart disease, diabetes, stroke, cancer, tobacco and alcohol-related diseases and mental illnesses.

If Mauritius is to tackle successfully the major health problems of the country, it needs to devote substantially more resources to the health sector. A White Paper tabled in December 2002 by the Ministry of Health purports that the resource commitment to the health sector will have to be raised from its current level of about 2.8% of GDP to beyond 3%<sup>1</sup>, that is, a 75% increase in the health budget, the commitment of Rs 4 to 5 billion for capital schemes for the replacement, improvement and expansion of services, and the employment of a further 3,900 professional<sup>2</sup>, technical and supporting staff.

However, if the new Health Action Plan is to be financed from State budget, its implementation may yet remain a distant perspective, given the high level of budgetary deficits. There is now a need to depart slowly from the all-free welfare state and to introduce alternative sources of funding for the health sector, such as :

- Introduction of health insurance with monthly contributions from employers, employed people and self employed
- Extra incentives to expand the private sector
- Health taxes on tobacco and alcohol

<sup>1</sup> Comparable figures for other countries are Madagascar 2%, Singapore 3.3%, Seychelles 5.9%, UK 7.0%, New Zealand 8.0%, Belgium 8.9%, France 9.8% and the USA 13%.

<sup>2</sup> As at December 2002 the State health services were employing over 650 doctors, 2,700 nurses, about 50 dentists and 17 pharmacists.

- Efficiency drive within the existing services, and
- Charges for services provided.

### ***3.3 Assessment of the education sector***

The educational sector reform has been going on as scheduled and has indeed emerged into one which can cater, in a more proficient manner, for the needs of the society at large and therefore better address the fight of social exclusion. On the other hand, despite the remarkable overall progress, the system is still characterised by major weaknesses. It is recognised that the current system has not kept pace with the human resource requirements of the economy. Mauritius falls short of manpower that would enable the economy to move towards a higher-technology and skill-intensive one. Further information on the education sector is presented in Annex (iv).

### ***3.4 Assessment of key macro-economic indicators***

The budget deficit for 2002-03 was Rs. 9,068 million, equivalent to 6.0 % of GDP at market prices, i.e. the same level as in the preceding financial year. The process of fiscal adjustment has been set in a medium-term framework and corrective measures to address fiscal imbalance and restore fiscal discipline have already been initiated. The budget deficit in 2002-03 was financed mostly from domestic sources. Net financing from the central bank was negative for the fourth consecutive year. Total public debt reached Rs 95,487 million as at end-June 2003 with internal and external debt amounting to Rs 86,413 million and Rs 9,074 million, respectively. Total public debt as a percentage of GDP at market prices increased from 55.4 % at the end of June 2002 to 63.5 % at the end of June 2003. The debt service ratio of the country fell from 8.5 % in 2001-02 to 8.1 % in 2002-03.

During fiscal year 2002-03, economic performance was characterised by a real GDP growth of 2.9 %, a fall in the consumer price inflation from 6.3 % in 2001-02 to 5.1% the reduction of the fiscal deficit as a proportion of GDP, a continued increase in the current account surplus of the balance of payments and a substantial rise in the level of net international reserves. On the external front, the current account of the balance of payments recorded a surplus for the third consecutive year, with the surpluses on the services and current transfers accounts more than offsetting the pronounced deficit on the merchandise account. Net credit to Government from the central bank contracted further. Nevertheless, the closure of a number of EPZ firms has produced a negative impact on the level of unemployment.

### ***3.5 Analysis of the macro-economic and sectoral policies selected as focal sectors.***

Under the 9<sup>th</sup> EDF the EU has agreed on a Sector Policy Support Programme (SPSP) to the wastewater sector which would absorb 85% of the EDF 9 A-allocation in addition to some reliquats from prior EDFs. The SPSP includes a series of trigger conditionalities and progress indicators (macroeconomic and sectoral) approved by the donors and

lenders to the sector. Following discussions with the EU in the context of the 2003 Country Review the status, performance and forecast of macroeconomic and sectoral indicators is presented in Annex (v).

### ***3.6 Changes in the political situation***

Two major political events have taken place in 2003. On 30<sup>th</sup> September 2003 Sir Aneerood Jugnauth resigned as Prime Minister and as Member of Parliament in accordance with an understanding in force between the two political parties making up the governing alliance, the MSM (party of Sir A. Jugnauth) and the MMM (party of Paul Berenger). The same agreement provided that Paul Berenger would accede to the post of Prime Minister, the first non-Indian in such a post in a country where the dominant ethnic group is the people of Indian origin, and that Sir Aneerood Jugnauth would be nominated by the General Assembly to the post of President of the Republic. This transition occurred and became effective without much stir from the population.

The resignation of Sir Aneerood Jugnauth from the Parliament led to a by-election in his ex-constituency in December 2003. The opposition party, the Labour party, won this by-election; politically the signal was strong, implying that the electoral cards were being reshuffled. Shortly after the results of the by-election, the Labour Party leader stated that it would press for mid-term general election.

#### Local elections

The prescribed date for local elections is June 2004. But the exercise may be unfeasible in regard of the reform linked thereto. A Committee has been set up to advise on the reform's major issue which is that of englobing village councils and thus widen the exercise to practically the whole of the Republic; in the past local municipal elections concerned only the five towns. Agreement on the reform will first of all demand that the proper infrastructural and human resources be built or mobilized to organize and deliver services to villages at par with same in the towns. This may further delay the local elections though Government would like to commit for sometime in 2004. Otherwise it is very probable that they would be delayed until 2006; that is after the next 2005 General Elections.

### ***3.7 Key institutional developments***

#### *Good Governance and Fight against corruption*

In 2003, the Central Bank of Mauritius has continued to reinforce the regulation and the supervision of banks as well as the deposit-taking activity of non-bank financial institutions. In this respect, the following Guidelines and Guidance Notes were issued to the banking sector:

1. Guidelines on Transactions or Conditions respecting well-being of a Financial Institution reportable by the External Auditor to the Bank of Mauritius;
2. Guidelines on Public Disclosure of Information; and
3. Guidance Notes on Anti-Money Laundering.

Changes have been brought to the legislation governing the financial sector with regard to Anti- Money Laundering and Combating the Financing of Terrorism (AML/CFT). Technical assistance has been obtained from the IMF with a view to improving and facilitating the exchange of information among the different Law Enforcement Agencies involved in Anti-Money Laundering and Combating the Financing of Terrorism and effect given to the recommendations in this respect.

Regulations, under section 35 of the Financial Intelligence and Anti-Money Laundering Act 2002, were made on 19 June 2003 and came into force in Mauritius on 21 June 2003. The regulations, inter alia, make provision for verification of identity, record keeping, the appointment and responsibilities of the Money Laundering Reporting Officer and the implementation of internal controls and other procedures to combat money laundering.

On 14 February 2003, The Mauritius Commercial Bank Ltd (MCB) reported to the Bank of Mauritius that a fraud of the order of hundreds of millions of rupees had been committed to the detriment of the National Pensions Fund (NPF). The Central Bank of Mauritius hired the expert assistance of NTan Corporate Advisory Pte Ltd of Singapore to investigate the most serious financial fraud in the island's banking history. The MCB was urged to ensure that depositors' interests were duly safeguarded and to pursue its efforts towards strengthening its internal control systems and to take all necessary actions to minimise operational risks. The Bank of Mauritius is, at present, monitoring the situation in parallel to the criminal case being investigated by the Independent Commission Against Corruption (ICAC).

However, lately in December 2003, the ICAC itself started facing a difficult internal crisis.

### ***3.8 Changes in the economic situation***

Official National Accounts estimates, published by the Government in September 2003, show a downward adjustment to the 2002 growth rates (from 2.3% to 2.2%); a similar downward change is also indicated for 2003, from its initial forecast of 4.8% in June 2003 to 4.4%. This 0.4% decline in 2003 is mainly due to a lower than forecasted sugar output (an actual 540,000 tonnes viz. the estimated 570,000 tonnes) and EPZ exports' value revised from Rs. 34 million to Rs. 32.5 million. Moreover, given that Mauritius is an open-economy, it has also been vulnerable to the international events of 2003, including the war in Iraq and the SARS virus, marring the international economic scene.

From 1999 to 2002, the contribution of investment to GDP has fallen from 27.6% to 21.3%, while the private sector's share of this investment has fallen from 76% to 67% over the same period. This confirms fears that overall investment, including FDI, may have reached its peak. Indeed the real issue is that the EPZ sector may have already reached its maximum level of investment, business having been progressively lost to lower-cost textile manufacturing countries (in foresight of the dismantlement of the Multi- Fibre Agreement at the end of 2004 putting an end to preferential trading in garments that Mauritius has been enjoying in its major market destinations) Nevertheless,

in 2004, the Government will rely on its massive investments in the “cybercity” (scheduled operational as from March 2004) and telecommunications infrastructure.

The island’s unemployment rate has risen from 6.9% in 1998 to over 10% today, as a result of natural population growth, the entry of an increasing number of women into the job market as well as those persons flowing from the Voluntary Retirement Scheme (VRS) of the Sugar sector (6 600 workers have opted for the VRS). This increase of nearly 4% in the unemployment rate is also a reflection of the downturn of the EPZ, with substantial labour lay-offs from the closing down of textile industries.

Rising unemployment is indeed now a major concern for the Authorities and impacting mainly on female employment. A gender analysis indicated that the male unemployment rate declined from 8.8 % in 2001 to 8.5 % in 2002 while the female unemployment rate rose from 9.8 % to 12.0 % over the same period.

With the relatively high annual per capita income of US\$ 3800, Mauritius is increasingly facing difficulties to obtain financial aid from international donor agencies. The transition from a low wage labour intensive economy to high-tech capital intensive economy is proving to be difficult to sustain, as it requires massive investments in appropriate training and education. This is further compounded by the increasing skills mismatch and labour market inflexibility and the shortage of high-calibre expertise in several economic sectors.

#### ***Global business – Offshore financial services***

Changes in tax and regulatory regimes in other jurisdictions (in particular in India and South Africa, the two most important markets for the Mauritian global business sector) could affect the growth of the global business sector in Mauritius.

#### ***Quality of the management of public finances and budgetary expenses.***

During financial year 2002-03, a Financial Sector Assessment Programme (FSAP) was undertaken for Mauritius by a team of experts from the International Monetary Fund and the World Bank. In its report, the FSAP team concluded that Mauritius has “a well-developed financial system” and that “the banking system is profitable and sound”. The Report, however, also underlined three main sources of potential risks and vulnerabilities, namely, risks associated with external economic shocks and downturn in economic activity, the roll-over risks of growing short-term public debt and potential reputational risk that could arise from money laundering or criminal activities of offshore funds and companies.

### ***3.9 Trade aspects***

Mauritius is part of the multilateral trading system and of several regional agreements such as COMESA (Common Market of Eastern and Southern Africa), SADC (Southern African Development Community), IOC (Indian Ocean Commission) and IOR (Indian Ocean Rim). Further information on trade are presented in annex ii.

### ***3.10 Achievements in the social sectors***

An extensive range of social benefits have been put in place and maintained, covering free primary and secondary schooling, universal non contributory pension to all citizens above 60 years of age, and social aids for widows and orphans, amongst others.

#### **Health**

The general state of health of the population of Mauritius is good and has been improving steadily over the past decades. In the last thirty years, in Mauritius, expectation of life has increased from 63 years to 71 years and infant mortality has fallen from 64 to 14 deaths in the first year of life for every 1000 live born babies. Mauritius has also managed to reduce its population growth rate significantly over the years (from 3% in early seventies to less than 1% today). . The other main success of the health system in Mauritius has been to improve the health of its people by virtually eradicating the major infectious diseases of the past, such as malaria, polio, diphtheria, typhoid and cholera, which still seriously affect many countries in the African region.

In terms of impact against poverty, the successful control of infectious disease has also had the positive impacts of increasing education levels and literacy rates in the country, national media systems for communication, smaller family size, improved housing and roads infrastructure, public transport and power, food hygiene and refrigeration, and high levels of employment. Mauritius has also been one of the most successful countries in the region in containing sexually transmitted diseases including HIV/AIDS though a rising trend may be observed. A comprehensive strategy and programme on HIV/AIDS has been established, and is being implemented through the Health Ministry's national HIV/AIDS unit. **Preventive treatment with antiretroviral drugs** is provided free of charge.

However the success in increasing overall life expectancy of the population is leading to an ageing population, with an increase in diseases, which affect the elderly in particular. As a result of the latter, the pensioner support ratio, defined as the number of persons of working age for every old-age pensioner, is expected to drop drastically from 7.5 to 1 in July 1998 to 4.5 to 1 in 2018.

#### **Pensions<sup>3</sup>**

**Mauritius has a well-balanced multi-pillar pension system, but the Basic Retirement Pension (BRP) scheme faces issues of affordability.** For more information on the issue of pension, refer to Annex iii.

#### **Gender**

The major development as regard gender issues has been the formulation of an Action Plan on Gender-Responsive Budgeting in 2003. This Action Plan will be implemented by all ministries in 2004 as from the very start of the budgetary preparation exercise. Otherwise, in the context of initiatives launched by Government for poverty alleviation or private sector support, there is a positive gender bias. As such micro-credit schemes are positively discriminated gender-wise and same has been observed with regard to the

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<sup>3</sup> Findings from the Joint IMF-World Bank Financial Sector Assessment, published August 2003

access of women entrepreneurs to facilities put in place to improve the business environment, such as the TEST (Textile Emergency Support) initiative.

#### **4. Overview of past and ongoing cooperation**

##### ***4.1 Focal sectors***

The focal sectors of the 7<sup>th</sup> EDF (€ 34 million) were agricultural diversification (55%-60% of the total allocation) and the protection of the environment (17%). Under the 8<sup>th</sup> EDF, the protection of the environment has remained one of the focal sectors with half of the total Fund allocation; the other focal sectors being the private sector and human resource development (30%).

The focal sector of the 9<sup>th</sup> EDF (€ 33 million) remains the environment sector (85%), with special emphasis on the water/waste-water sub-sector. The remaining 15% non-focal allocation under the 9<sup>th</sup> EDF is intended for non-state actors in the context of a Decentralised Cooperation Programme; the Financing Proposal for the latter being currently under preparation.

The intervention frameworks, as defined in the 7<sup>th</sup> · 8<sup>th</sup> and 9<sup>th</sup> EDF National Indicative Programmes, are presented in Annex I.

##### **4.1.1 6<sup>th</sup> and 7<sup>th</sup> EDF: Agricultural diversification and protection of the environment and natural resources**

1) Agricultural Diversification
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In view of the anticipated changes to the Sugar Protocol, following the phasing out of trade preferences, the Mauritian Government has, in March 2003, published a report “A Sustained Programme for Agricultural Diversification: a Non-Sugar Strategic Sector Plan (NSSSP) 2003-2007”, to promote the “non-sugar sector” in agriculture. This plan acknowledges the growing importance of the “non-sugar sector” in the national agricultural economy and aims at self-sufficiency and enhancement of horticultural exports.

Past EU interventions have been anticipatory of the NSSSP initiative, as evidenced by the two EU financed projects, namely the “Northern Plains Irrigation Project: Phase II (NPIP)” (€ 9 million) and “The Quality Management for the Mauritian Horticultural Sector” (€ 0.6 million) set up under the 6<sup>th</sup> and 7<sup>th</sup> EDFs to support the Government of Mauritius in its endeavour towards agricultural diversification from sugarcane to vegetables and fruits.

##### **a) Results**

The “Northern Plains Irrigation Project: Phase II (NPIP)” has to date improved the availability of water supply over 3,500 hectares in the northern plains of the island with the construction of the M1-Pipeline (100% EDF funds) and the A5 Pipeline (about 50% EDF funds). The overall impact, to date, has been to improve the income of small food

crop growers by enabling them to use more cost-effective systems (such as drip irrigated crop production) and reap the benefits of higher yields. The long-term anticipated impact is that a significant area in the northern plains will be gradually diversified from sugarcane to vegetables and fruits, with a view to reducing imported food items and mitigating the possible negative impact of loss of revenue from sugar exports.

The “Quality Management for the Mauritian Horticultural Sector” Project has, to date, created a greater awareness amongst small planters island-wide of the importance for the production of quality vegetables and fruits.

#### **b) Progress in Activities**

Under the “NPIP” and the “Quality Management for the Mauritian Horticultural Sector” Projects, the activities are currently centred around (i) the provision of training, extension and technical support to full-time and part-time planters of vegetables, fruits and ornamentals (ii) the setting up of market information services for the whole island; and (iii) the professionalizing of food crop growers, to be capable of supplying the existing and new markets all year round with good quality fresh produce at reasonable prices.

#### **c) Degree of Integration of Cross-Cutting Themes**

A special consideration was placed on women planters’ needs by providing them with technical support, for instance in the fields of minimal processing and food preservation.

### **2) EDF 6 and 7 : Protection of the environment and natural resources**

Overall, the government met its commitments under the 7<sup>th</sup> EDF. It should be noted, however, that the 7<sup>th</sup> EDF NIP environmental focus shifted to waste water (liquid waste) rather than solid waste for several reasons, including:

1. Through various studies it was concluded that the negative impact of improper waste water disposal is significantly higher than the solid waste issue, given that only 20% of Mauritian households are connected to a sewerage system;
2. At institutional level, the implementation of any solid waste management plan was more complex than initially foreseen, since it involved decisions at both the local authorities and the central government levels;
3. World Bank funding was already geared towards improvement of the solid waste sector. The World Bank has maintained its commitment and has financed studies for engineered landfills and alternative disposal mechanisms, for the institutional and legal framework, for cost recovery.

The Management of Natural and Agricultural Resources of Rodrigues Project (Euro 2,080,200)<sup>4</sup> aimed at protecting, restoring and improving the management of Rodrigues’ natural resources and agriculture . The following results were achieved by early 1998: 49 ha of valleys developed and protected, 4.9 km of feeder roads constructed, 400 ha of land

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<sup>4</sup> 7 ACP MAS 4

reforested forming the sylvopastoral areas, 60 ha of mangroves planted, 4 weirs constructed, a Geographical Information System installed and staff trained in its use. In 1999 it was decided to use the balances still available to rehabilitate the seed and potato storage facilities, constructed under the 4<sup>th</sup> EDF, of which the refrigeration equipment had been destroyed by a cyclone. The experiences of the programme were used in the formulation of the Anti-erosion Programme for Rodrigues, financed under the 8<sup>th</sup> EDF.

Technical Assistance to the Wastewater Management Authority (WMA) (Euro 600,000)<sup>5</sup> has been provided for four years to enable it to carry out effectively its mandate. The TA was instrumental in the development of one of the principal projects in the environmental sector – the expansion of St. Martin Waste Water Treatment Plant- and also the related project for the sewerage of densely populated (CHA) housing estates, both of which were funded under the 8<sup>th</sup> EDF. The TA contract ended in April 2002. In view of the positive impact of the project on the institutional reinforcement of the WasteWater Management Authority (WMA), which will bear positively on the implementation of the foreseen 9<sup>th</sup> EDF intervention in the wastewater sector, a new project of 750,000 € under 8<sup>th</sup> EDF has been funded and the new TA started in 2003 to continue EU support to WMA Management for capacity-building and to address operational issues in the sector.

#### **4.1.2 8<sup>th</sup> EDF : Environmental Protection, Private Sector and Human Resources Development**

##### **1) Environmental Protection**

One of the objectives under the 8<sup>th</sup> EDF was to minimise environmental degradation that could become a serious impediment to economic growth. The Government committed itself to rehabilitate and upgrade the Mauritian wastewater disposal facilities in the Plaines Wilhems, and the Northern regions, including Port-Louis, and to implement a coherent and practical pollution control policy, improve the revenue base of the wastewater sector and provide adequate staff resources to operate and maintain the sewerage system and treatment works.

Moreover, under the 8th EDF, environmental protection was also directed towards the sustainable use of soil and water resources on the island of Rodrigues. The “Anti-Erosion Programme in Rodrigues” aims principally at erosion control, but also includes mitigation of the negative impacts of erosion, by focusing on the whole agricultural chain from production to marketing.

##### **- Wastewater sector : St Martin Treatment Plant and Strengthening of the WMA**

The St Martin Sewage Treatment Plant Extension project (Euro 16,700,000)<sup>6</sup> serves a population of 220 000, to be connected to a sewerage system, out of a total population of 310 000 projected by year 2005. The initial St. Martin wastewater treatment plant was

<sup>5</sup> 7 ACP MAS 36

<sup>6</sup> 8 ACP MAS 5

overloaded hydraulically and biologically, resulting in 90% of wastewater being discharged untreated to the ocean.

Construction works in the Plant Extension are expected to be completed by end 2004. This first stage of the St. Martin Treatment Plant constitutes a vital element of the Government's programme and one on which the 9<sup>th</sup> EDF Sector Policy Support Programme (SPSP) in wastewater hinges on. It serves the Plaines Wilhelm's catchment, where only some 35% of the population benefit from sewerage and disposal facilities.

Following the proclamation, on 30 August 2001, of the Wastewater Management Authority (WMA) Act 2000, the WMA has become a corporate autonomous body, legally entrusted with the following two instruments for the running of its operations: the "Convention de Maîtrise D'Ouvrage Déléguée For Wastewater Works" and the "Contrat de Délégation For Public Wastewater Management" , which were signed on 31 August, 2001.

During 2003 the WMA continued implementing its organisation structure in line with the corporate plan. Regarding the improvement in the revenue base of the sector, the two concerned organizations, WMA and the Central Water Authority (CWA) have initiated discussions on the legal, operational and financial aspects of the joint billing system scheduled to be operational as from January 2004.

-Anti-erosion programme in Rodrigues (€ 3,960,000)
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#### a) Results

A range of positive results has been obtained to date within the "Anti-Erosion Programme" in the areas of forestry, pasture management, terracing and water supply for agriculture in Rodrigues. Moreover, considerable progress has been made in the establishment of a Geographical Information System (GIS) for Rodrigues. In this respect, different land use tools have been developed (digital information about the land suitability; soil maps; infrastructure; water availability, etc.); civil servants have been trained; and different studies have been financed (vulnerability of the beaches; sedimentation processes in the lagoon, etc.). Hence, it is believed that all the necessary tools have been provided to the Rodrigues' authorities to define an integrated management of the island.

#### b) Progress in activities

Three Annual Work Programmes (Start-Up Work Programme, First and Second Annual Work Programme) have been implemented and the Third Annual Work Programme (July 1<sup>st</sup> 2002 – June 30<sup>th</sup> 2004) is ongoing. In this end phase of the project, the uncommitted funds will be primarily used for the construction of: (1) an irrigation reservoir at Cascade Victoire; and (2) the construction of a new dam in Rivière Grenade to increase the irrigation possibilities in nearby Rivière Banane.

A mid-term evaluation of the project was carried out mid 2003 and provided recommendations on the conservation of the soil as well as the water resources, and to improve the agricultural extension services. These recommendations could be used in the preparation of the forthcoming “Decentralized Cooperation Programme”, to be financed under the 9<sup>th</sup> EDF, and thus open up avenues where Rodrigues can clearly benefit of resources under the 9<sup>th</sup> EDF.

## 2) Private Sector and Human Resources Development

### EDF 8 FOCAL SECTOR - PRIVATE SECTOR (overview of objectives and results)

#### a) Results

Mauritius was swept by a wave of industrialisation since the late 1970s and early 1980s, which enabled the country to shift from a mono-crop economy to become a success story on the African continent and among many other countries in the world. The country has fully exploited the benefits and opportunities from the preferential treatments that existed under the Lomé Conventions and the Multi-Fibre Agreement. The relatively cheap and highly skilled labour force in the 1980s was another advantage that deserves special mention.

Over the years, Mauritius has lost many of these pluses. Labour is no longer cheap and indeed the country has to increasingly resort to imported workers from countries like Bangladesh and China. Moreover, the emergence of low cost and high volume producers like Mexico and China also represent inevitable threats. The liberalisation of trade and gradual erosion of preferential treatments (like quota on the European market) therefore does effectively question the very sustainability of the Mauritian manufacturing/industrial sector.

It is mainly for this reason that Government decided to give priority to the industrial sector and the vision of Government is certainly commendable. Efforts were made, with resources of the 8<sup>th</sup> EDF, not only to reinforce existing capacity of industries but more importantly, to provide facilities to these industries to gear themselves up for the forthcoming challenges. The Clothing Technology Centre (8.ACP MAS.6), for instance, aims at that. This project is certainly a success story and the opening up of the Centre to the region is a clear indication that objectives are being met. The authorities are also both conscious and keen to make the project sustainable. The trust that the industry has for this project is a main factor in ensuring its sustainability.

The Training Programme for the Port community has also achieved expert knowledge and skills dissemination, relating to best practice in Port and Shipping Administration, among members of the port community at large. This has essentially been effected through short-term courses prepared and delivered by the long term international Technical Assistance. The port operators are thereon expected to be more efficient users of the port facilities and to better serve both local and foreign economic operators (manufacturers, traders, etc) in the external trade supply chains of the country and in the region.

Unfortunately, other projects did not meet the same success. The Support to SME's (MAS.10), for example, did not meet its objectives because of management problems and because the financial component as set out in its financing agreement (FA) could not be implemented due to delays encountered in the setting up of the institutions, and the drafting and legal validation of the operations framework with respect to the end date of the project on 31/03/2004. Similarly, the project aimed at enhancing the competitiveness of the Freeport sector (MAS.4) was not implemented because there was a clear departure from the set objectives.

Another project has been the Technology Development in Private Firms project (Euro 2,900,000)<sup>7</sup>, funded under the 7<sup>th</sup> EDF CBI/TIS scheme, is to assist the private enterprises in the manufacturing and service sectors in strengthening their competitiveness in the international market, through financing on a 50/50 cost-sharing basis the acquisition of technological expertise and know-how. The project mid-term evaluation carried out in November 2001 was overall positive in assessing that enterprises were encouraged to invest in technology-related improvement programmes, in areas such as design, training, skills building and quality systems. By mid 2002, the Steering Committee set up to oversee the implementation of the project noticed some cases which would tend to signify some form of malpractices on the part of the PMU. It was agreed that all payments due to the contractor as well as to some service-providers since that date would be withheld until these problems are resolved. Technically the project ended on 31<sup>st</sup> December 2003.

#### b) Progress in activities

The "Training programme for the port community and port-related organizations"-8.MAS.12 -(€ 400 000) ended in August 2003 and "The Clothing Technology Centre" project (8.MAS.6) ended in December 2003.

Moreover, 8.MAS.10 is expected to end in March 2004. Since the expectation of the industry at large, and the SMEs in particular could not be met, especially given the poor performance of 8.MAS.10, the Government is keen in transferring the unused resources of this project, together with other decommitted funds, to the forthcoming 9<sup>th</sup> EDF Decentralised Cooperation Programme which will address, among others, issues related to improving the business environment of SMEs.

#### c) Degree of integration of cross-cutting themes

A large number of enterprises in Mauritius and Rodrigues, in particular the SMEs, are headed by women. Furthermore, the larger firms offer important job opportunities to women. Supporting the survival and competitiveness of these industries is tantamount to creating job prospects for women, especially those at the lower scales of the ladder. This has led to a considerable improvement in the general standard of living, in particular for the lowest income households.

The CTC has had a de facto social mandate. On the one hand, its facilities generate extensive economies of scale to the SMEs in the apparel sector, without these enterprises having to invest in high-tech state-of-the-art equipment and machinery (e.g. computerized design and laboratory equipments for material testing). On the other hand, it has evolved

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<sup>7</sup> 7 ACP RPR 672

as a specialist institution mobilizing training courses for SMEs to keep them abreast of latest international trends and quality as well as environmental requirements in apparel production.

The CTC has also collaborated with on-going poverty alleviation initiatives, such as the EU-financed “A NOU DIBOUTE ENSAM” Project, to develop human capacities and income-generation capabilities among the more vulnerable groups, principally for those women laid off following the closures of textile companies.

#### **4.1.3 9th EDF : Environment – Water/Wastewater Sector**

##### **a) Results**

In December 2003, in accordance with the provisions of the 9<sup>th</sup> EDF Country Support Strategy to implement a Sector Policy Support Programme (SPSP) in the waste water sector, a financing decision for € 29.8 million has been taken, by the European Commission.

The SPSP will be funding components of the 1994 National Sewerage Master Plan (NSMP).

The following specific objectives shall be pursued for the focal sector of environment:

- improvement of the living standards of the populations affected
- preservation of the natural resource base
- sustainable water management.

The major policy measures to be taken by the Government as a contribution to the implementation of the Programme are:

- the overall implementation of the National Sewerage Plan;
- the continued commitment to achieving financial sustainability of the Wastewater Management Authority (WMA);
- the continued commitment to develop human resources within the WMA.

##### **b) Progress in activities**

The SPSP will operate on a yearly disbursement basis on fixed and variable disbursements, linked to triggers and indicators. The first disbursement is expected before the end of the financial year 2003-2004, subject to pre-conditions being satisfied - an important one being the signature of the Memorandum of Understanding by the main lenders/donors in the sector (World Bank, European Investment Bank, European Commission).

##### **c) Degree of integration of cross-cutting themes**

The Government has recognised that it cannot ignore the environmental problems linked to economic growth, which adversely affect social welfare and future economic development.

Such environmental problems include wastewater disposal, a sector that had been badly neglected until the mid-1990s, resulting in a small percentage of the population having

access to adequate wastewater/sewerage disposal systems. Subsequently, the 9<sup>th</sup> EDF SPSP in the wastewater sector include the improvement for population at large in their access to water and wastewater disposal as one of the main indicators..

## ***4.2 Projects and programmes outside focal sectors***

### **4.2.1. Road Infrastructure and Human Resources - 7<sup>th</sup> EDF**

The non-focal sectors of the 7<sup>th</sup> EDF were road infrastructure and human resources. All operations are completed and the following results may be noted.

#### **1) Road Infrastructure**

Phoenix-Nouvelle France Road Construction project (Euro 4,000,000)<sup>8</sup> was approved in June 1998 and the project ended in November 2001. Similarly to the previous road construction project (Pamplemousses – Grand Baie), the positive impact of this new project will be over time in terms of easier and quicker access to public amenities (hospital), and better road security for goods and persons movement in and out of the airport, and of course, as a trigger for the development of new zones whether residential or industrial.

#### **2) Human resources**

Support to the Mauritius Institute of Public Management (MIPAM) project (Euro 725 000)<sup>9</sup> consisted of training for executives and trainers of MIPAM and of financing for procurement of equipment and training material. The MIPAM has been absorbed as the School of Public Policy and Management in the new University of Technology and the project stopped at that stage.

Support to the Human Resources Centre in Rodrigues project (Euro 660,000)<sup>10</sup>, which ended in August 2003, aimed at promoting human resources development in Rodrigues by providing new training facilities and thus reduce the training dependency of Rodrigues on the main island. The project consisted in financing furniture and equipment, training of the HRC executives, and international as well as local technical assistance for project implementation and follow-up.

Training of Police Cadre project (Euro 1,000,000 under two separate financing agreements under 7<sup>th</sup> EDF)<sup>11</sup> supports the reforms of the Mauritius Police Force. It aims at training and strengthening the country's police force to meet the requirements of civil society and to enable the police force to up keep and enforce the country's law and order in the most effective manner. The project has been successfully completed and a positive external evaluation carried out in 2002.

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<sup>8</sup> 7 ACP MAS 46

<sup>9</sup> 7 ACP MAS 16

<sup>10</sup> 7 ACP MAS 23

<sup>11</sup> 7 ACP MAS 42 and 7 ACP MAS 54

Support to the Industrial and Vocational Training Board (Euro 2,500,000 under 6<sup>th</sup> and Euro 165,000 under 7<sup>th</sup> EDF)<sup>12</sup> consisted of the upgrading (equipment, training) of four old Pre-Vocational Training Centres and of strengthening the Industrial and Vocational Training Board at institutional level. The project is closed. The project's impact is clearly visible: 300 apprentices a year are trained in each of the four regional apprenticeship centres, and there is an intake of around 600 trainees a year in each Industrial Trade Centre, with a good level of pass rates at the National Trade Certification awards.

### **3) Other projects**

Support to the national AIDS Programme (Euro 423,000)<sup>13</sup> aimed at providing information on AIDS to the general public and targeting groups such as women on the Export Processing Zone (EPZ), youth workers and those in other groups with even higher risk behaviour (prostitutes, homosexuals and injecting drug users). Building of a blood bank comprising a virology laboratory and providing other laboratory facilities for the HIV/AIDS diagnosis was also part of the project. Thus for the first time, equipment for HIV tests on infants are available. The project has been completed. .

The 7<sup>th</sup> EDF includes a study (Euro 40,000) and a project for works and supervision for the Rehabilitation of the Mahebourg Market (Euro 2,000,000)<sup>14</sup>. The reconstruction of the 150 years old market extends the market, provides a greater number and more modern stalls for the vendors and improves the overall sanitation and hygienic conditions in the market and its immediate environment. Works (Euro 1,850,000) and supervision (Euro 150,000) commenced in July 2000 and the last works were completed at end of the project in August 2003.

A Micro-projects Programme (Euro 1,000,000)<sup>15</sup> of 29 projects was completed in 2000. Education, health and social sectors were key areas of the Programme. Other projects concerned support for income generation as well as actions for the benefit of the environment.

#### **4.2.2 Poverty Alleviation and Upgrading of Housing Estates - 8th EDF**

Under the 8<sup>th</sup> EDF, 20% of total allocated resources were earmarked for activities outside the concentration sectors.

##### **1) Poverty Alleviation**

A Micro-project programme (MPP) "Anou Diboute Ensam" (Euro 3,665,000)<sup>16</sup> aims at poverty alleviation. The focus of the MPP is on the initiation of projects from grassroots organisations, through a bottom-up participatory and demand-driven approach. The beneficiaries have to contribute 25% of the total project cost. The intervention areas

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<sup>12</sup> 6 ACP MAS 39 + 7 ACP MAS 41

<sup>13</sup> 7 ACP MAS 19

<sup>14</sup> 7 ACP MAS 50 + 7 ACP MAS 51

<sup>15</sup> 7 ACP MAS 37

<sup>16</sup> 8 ACP MAS 9

are: social infrastructure aimed at improving the quality of life of the targeted poor, income generating activities, and vocational training and adult education. The project encountered a number of problems at its inception and was very slow to take off. Reorganisation and further recruitment of the staff for the PMU improved the situation and 84 projects were approved during 2003 resulting by the end of 2003 with a cumulative total of 151 projects, amounting to Rs 102 million out of which almost 72% was EU contribution (equivalent to approximately € 2,350,000). The project duration has been extended to August 2004.

## **2) Upgrading of Housing Estates**

Over the period 1960-1988, the ex-Central Housing authority (CHA) built some 180 housing estates to cater for those who had become homeless as a result of cyclones. A survey carried out in 1994 showed that only 47% of these housing estates were free from sewerage problems. Consequently, Government embarked on major programmes to upgrade the sewerage infrastructure and approached the EU in 1997 for financial assistance to improve six estates. A Study of Sewerage in CHA Housing Estates (Euro 150,000)<sup>17</sup> was undertaken in 1998 (under 7<sup>th</sup> EDF) to verify and update the previous Government feasibility study and produce a project dossier before proceeding to the final design and preparation of works tender documents. The financing decision for the Sewerage in CHA Housing Estates project (Euro 4,000,000)<sup>18</sup> was taken in June 2000 and the agreement of the Commission with regards to award of contract has been taken in December 2001. Despite a difficult environment, works, which effectively started in July 2002, are progressing satisfactorily though an extension in the works calendar may be necessary and would require to amend the end date of the financing agreement from August 2004 to December 2004.

### ***4.3 Utilisation of resources for non-State actors (NSA)***

In accordance with the provisions of the Cotonou Agreement, Mauritius and the EU 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. In this respect, the integration of the private sector and of civil society has been duly encouraged and consultations have been held during the elaboration of the CSP, the 9<sup>th</sup> EDF framework and the EU response strategy for Mauritius.

A formal study was carried out in 2003 and resulted in the formulation of a draft Financing Proposal for the non-focal sector 9th EDF Decentralised Cooperation Programme (DCP) for an amount of € 5 million as earmarked in the EDF9 CSP. However, as regards the availability of more resources from unused funds and decommitments in prior EDFs, now transferred to EDF 9, it is envisaged that the envelope for the DCP may be increased prior to the approval of a Financing Proposal by Headquarters expected around March 2004.

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<sup>17</sup> 7 ACP MAS 43

<sup>18</sup> 8 ACP MAS 11

#### *4.4 Utilisation of B envelope*

Post-Kalunde Rehabilitation Programme for Rodrigues ( € 499,000)
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The island of Rodrigues has been severely hit by the cyclone “Kalunde” in early March 2003, causing major devastation to the island, bringing a halt to economic activities and hindering growth prospects. The prevalent poverty situation has thus been aggravated. The overall objective of the programme is to contribute to poverty alleviation by restoring the population’s access to drinking water, and by improving the prevention capacity and capability against natural calamities.

A one-time commitment using the work-programme mechanism has been prepared end 2003 and should be endorsed early 2004, after which the supplies and works tenders will be launched.

#### *4.5 Other instruments*

##### **4.5.1 European Investment Bank**

Under Lomé IV (second financial protocol) the EIB has approved a total of € 63 million on the Bank’s own resources. This represents more than twice the indicative amount of € 30 million envisaged in 1997, as a global indication, for the total assistance that the Bank could provide from the resources for which it is responsible.

Most of the above financial resources (i.e. € 53 million, or 84%) went to financing two large public sector projects: the passenger terminal at Sir Seewoosagur International Airport and the rehabilitation and extension of the sewerage system in the Plaines Wilhems area.

In the private sector, a loan of € 10 million served to part-finance the construction of a base-load coal/bagasse power station situated in the north of the island. The project was completed on schedule and started commercial operation in 2000.

The contribution of the EIB to development finance co-operation with Mauritius in the framework of the Cotonou Agreement will be the provision of long-term financial resources other than grants, to assist in promoting growth in the private sector and in helping to mobilise domestic and foreign capital for this purpose. The support will be in the form of risk-capital from the Investment Facility or as loans from the EIB’s own resources.

The Bank shall be prepared to examine financing requests emanating from all economic sectors. Both private and public entities will be eligible, provided the latter are commercially run and their activities are critical for the private sector. The Bank will focus on three main areas of intervention. Firstly, direct funding of large individual projects, where the Bank can contribute value added in the technical appraisal of the investment and/or act as catalyst in attracting private external debt and equity finance. Secondly, financing large infrastructure projects, namely in the energy, water and

sewerage, transport (road and maritime) and telecommunications sectors. The emphasis will be to help increase the efficiency of public utilities and to encourage private sector participation where appropriate. In this context the EIB figures among the donor mix to the waste water sector which is also benefiting from a Sector Policy Support Programme under the 9th EDF.

Thirdly, a closer co-operation will be sought between the EIB and various local financial intermediaries to assist small and medium-scale enterprises through global loans, equity or guarantee funds.

#### **4.5.2. Regional co-operation**

Mauritius is a member country of the Indian Ocean Commission (IOC), and hence also benefits from EDF regional allocations. Under the 7<sup>th</sup> EDF, the regional allocation was Euro 30 million, out of which 80% was reserved to the following focal sectors:(1) development of trade in products and services and (2) protection and sustainable management of natural and maritime resources. The same focal sectors benefited from Euro 25.5 million, i.e. 85% of the 8<sup>th</sup> EDF regional allocation of Euro 30 million.

The chosen priority sector for Mauritius within the 9<sup>th</sup> EDF, namely the environment, exhibits significant coherence with on-going regional co-operation in the South Indian Ocean. An on-going project under the 7<sup>th</sup> EDF in this region is the Regional Support Programme for Environmental Initiatives. Under the 8<sup>th</sup> EDF another environmental initiative has started and concerns the development and implementation of a programme for environmental education.

Contrary to previous regional indicative programmes that were specific to the Indian Ocean Region, the 9<sup>th</sup> EDF RIP covers also Eastern and Southern Africa. The total allocation of the RIP is 223 million euros. The functional policies to be implemented especially by the IOC within the RIP are concentrated on sustainable management of marine and coastal resources.

#### **4.5.3 All ACP**

Under the All-ACP (or better known now as the intra-ACP funds) envelope, Mauritius mobilized € 2.9 million under the 7<sup>th</sup> EDF for a project under the cross-border initiative, the Technology Introduction Scheme (see already documented above). 4.5.4 Sugar Protocol

Since 1975, Mauritius has been granted preferential access to the European market under the Sugar Protocol of the Lomé Convention. The quota amounts to 491,000 tons (excl. special sugar) of raw sugar per year. However, the necessity to reform the common agricultural policy (CAP), and in particular the reform of the common sugar market will probably result in a review of the Sugar Protocol. The European Commission has proposed three scenarios to reform the common sugar market, by simulating the probable effects on ACP countries' economies.

The Mauritian Government has launched in 2001 the Sugar Strategic Plan 2001-2005, with the participation of all the actors of the sugar industry. The strategic plan was based on two aspects: restructuring and rationalising the sugar industry and reducing the production costs. Indeed, the major problem of Mauritius' sugar cane industry is the very high sugar production costs compared to large sugar producing countries such as Brazil. The strategic plan is also based on the improved accessibility to facilities, such as free de-rocking of the farmers' fields, and access to irrigation, which could double the productivity in comparison with rain-fed sugar cane (see Northern Plains Irrigation Project).

Despite these efforts to reform the Mauritius' sugar industry, it is believed that the Mauritian Government will apply high pressure on the European Commission, so as to maintain the Sugar Protocol in its current form, by defending their vulnerability as small economy.

#### **4.5.5 Fisheries**

In September 2003, a new, fifth, Fisheries Protocol was negotiated between the Republic of Mauritius and the EC following a one-year extension of the previous Protocol.

Due to a better level of tuna catches and an increase in the number of licenses to be delivered to EU fishing vessels (41 seiners and 49 longliners instead of respectively 43 and 40 in the previous Protocol), the reference tonnage has been increased from 5,500 to 6,500 tonnes a year. For any supplementary tonnage, € 75/T will be paid to the Republic of Mauritius instead of € 50/T previously.

The new agreement will have a duration of four years (December 2003 – December 2007) with a total compensation per year of € 487,500 (excluding the contribution of ship owners maintained at € 25 per ton of fish) compared with € 412,500 in the previous Protocol (+18%).

These funds will come 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 new "Control and Surveillance Programme" approved in November 2003 for € 3.5 million from the 9<sup>th</sup> EDF.

Financing complementary actions in the tuna fisheries sector in the region, like the € 14 million (9<sup>th</sup> EDF) tuna tagging programme approved at the end of 2003, is essential to preserve these vulnerable natural resources and to give more coherence to the EC fishing and development policies.

At the same time, we should keep in mind that for European fishing vessels, which need to follow the highly migratory species of tunas in the Indian Ocean, it is essential to obtain fishing rights in other countries, like Seychelles (Fishing Agreement to be renegotiated in 2004), Madagascar (Agreement renewed for four years in September 2003) and Comoros (Agreement to be extended for one year in early 2004).

## **5. Programming perspectives for the following years**

The Country Strategy Paper (CSP) for Mauritius, as signed in February 2002, provides for around 85% of funds directed to the environment (wastewater sector), which has been designated as the focal sector. The remaining funds have been earmarked for decentralized cooperation with the final objective of poverty alleviation.

As in December 2003, there was already a Commission Financing Decision to the tune of EURO 29.8 million, absorbing 85% of the 9<sup>th</sup> EDF A-allocation and some reliquats from 8<sup>th</sup> EDF, for a Sector Policy Support Programme (SPSP) in the wastewater sector, to be implemented via budgetary aid. The Financing Agreement would be signed by the Mauritian Government in January 2004 and allows for three tranches of disbursements corresponding to three budgetary financial exercises. It is envisaged that, in view of the substantial investments required as per projects already outlined in the country's National Sewerage Master Plan, and in event that Mauritius would maintain concentration of EU support in the same sector for subsequent EDFs, the possibility of a fourth (4<sup>th</sup>) tranche may be studied by the European Commission as a top-up facility. This top-up will have the added dimension of bridging funding requirements until availability of funds in the subsequent EDF (10<sup>th</sup> EDF).

There is also agreement between the country and the European Union that some resources (€ 500 000) will be channelled to a Technical Cooperation Facility (TCF) to allow quick mobilization of funds to recruit short-term experts for ad hoc studies.

The rest of the 9<sup>th</sup> EDF A-allocation, EURO 5 million, will be allocated to a decentralized cooperation programme, for which a formal study was concluded in 2003. Unused funds from prior EDFs and decommitments (as for example from the foreseen closure of the SME Challenge programme) will also be used in the context of decentralized cooperation albeit with a focus on improving the business environment to achieve higher competitiveness of SMEs.

### ***5.1 Integration of new EC/EU policy initiatives and commitments***

In the case of Mauritius, EC/EU policy initiatives and commitments, or existing priorities that were not in general adequately addressed in the initial programming, concern capacity building and human resource development across the productive sectors, in particular in the fragile manufacturing export sector.

The trade preferences on which two of the pillars of the economy are founded are being eroded<sup>19</sup>, forcing the sugar and textile industries to significantly improve their competitiveness or lose market share to larger, lower-cost producers. Both industries are restructuring and shedding labor. Since the early 1990s, unemployment (currently about

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<sup>19</sup> In the sugar industry, most Mauritian sugar is sold in the European Union (EU) market at the guaranteed European producer price, which is well above the world market price. This arrangement is currently under legal challenge at the WTO. The expiration of the Multi-Fibre Arrangement at the end of 2004 will expose the export-oriented textile sector to stiff and uninhibited competition from low-cost producers such as China.

10%) has been rising despite continued robust macro-economic growth, due primarily to labor market rigidities and a mismatch between the qualifications of the labor force and the skills demanded by the workplace. The erosion of preferential trade arrangements is likely to lead to a further rise in unemployment.

The survival of manufacturing SMEs in the export sector is thus dependent on a thorough re-engineering and re-skilling of its cadres besides adequate tooling and marketing towards penetration of newer markets so as to competitively integrate the global economy. Today's main challenge for Mauritius concerns the effective skills and technology upgrade of its export industry stakeholders and operators for competitive trade in the global economy.

The Joint Economic Council, a government and private sector think tank, in its March 2003 communication on the State of the Economy, stated that the cumulative effects of non-satisfactory GDP growth for two consecutive years will make Mauritius much more vulnerable to external shocks and that the main economic indicators show that the economic transition of Mauritius will be difficult and painful and the economy is facing three main challenges:

1. international competition;
2. the necessity to improve the overall business environment of the country to meet the international pressures; and
3. the urgent need for corporate re-engineering to perform in this new environment.

The Government has thus proposed to utilize the reliquats/uncommitted resources from prior EDFs, which amounts to around Euros 10 m, to inject into the EDF 9 Decentralised Cooperation Programme, so as to cater additionally for capacity-building activities aimed to Non-State Actors, Trade Promotion Organisations, and Trade Services Institutions linked to the private sector.

In parallel Government intends to fully explore other supportive facilities being put in place for the ACP countries by the European Union, such as the Pro-Invest and the Trade.com programmes.

The EU € 500 million Water Initiative

As all of its ACP partners, Government has welcome the announcement of the EU Water Initiative in favour of the developing countries. Mauritius in particular would stand to benefit of the initiative as a kind of complementary arm to the focal sector where it has concentrated EU aid under the 9<sup>th</sup> EDF : the wastewater sector. The issue remains open as to continuation of the next phases of the Mauritian EDF 9 Sector Policy (Wastewater) Support Programme by extension to the whole water sector.

## ***5.2 Proposal on a review and adaptation of the CSP***

No review or adaptation of the CSP is envisaged. The 2004 MTR will thus confirm the strategy already outlined in the country's CSP signed in 2002. Resources arising from

unused funds in prior EDFs will be merged into the EDF 9 non-focal decentralized cooperation activities.

At some point there have been discussions initiated by the Government on the opportunity of a second focal sector to better address the needs of the SMEs under heavy stress arising from a difficult textile environment and their low levels of skills and technology. It is however agreed now that these actors, who are also NSAs in the Cotonou context, may benefit from the Decentralised Cooperation Programme, for achieving the same purpose of higher competitiveness, and better skills. The EU and Government have agreed that due attention will be given to the formulation of the Decentralised Cooperation Programme to adequately cover the issue.

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CONCLUSIONS

*of the*

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2003

## **Overview of year 2003**

During fiscal year 2002-2003, economic performance was characterised by a real GDP growth of 3.3%, a fall in the consumer price inflation from 6.3% in 2001-2002 to 5.1%, the reduction of the fiscal deficit as a proportion of GDP, a continued increase in the current account surplus of the balance of payments and a substantial rise in the level of net international reserves. On the external front, the current account of the balance of payments recorded a surplus for the third consecutive year, with the surpluses on the services and current transfers accounts more than offsetting the pronounced deficit on the merchandise account. Net credit to Government from the central bank contracted further. Nevertheless, the closure of a number of EPZ firms has produced a negative impact on the level of unemployment. The budget deficit was Rs 9,235 million, equivalent to 6.2% of GDP at market price, ie the same level as in the preceding financial year.

The process of fiscal adjustment has been set in a medium-term framework and corrective measures to address fiscal imbalance and restore fiscal discipline have been initiated. Total public debt reached Rs 95,487 million as at end-June 2003 with internal and external debt amounting to Rs 86,413 million and Rs 9,074 million, respectively.

In terms of policy agenda, Government's objective has been to respond to the challenge of sustaining economic success against the backdrop of a rapidly changing world economic environment. New policies, legal and institutional reforms have been adopted. However, in parallel, adequate policies have been sought to sustain the level of human development it has committed itself to, including the reduction in the growing pockets of poverty. Major policy reforms with wide implications for the future development of Mauritius include the Education Sector Reform and the Sugar Sector Reform. At the same time, in view of the challenges that the new era of globalisation represented, Government was concerned about the need to maintain its competitive edge.

As regards cooperation with the EU, poverty reduction was set as the overall objective of the common agenda. More specifically, the EU will provide full support to Mauritius to ensure the adequate and sustainable preservation of the country's water resources and all socio-economic activities dependent thereof, with the obvious impact on health and employment, through a sector-wide approach in the wastewater sector. In December 2003, a Financing decision has been taken by the European Commission committing 85% of the 9<sup>th</sup> EDF A-Envelope together with some unused funds from prior EDFs, total amount being € 29.8 million, for a Sector Policy Support Programme (SPSP) in the wastewater sector. As regards the non-focal sector, as per the Country Strategy Paper, a total of € 5 million was allocated for poverty alleviation activities.

## **The Mid-term Review process**

The Mid-term Review (MTR) exercise was carried out in 2004 and concluded that the strategy was adequate and no change was envisaged.

To note that in the context of the MTR, meetings were held with both Government and non-state actors.

Given the good financial as well as sectoral and macro-economic policy performance of the country and the favourable perspectives in the medium term, the Commission decided to allocate an additional tranche of € 10 million to maintain a predictable budget support through fiscal year 2006-2007. (See below).

Allocation for the non-focal sector were increased to € 13.5 million with the release of unused funds from closed projects allowing to achieve the overall objective of poverty alleviation through increased funding on operations in Rodrigues and to non-state actors operating in the private sector.

There was also agreement between Government and the EU that some resources (€ 500,000) would be channelled through a Technical Cooperation Facility (TCF) to allow quick mobilisation of funds to recruit short-term experts for ad hoc studies.

### **Programming perspective for the future**

Of the new or existing EC/EU priorities, many are already tackled by existing policy commitments or do not apply to Mauritius, in particular (i) fight against terrorism; and (ii) education for all. Amongst other priorities, the Water Initiative could be appreciated in the context of the existing cooperation programme; the announcement of the initiative was welcomed by Government as the country would stand to benefit as a complementary support to the waste water sector, where it has concentrated the bulk of the 9<sup>th</sup> EDF.

### **Performance appraisal**

#### First criteria: financial performance of the country (at 31/12/2003)

##### EDF

Number of years to complete commitments	1.0 yrs
Number of years to complete assigned funds	5.9 yrs
Number of years to complete payments	7.0 yrs
Level of utilisation of the 9 <sup>th</sup> EDF A envelope(+transfers)	77.2%
Level of utilisation of the 9 <sup>th</sup> EDF B envelope	45.4%

#### Forecasts for commitments and disbursements for 2004-2007 (million euros)

Year	Commitments	Assigned funds	Payments
2004	5.5	9.789	13.630
2005	10.0	11.340	12.391
2006	0	15.290	13.600
2007	0	4.150	2.100
Total	15.50	40.569	41.721

Second criteria: Country's sectoral (and macroeconomic performance)

Government is on track for the sectoral policy commitments to be implemented as a contribution to the response strategy in the focal sector environment and, more specifically, the waste water sub-sector.

As for the macroeconomic performance, it is of note the strong commitment of Government to ensure continued good economic performance although the country is experiencing a number of major challenges.

The overall assessment for sectoral/macroeconomic performance is considered as **good**.

Mauritius performance can be summarised as follows:

Criteria	Possibility to increase country allocation	Maintain country allocation	Possibility to reduce country allocation
<b>Financial Performance</b>			
1. commitments	1 year		
2. assignments		5.9 years	
3. payments	7 years		
<b>Sectoral/macroeconomic performance</b>			
4. indicators	Good		
5. sectoral policy commitments	On schedule		

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## ANNEXES

1. Intervention framework
2. Chronogramme of activities
3. Indicative timetable for commitments and disbursements
  - 3.a on-going projects
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  - 3.d pipeline 2003-2007
4. Financial situation
  - 4.a Financial situation 9<sup>th</sup> EDF
  - 4.b Financial situation 8<sup>th</sup> EDF
  - 4.c Financial situation 7<sup>th</sup> EDF
  - 4.d Financial situation 6<sup>th</sup> EDF

Annex (i). Major events in year 2003

Annex (ii). Trade aspects

Annex (iii) Pensions

Annex (iv) Education

Annex (v) Macroeconomic and sectoral indicators (9<sup>th</sup> EDF Focal sector)

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### 9<sup>th</sup> EDF Intervention Framework (focal sector)

<i>Overall objective</i>	Outcome indicators	Sources of Verification	Assumptions
<p>Sustainable balance between economic objectives, the rational management of the environment and the enhancement of natural and human resources (National Sewerage Plan)</p> <p><b>EC support is to contribute to sustainable development preserving the fragile environment and public health via a Wastewater Sector Policy Support Programme (SPSP)</b></p>	1. National Sewerage Plan will be implemented as indicated	Quarterly follow-up of project planning	The update of Masterplan study by 2005
	2. Increase of population percentage connected to central sewerage collection system from below 20% to 40% in 2010	Central Statistical Office and Waste Water Management Authority (WWMA) statistics	
	3. Total house connections (HC) increased from present 32,250 to 73,000 in 2005	Customer database of WWMA	Financing for all capital projects including HC is guaranteed
	4. Adjustment of tariffs according to affordability criteria	Sector policy Letter (SPL) with necessary amendments	Amendment of SPL will be accepted
	5. Financial sustainability of WWMA reached by 2005	Yearly balance sheets of WWMA National Budget	
	6. Human resources development within WWMA	New WWMA Staff Chart, (including numbers of posts filled/vacant)	The required organization chart for the new WWMA will be the basis
	7. Improvement of public health situation in Mauritius (statistics on sanitation-related disease occurrence)	Central Statistical office and general health statistics	
	8. Improved water quality : groundwater and lagoon and coastal waters	Water quality tests – Pollution Control Unit	
	9. Improved availability of water for agriculture	Lower irrigation costs	Sugar industry accounts

In the context of the implementation of the Wastewater SPSP, **progress in selected output and outcome indicators will be the main monitoring tool:**

- a) The review and monitoring process will be based on the trends in the wastewater sector based on the following indicators. These indicators are policy driven and are supported by the WMA, Ministry of Public Utilities and Ministry of Finance.

**WMA – Performance Indicators and indicative targets**

Performance indicators for the Wastewater Sector	Baseline Data	Target			Weight	Notes
	2003	2003 /04	2004 /05	2005 /06		
Nr 1. Project Capital expenditure under NSP (Yearly )	Rs 900 m (2002/3)	Rs 1,100 m (2003/4)	Rs 1,160 m (2004/5)	Rs 1,500 m (2005/6)		<b>The base projected expenditure is based on the financial year from 1st July to 30<sup>th</sup> June the following in Constant Rupees (2002/2003)</b>
Nr 2. House connections (Cumulative)	50,100	54,000	61,400	66,200	20%	Cumulative Projected domestic & non-domestic (living quarters) connections
Nr 3. WMA financial performance					40%	Expressed as an annual amount of revenue collected. This indicator shall traduce the combined effect of tariffs increases and improved collection <b>performance related to institutional efficiency and to enforcement of connection to sewer</b>
Nr 4 Implementation of industrial pollution control programme	0	50	50	50	20%	Yearly. Implementation of Industrial Agreement with the Industries discharging wastewater into the public sewer networks. Approximate Number of Industries in the sewered Area = 200
<b>Nr 5 Improvement</b>	7,800	9,100	10,400	11,400	20%	Yearly Cumulative number of poor household

<b>of access of the poor to suitable sanitation *</b>						getting access to proper sanitation through the CHA projects and from other capital sewer works planned
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**b) Macroeconomic and public finance management indicators**

- i) Macroeconomic framework remains sustainable. The EC will confirm this on an annual basis before each tranche release. The macroeconomic assessment will be based on the latest available IMF article 4 consultations and on the EC own analysis. This assessment will particular monitor that the budget deficit follows a decreasing trend consistent with the GoM objective of 3% budget deficit in 2005/2006. If by the contrary the budget deficit increased over 8% of GDP, no further disbursement would be possible until the budget deficit is re-conducted.
- ii) Partnership – The GoM will maintain an open and constructive dialogue with the Donors in relation to macro-economic and social sector policies through the MOF. GoM will keep the Donors informed of changes in these policies.
- iii) Monitoring review and evaluation – GoM remains committed to continuing development of the wastewater sector programme and the review and monitoring of this through the annual review.
- iv) Regular information on compliance with PFM regulation in the form of audits of wastewater sector, is submitted by the GoM to the EC Delegation.
- v) Provision by the Government - as part of the annual review process - of assessment of the sector performance (compliance with quantitative targets of agreed indicators)

<i>Intervention Objective</i>	Specific Indicators	Sources	Assumptions
<p><b>The proposed intervention is to halt and reverse the trend of wastewater pollution on the island and its coastal zone and improve health and sanitary conditions of the population.</b></p> <p>The objective is thus the improvement of living standards of populations affected including preservation of the natural resource base and sustainable water resource management</p>	<ol style="list-style-type: none"> <li>1. Systematic reduction in numbers of septic tanks and absorption pits in service in urban and industrial areas</li> <li>2. Systematic collection of waste-water (WW) through reticulation system and treatment of WW for further reutilization of effluents</li> <li>3. Gradual elimination of industrial and domestic pollution sources and consequently preservation of water resources</li> <li>4. Improved monitoring of water resources and effluents</li> <li>5. Strengthening of water resources management</li> </ol>	<p>Works progress in sewer collection system and house connections programme – WWMA</p> <p>Works progress in capital projects – WWMA</p> <p>Works progress in capital project and signing of industrial agreements with industrial holdings – WWMA</p> <p>Water Resource Unit – MPU, WWMA, Ministry of Environment Ministry of Public Utilities</p>	<p>Capital projects will be executed as scheduled</p> <p>Execution of projects as scheduled</p> <p>Final adaptation and enforcement of standards</p> <p>Institutional set-up ready in 2001</p>



**9th EDF Activity Pipeline Chronogramme (updated on basis of table in CSP)**

Activity	Amount	Identification	Appraisal	Financing Decision
9th EDF non-focal sector Decentralised cooperation programme	€ 13,5m being € 5 million from EDF 9 A- allocation and + € 8,5 - 10 m reliquats and decommitments	2004/3	2004/3	2004/9







Mauritius		FORECAST 2004											FORECAST 2005				Comments				
		Amount in €				1 <sup>st</sup> Semester		2 <sup>nd</sup> Semester		TOTAL		Payments 2004 estimation risk factor			1 <sup>st</sup> Semester			2 <sup>nd</sup> Semester		TOTAL	
		Title	Project (Global Commitment)	Month 2004	Amount	RISK	indiv comm A	payments B	indiv comm C	payments D	indiv comm A+C	payments B+D	Low L	Medium M	High H	B+D= L+M+H		indiv comm A	payments B	indiv comm C	payments D
<b>TOTAL</b>			15 500 000			0	0	60 000	30 000	60 000	30 000	0	30 000		0	30 000	1 100 000	550 000	30 000	1 100 000	580 000
E-COMMIT (Prog d'appui aux PME dans les NTIC)			p,m	3																	FB: E-commerce, creation of e-network, proposal sent to Bxl 11/2003, problem reliquats not coherent with objectives PIN and 9th EDF
9th EDF Decentralised Cooperation Programme		2nd Semester	15 000 000	2																	FB: Capacity building for Non-State actors; microprojects with local SMEs for infrastructure, social and environment; proposal sent 1/2004; perhaps increase to include other initiatives (around 2 Moi EURO) such as Anti Erosion Programme in Rodriguez; <b>ATTENTION: Money will only come on stream after de-commitment</b>
Start-Up WP		November					60 000	30 000	60 000	30 000			30 000			30 000					30 000
WP 1																	1 100 000	550 000	1 100 000	550 000	
AT contract																					
Technical cooperation facility		2nd Semester	500 000	3																	Evaluation of 9th EDF and preparation of 10th EDF

## Mauritius

AIDCO Unit	Task Manager	EDF or LB	Title of Project	2003	2004	2005	2006	2007	Total 2003 - 2007	Comments
C3	Vanhalewyn E.	9A	E-COMMIT (Prog d'appui aux PME dans les NTIC)	pm	pm	0	0	0	0	
C4	Larose C.	9A	9th EDF Decentralised Cooperation Programme	0	15 000 000	0	0	0	15 000 000	
C1	Noel M	9A	Technical Cooperation Facility (TCF)	0	500 000	0	0	0	500 000	
<b>TOTAL</b>				0	15 500 000	0	0	0	15 500 000	

COUNTRY: MAURITIUS EDF 9							
SITUATION : 31/12/2003							
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems

30 394 000,00	-	0,00%	-	0,00%	TOTALS
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9-ACP MAS-1	Post-Kalunde Rehabilitation Programme for rodrigues	499 000	-	0%	-	0%	On-going
9-ACP MAS-2	Feasibility study for Rose Belle Market and traffic centre	80 000	-	0%	-	0%	On-going
9-ACP MAS-3	EDF 9 Sector Policy Support Programme in the wastewater sector	29 800 000	-	0%	-	0%	On-going
9-ACP MAS-4	Evaluation, of the Mahebourg market	15 000	-	0%	-	0%	On-going

COUNTRY: MAURITIUS EDF 9					
SITUATION : 31/12/2003					
			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and and Top Ups)	[ A ]			33 550 000
	Indicative Programme				33 000 000
	B-envelope				550 000
[ B ]	GFC : Global Financial Commitments	[ B ]	90,59%		30 394 000
[ C ]	IFC : Individual Financial Commitments	[ C ]	0,00%	0,00%	-
[ D ]	PAYMENTS	[ D ]	0,00%	0,00%	-
[ E ]	Uncommitted balance	[ A ] - [ B ]	9,41%		3 156 000

RAL/RAC/RAP	RAL (reste à liquider)	[ B ] - [ D ]	90,59%	100,00%	30 394 000
TOTAL	RAC (reste à contracter)	[ B ] - [ C ]	90,59%		30 394 000
	RAP (reste à payer)	[ C ] - [ D ]	0,00%		-

COUNTRY: MAURITIUS EDF 8		SITUATION : 31/12/2003					
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems

<b>38 933 052,20</b>	<b>32 259 177,45</b>	<b>82,86%</b>	<b>25 949 690,58</b>	<b>66,65%</b>	<b>TOTALS</b>
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8-ACP MAS-3	Programme de lutte anti-érosion à Rodrigues	3 960 000	3 382 573	85%	2 470 402	62%	On-going (includes 20% top-up). Final year, to monitor and plan for extension (new project) under reliquats EDF 8 / 9
8-ACP MAS-5	St Martin Sewage Treatment Plant	16 700 000	16 400 000	98%	15 849 005	95%	C On-going. EDF payments finished (limit : EUR 15M), supervision on-going. To extend to 2004
8-ACP MAS-6	Clothing Technology Centre	1 365 000	1 052 612	77%	842 179	62%	On-going. Final year, to monitor execution closely. Tender dossiers for various TAs in progress at 05/03. QR and e-learning appraisal started 05/03
8-ACP MAS-7	Tourism development plan for Mauritius and Rodrigues	650 000	625 000	96%	607 782	94%	B Retention money to be paid to consultant (final report approved), then to close project
8-ACP MAS-8	Preparation of manual of procedures for poverty project	8 347	8 347	100%	8 347	100%	Closed
8-ACP MAS-9	8th EDF microprojects programme (Poverty project)	3 665 000	3 665 000	100%	1 661 866	45%	New work programme, period 09/03 - 08/04 in preparation (will require decommitting current WP). Slow disbursements.
8-ACP MAS-10	Support to Small and Medium Enterprises	7 000 000	2 029 676	29%	848 670	12%	On-going. Mid-term evaluation results and action plan awaited.
8-ACP MAS-11	Rehabilitation of sewerages in housing estates	4 000 000	3 702 000	93%	2 972 752	74%	On-going. Next phase can account under additionality for 9th EDF budget support
8-ACP MAS-12	Port Training	400 000	312 900	78%	206 134	52%	On-going. Extended to 08/03. TA ended in 02/03. To implement final WP (supplies, Rodrigues) and allow for UoM contract re Training course.
8-ACP MAS-14	TA Sewerage projects	98 342	98 342	100%	98 342	100%	Closed
8-ACP MAS-15	West Coast Sewerage Feasibility Study	150 000	141 000	94%	99 079	66%	Study started beginning 2003. To check actual end date of DAG and extend if necessary.
8-ACP MAS-17	TA to Waste Water Management Authority	749 500	676 600	90%	131 657	18%	BCEOM contract awarded Oct 2002. Consultants in place.
8-ACP MAS-19	9th EDF sectoral study	59 672	59 672	100%	59 672	100%	Closed
8-ACP MAS-20	Publ of brochure : Le FED à Rodrigues 1982 - 2002	17 289	17 289	100%	17 289	100%	Closed
8-ACP MAS-21	9th EDF macroeconomic study	29 903	29 903	100%	29 903	100%	Closed
8-ACP MAS-23	9th EDF Decentralised cooperation programme : Feasibility study	80 000	58 264	73%	46 611	58%	Finished, final report in progress

COUNTRY: MAURITIUS EDF 8		SITUATION : 31/12/2003			
			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and Top Ups	[ A ]			42 000 000
	Indicative Programme				39 500 000
	Top-up				2 500 000
[ B ]	GFC : Global Financial Commitments	[ B ]	92,70%		38 933 052
[ C ]	IFC : Individual Financial Commitments	[ C ]	76,81%	82,86%	32 259 177
[ D ]	PAYMENTS	[ D ]	61,78%	66,65%	25 949 691
[ E ]	Uncommitted balance	[ A ] - [ B ]	7,30%		3 066 948
RAL/RAC/RAP TOTAL	RAL (reste à liquider)	[ B ] - [ D ]	30,91%	33,35%	12 983 362
	RAC (reste à contracter)	[ B ] - [ C ]	15,89%		6 673 875
	RAP (reste à payer)	[ C ] - [ D ]	15,02%		6 309 487

COUNTRY: MAURITIUS EDF 7		SITUATION : 31/12/2003					
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [2] / [1]	Paid [ 3 ]	% [3] / [1]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC with open advances, D: IFC with problems

		33 068 710,33	32 392 435,88	97,95%	31 271 684,01	94,57%	TOTALS
7.acp.mas.3	Route Pamplermousses - G Baie (trav.) : voir 7.mas.011	4 949 605,00	4 949 605,00	100%	4 949 605,00	100%	Closed
7.acp.mas.4	Gestion des ressources naturelles et agricoles de Rodrigues	1 938 021,76	1 938 021,76	100%	1 938 021,76	100%	Closed
7.acp.mas.5	Programme de controle des mouches de fruits	1 597 641,93	1 597 641,93	100%	1 597 641,93	100%	Closed
7.acp.mas.7	Etude Human Resource Centre - Rodrigues	19 083,00	19 083,00	100%	19 083,00	100%	Closed
7.acp.mas.8*	TRSF 5° FED : Prog. pluri-annuel de formation 84-86	26 660,35	26 660,35	100%	26 660,35	100%	Closed
7.acp.mas.9*	TRSF 5° FED : Rel.1-2-3 FED AT Centre National Artisanat	10 739,00	10 739,00	100%	10 739,00	100%	Closed
7.acp.mas.10*	TRSF 5° FED : Rte Pamplermousses - G Baie (Supervision)	182 738,00	182 738,00	100%	182 738,00	100%	Closed
7.acp.mas.11*	TRSF 5° FED : Rte Pamplermousses - G Baie (Travaux)	166 848,87	166 848,87	100%	166 848,00	100%	Closed
7.acp.mas.12	West coasti irrigation project (Magenta)	4 059 482,00	4 059 482,00	100%	4 059 482,00	100%	Closed
7.acp.mas.13	Etude NPIP (M1 Pipeline)	377 434,00	377 434,00	100%	377 434,00	100%	Closed
7.acp.mas.16	Appui au MIPAM	725 000,00	633 829,40	87%	633 829,40	87%	Closed 1st Semester 2003
7.acp.mas.19	Projet de lutte contre le SIDA	331 256,66	331 256,66	100%	331 256,66	100%	Closed
7.acp.mas.21	St Martin sewerage project feasibility study	57 902,00	57 902,00	100%	57 902,00	100%	Closed
7.acp.mas.22	Study : Northern Plains Diversification	26 322,52	26 322,52	100%	26 322,52	100%	Closed
7.acp.mas.23	Human Resource Centre in Rodrigues	660 000,00	647 597,00	98%	611 485,00	93%	C Project ended 30/11/02. WP payments pending justification of advances. Delivery re Supply contract for Kitchen in progress
7.acp.mas.25	Study : Abattoir	59 321,00	59 321,00	100%	59 321,00	100%	Closed
7.acp.mas.30	Seminar on EDF procedures	25 462,00	25 462,00	100%	25 462,00	100%	Closed
7.acp.mas.31	Consultancy : St Martin Sewage Treatment Plant	60 846,43	60 846,43	0%	60 846,43	0%	Closed
7.acp.mas.32	Northern Plains Irrigation Project (Works)	9 000 000,00	8 629 192,13	96%	7 709 103,87	86%	TA contract (Vakakis) awarded Feb 03 to run with workprogramme until end of project
7.acp.mas.33	Final report on 6th EDF micro-projects program	16 506,86	16 506,86	100%	16 506,86	100%	Closed
7.acp.mas.34	Study on promotion of private sector	57 188,00	57 188,29	100%	57 188,29	100%	Closed
7.acp.mas.35	Rodrigues anti-erosion study	31 727,00	31 727,00	100%	31 727,24	100%	Closed
7.acp.mas.36	T.A. to Waste Water Authority	573 827,56	573 827,56	100%	573 827,56	100%	Closed
7.acp.mas.37	Microprojects program	923 301,82	923 301,82	100%	923 301,82	100%	Closed 18/2/03
7.acp.mas.39	Training of Police Cadres (study)	24 524,00	24 524,00	100%	24 524,00	100%	Closed
7.acp.mas.40	Mahebourg market study	29 674,00	29 674,18	100%	29 674,18	100%	Closed
7.acp.mas.41*	Industrial & Vocational Training Board (see 6.MAS.039)	163 975,00	163 975,00	100%	163 975,00	100%	Closed
7.acp.mas.42	Training of Police Cadres	508 582,42	508 582,42	100%	508 582,42	100%	Closed
7.acp.mas.43	Rehab. of sewage infrastructure in housing states (study)	138 539,00	138 539,00	100%	138 539,00	100%	Closed
7.acp.mas.44	Trend Forum 1998	113 415,00	113 415,00	100%	113 415,00	100%	Closed
7.acp.mas.45	Prefeasibility study : Desiltation of lagoon Rodrigues	32 900,00	32 900,00	100%	32 900,00	100%	Closed
7.acp.mas.46	Phoenix - Nvelle France Rd (2nd C/Way)	3 693 178,99	3 693 178,99	100%	3 693 178,99	100%	Closed
7.acp.mas.47	Preparation of microproject "Poverty Relief"	48 730,50	48 731,00	100%	48 731,00	100%	Closed
7.acp.mas.48	Feasibility study Venture Capital and Mutual Guarantee	13 861,00	13 861,00	100%	13 861,00	100%	Closed
7.acp.mas.50*	Mahebourg market : Consultancy services	150 000,00	124 000,00	83%	104 068,21	69%	B Final payments to be effected after end of defecion period (03/04/2003)
7.acp.mas.51	Mahebourg market : Works - Reconstruction	1 850 000,00	1 674 106,05	90%	1 529 485,86	83%	Project ended on 31/08/2003
7.acp.mas.52	Set up Quality Strategy by Mauritian Horticultural sector	24 556,00	24 556,00	100%	24 556,00	100%	Closed
7.acp.mas.53	Appui participation de Craft Aid au festival Skane	21 778,00	21 778,00	100%	21 778,00	100%	Closed
7.acp.mas.54	Enhancing democracy and the state of law	378 080,66	378 080,66	100%	378 080,66	100%	Closed

COUNTRY: MAURITIUS EDF 7		SITUATION : 31/12/2003			
			% of NIP	% of GFC	AMOUNT in EUROS
[ A ]	TOTAL N I P ENVELOPE including transfers and Top Ups	[ A ]			34 894 635
	Indicative Programme				34 000 000
	+ Transfers 5th EDF (894 635)				894 635
[ B ]	GFC : Global Financial Commitments	[ B ]	94,77%		33 068 710
[ C ]	IFC : Individual Financial Commitments	[ C ]	92,83%	97,95%	32 392 436
[ D ]	PAYMENTS	[ D ]	89,62%	94,57%	31 271 684
[ E ]	Uncommitted balance	[ A ] - [ B ]	5,23%		1 825 925
RAL/RAC/RAP	RAL (reste à liquider)	[ B ] - [ D ]	5,15%	5,43%	1 797 026
TOTAL	RAC (reste à contracter)	[ B ] - [ C ]	1,94%		676 274
	RAP (reste à payer)	[ C ] - [ D ]	3,21%		1 120 752

COUNTRY: MAURITIUS EDF 6							
SITUATION : 31/12/2003							
Accounting N°	Project title	GFC [ 1 ]	IFC [ 2 ]	% [ 2 ] / [ 1 ]	Paid [ 3 ]	% [ 3 ] / [ 1 ]	Action taken/to be taken and when (A-D):RAL Status of projects open beyond end date A: GFC to close, B: IFCs to close,C:IFC
		30 453 843,69	30 371 125,69	99,73%	29 898 189,31	98,18%	TOTALS
8.ACP.MAS.04	T.A. to the Agricultural Marketing Board	123 949	123 949	100,00	123 949	100,00	Closed
8.ACP.MAS.07	Agricultural Development Program in Rodrigues	3 228 056	3 228 056	100,00	3 228 056	100,00	Closed
8.ACP.MAS.08	Industrial Diversification Program (Grant)	4 893 891	4 893 891	100,00	4 893 891	100,00	Closed
8.ACP.MAS.09	Industrial Diversification Program (Special Loan)	4 692 581	4 692 581	100,00	4 692 581	100,00	Closed
8.ACP.MAS.10	T.A. for Preparation of Agric. Diversification Prog.	16 412	16 412	100,00	16 412	100,00	Closed
8.ACP.MAS.14	ACP-EEC Cultural Show	9 429	9 429	100,00	9 429	100,00	Closed
8.ACP.MAS.15	1st Microprojects Program	670 530	670 530	100,00	670 530	100,00	Closed
8.ACP.MAS.16	National Handicraft Development Program	1 693 145	1 693 145	100,00	1 693 145	100,00	Closed
8.ACP.MAS.17	Agricultural Diversification Program (Special Loan)	4 000 000	4 000 000	100,00	4 000 000	100,00	Closed
8.ACP.MAS.18	Agricultural Diversification Program (Grant)	4 007 573	4 007 573	100,00	4 007 573	100,00	Closed
8.ACP.MAS.20	T.A. to Energy Planification	22 000	22 000	100,00	22 000	100,00	Closed
8.ACP.MAS.21	T.A. to Project Prep. : National Derocking Scheme	50 093	50 093	100,00	50 093	100,00	Closed
8.ACP.MAS.22	T.A. to Tender Prep. : National Derocking Scheme	22 292	22 292	100,00	22 292	100,00	Closed
8.ACP.MAS.23	Study : A National Fruit Fly Control Project	38 757	38 757	100,00	38 757	100,00	Closed
8.ACP.MAS.24	National Derocking Scheme (Grant)	1 978 158	1 978 158	100,00	1 978 158	100,00	Closed
8.ACP.MAS.25	National Derocking Scheme (Special Loan)	979 063	979 063	100,00	979 063	100,00	Closed
8.ACP.MAS.26	Study : Upgrading of Existing Technical Training Institutions	21 644	21 644	100,00	21 644	100,00	Closed
8.ACP.MAS.27	Study (II) : National Fruit Fly Control Project	25 736	25 736	100,00	25 736	100,00	Closed
8.ACP.MAS.28	Evaluation : Agric. Dev. Project in Rodrigues	46 917	46 917	100,00	46 917	100,00	Closed
8.ACP.MAS.29	Supervision of road works : Pamplenoises/Grand Baie	159 443	159 443	100,00	159 443	100,00	Closed
8.ACP.MAS.30	Study : Preparation of West Coast Irrig. Project	54 966	54 966	100,00	54 966	100,00	Closed
8.ACP.MAS.31	Study : Range and Forest Management in Rodrigues	9 767	9 767	100,00	9 767	100,00	Closed
8.ACP.MAS.32	Study : St. Martin Sewage Plant	62 666	62 666	100,00	62 666	100,00	Closed
8.ACP.MAS.33	Study : Civil Service College	39 977	39 977	100,00	39 977	100,00	Closed
8.ACP.MAS.34	Study : T.A. Project to the EPZDA	54 472	54 472	100,00	54 472	100,00	Closed
8.ACP.MAS.35	Study : Solid Waste Management Project	59 200	59 200	100,00	59 200	100,00	Closed
8.ACP.MAS.36	Study (II) West Coast Irrigation Project	8 527	8 527	100,00	8 527	100,00	Closed
8.ACP.MAS.37	Study : Preparation of IVTB Support Project	14 130	14 130	100,00	14 130	100,00	Closed
8.ACP.MAS.38	Evaluation : National Derocking Scheme Project	45 544	45 544	100,00	45 544	100,00	Closed
8.ACP.MAS.39	IVTB Project : Technical and Institutional Support	1 980 267	1 980 267	100,00	1 980 267	100,00	Closed
8.ACP.MAS.41	Study : Prep. of Solid Waste Project Technical Dossier	142 856	142 856	100,00	142 856	100,00	Closed
8.ACP.MAS.42	Participation of MEDIA in 1995 International Fairs	86 039	86 039	100,00	86 039	100,00	Closed
8.ACP.MAS.45	Study : St. Martin Sewage Plant	468 991	468 991	100,00	468 991	100,00	Closed
8.ACP.MAS.46	Review of Solid Waste Management Plan	57 334	57 334	100,00	57 334	100,00	Closed
8.ACP.MAS.48	Phoenix - N France road - Study	89 438	89 438	100,00	89 438	100,00	Closed
8.ACP.MAS.49	Improving the quality of horticulture	600 000	517 282	86,21	44 346	7,39	On-going

COUNTRY: MAURITIUS EDF 6				% of NIP	% of GFC	AMOUNT in EUROS
SITUATION : 31/12/2003						
	TOTAL N I P ENVELOPE including transfers and and Top Ups	[ A ]				31 228 637
[ A ]	Indicative Programme					31 000 000
	Transfers 4th EDF					228 637
[ B ]	GFC : Global Financial Commitments	[ B ]		97,52%		30 453 844
[ C ]	IFC : Individual Financial Commitments	[ C ]		97,25%	99,73%	30 371 126
[ D ]	PAYMENTS	[ D ]		95,74%	98,18%	29 898 189
[ E ]	Uncommitted balance	[ A ] - [ B ]		2,48%		774 793

RAL/RAC/RAP TOTAL					
	RAL (reste à liquider)	[ B ] - [ D ]	1,78%	1,82%	555 654
	RAC (reste à contracter)	[ B ] - [ C ]	0,26%		82 718
	RAP (reste à payer)	[ C ] - [ D ]	1,51%		472 936

## Annex (i)

### Major events in year 2003

In the 2002-2003 Annual report from the Bank of Mauritius, Government acknowledges that Mauritius should brace itself to meet its future challenges, and emphasis must continue to be laid on further economic diversification as well as on investment in education, training, and Information and Communication Technology (ICT), which hold out the promise of higher employment-creating growth. Indeed, **the achievement of higher job-creating growth remains a central policy challenge for Mauritius in the years ahead.** In this perspective, despite the heavy capital investment burden and an uncomfortable budget deficit, the drive for reforms that Mauritius has embarked upon is being maintained and pursued with much vigour by Government. The implementation of the Sugar Sector Strategic Plan on the restructuring of the sugar industry will help to improve the long-term viability of that sector. The EPZ, particularly the textile sector, has fulfilled a key role in the economy's development strategy in the post-independence era. It has helped the diversification of Mauritius from a mono-crop economy with LDC status to a developing economy with a diversified industrial base, albeit with the safeguard of international trade protocols and agreements. The new challenges stemming from the phasing out of the preferential trade agreements, for instance the Multifibre Agreement ending in December 2004, call for a paradigm shift in the country's economic policy with a view to sustaining the pursuit of economic diversification in a changing global competitive environment. As recognized through the various joint Government and Private sector for a, this implies a re-engineering of work culture, business ethics, industrial relations framework, productivity and multi-skilled training attitudes, and quality culture, all of which should contribute to the needed turnaround in the present context. **One of the challenges facing the EPZ is to intensify just-in-time, technologically-intensive, scale-based higher value added production methods and strategic financial engineering, all of which will enable a smoother market penetration in sophisticated niche markets in the medium-term.** A more durable and sustainable strategy of industrial restructuring and reforms aimed at enhancing the micro-efficiency of export-oriented enterprises should go in the right direction and meet ongoing pressures from global competition. Long-term and lasting competitiveness depends not on short-term macro-economic policy accommodation, whether fiscal or monetary, but on the country's ability to achieve and sustain improvements in productivity across all economic sectors.

## Annex (ii)

### Trade aspects

The Ministry of Foreign Affairs, International Trade and Regional Cooperation undertakes the formulation of Mauritius Trade Policy. The Ministry hosts a Trade Policy Unit, which acts as the technical advisor to the ministry for all trade related matters. Mauritius last Trade Policy Review in 2001 revealed that the country has made several efforts to lower tariff barriers to trade. However, border protection has remained high in some areas. According to WTO, simple average tariff was 20.5% for agricultural imports and 19.8% on imports of non-agricultural products. However, very few efforts have been undertaken for the removal of non-trade barriers.

In the context of its membership in several regional trade agreements Mauritius applies different tariffs to the entry of products depending on their origin. Goods originating from the following member states of the Common Market for Eastern and Southern Africa (COMESA): Djibouti, Egypt, Kenya, Madagascar, Malawi, Sudan, Zambia, and Zimbabwe benefit a reduction of 100% Customs Duty on all goods specified in the tariff schedule except for certain goods originating from Egypt which are dutiable at a reduced rate of 20% or 40% as applicable and goods originating from other Comesa member states benefit from a tariff reduction of 90%. Goods originating from Madagascar also benefit from a tariff reduction of 100% under the Indian Ocean Commission Trade Protocol. There are also special tariff reductions for goods originating from member states of the Southern African Development Community (SADC).

Mauritius faces many challenges as regards textile and clothing, and sugar and has a keen interest to improving its access to foreign markets in the context of multilateral and regional liberalisation. It also has interests in trade services such as IT and finance.

In 2003, the forecast for the trade balance deficit including operations of the Freeport was around 12.5 billion of Rs or 0.4 billion Euros (assumption: 1 Euro=31.6 Rs). Analysis by country of destination shows that the European countries purchased around 63% of the country's exports. The United Kingdom remained the main buyer with 29% of total exports, followed by U.S.A (19%) and France, (19%). The other major markets were Malagasy Republic (6%), Italy (4%) and Germany (3%).

During the first nine months of 2003, imports from Asia represented 42% of total imports for that period. Our main supplier countries were France (12%), Republic of South Africa (12%), India (8%), China (8%), Bahrain (4%), Japan (3%), United Kingdom (3%), Germany (3%) and Australia (3%).

## Annex (iii)

### Pensions

Due to a rapidly aging population the cost of an unchanged Basic Retirement Pension (BRP) is projected to double by 2020. The government is considering various options for containing the cost of this scheme. Increasing the entitlement age to 65 and applying an affluence test that would exclude high-income people would contain the projected cost to roughly its current level (3.2 percent of GDP) in 2020.

**The National Pension Fund has accumulated substantial resources (17 percent of GDP) and is well run by the standards of most developing countries.** It has high coverage, a low contribution rate, low operating costs and good investment returns, even by comparison to most private funds. The recent fraud involving large time deposits placed with the MCB underscores the need for stronger internal controls and for subjecting its operations to external audit by a reputable international auditing firm. The NPF invests heavily in government securities and needs to diversify its holdings and adopt more professional asset allocation and investment policies. It also requires considerable upgrading of its operations, creation of an independent Board of Trustees, and appointment of full-time executive management. The NPF is currently based on an opaque point system, and consideration should be given to converting the NPF to a more transparent defined contribution scheme, complemented with the offer of real annuities based on life expectancy on retirement.

**The occupational pension funds appear to be generally sound, although the civil service pension scheme is unfunded.** Most occupational pension schemes appear to be well managed with diversified assets, good investment returns, and low operating costs. They generally follow sound accounting and actuarial practices, and are reasonably well funded. The civil service pension scheme operates on an unfunded basis and suffers from a growing deficit. The government faces a critical policy decision regarding the establishment of an appropriate basis and level of funding in order to protect benefits from future budgetary pressures. One reform option would be to create a defined-contribution scheme for new recruits, while continuing the defined-benefit scheme for existing civil servants. A White Paper on Pension Reform, due in early 2004, is being prepared for public consultation on the main policy options.

## Annex (iv)

### Education

Over the past three years, Government has been investing massively in the education sector. Currently public spending is budgeted to be around 3.8 to 4 % of GDP in 2003-2004, representing about 13% of total Government expenditure. It is an increase over the prior year, 12.8% for 2002/03. Still this compares unfavourably against the benchmark set by Government which is based on the South East Asian Nations where the average is between 15 - 20% of total Government expenditure.

Over the period 2000-2003 the following actions have been taken :

- Abolition of ranking and its replacement by the grading system at the Certificate of Primary Education (CPE) examination
- Reform of the curriculum at the primary level
- Elimination and phasing-out of the so-called “star” colleges and their conversion into Sixth Form colleges
- Regionalisation of the secondary education with the construction of a number of State Secondary schools
- Setting up of prevocational streams in the secondary schools
- Setting up of the ZEP schools
- Lengthening / extension of school hours
- Training of teachers in Information Technology

Besides Government will legislate shortly to make eleven-year schooling compulsory by the year 2005.

But whilst the necessary infrastructure is being put in place to provide quality education to all children, government is fully aware that the outcome of the reform would not be measured in terms of increased enrolment or in terms of number of schools constructed. Mobilisation of sizable resources is also not enough. Prime focus will therefore be on improving quality, internal and external efficiency and the completion rate.

Other major issues which Government will need to address are :

- Reform of the curriculum at the secondary level
- High failure rate at the CPE level
- High drop-out rate at the secondary level
- Enrolment rate at the tertiary level
- Cost recovery at the tertiary level

Annex (v)

Macroeconomic and Sectoral indicators (EDF 9 Focal Sector)

A summary of the macroeconomic indicators linked to the 9<sup>th</sup> EDF Wastewater SPSP, and their trends in 2003, is shown in the table below:

Objective	Indicator	Monitorable Outcome	Tentative trends
To ensure continued good economic performance	GDP Growth	4.6% in 2002/03 5.5% in 2003/04 5.3% in 2004/05	The fragile textile sector held GDP growth at 2.9% in 2002/03 but the economy is showing resiliency to the difficult textile environment by enhancing on diversification into the tertiary sector (tourism, financial services, ICTs) Strong corrective policies are being applied by Govt. to restore GDP growth.
	Overall budget deficit	-6.0% of GDP in 2002/03 -5.5% of GDP in 2003/04 -4.0% of GDP in 2004/05 -3.0% of GDP in 2005/06	Budgetary Forecast figures are being more or less satisfied with strict fiscal and monetary governance which is allowing the government to maintain at the same time its high investments in education and social welfare.
To ensure continued sound, transparent and efficient budget process	Budget preparation	Start in early February and complete in May for presentation to National Assembly in June as scheduled. New policy initiatives presented and discussed at the same time when the overall budget envelope known.	Normal practice
	Budget implementation	Discrepancies between budgeted and actual revenues less than 5%* Discrepancies between budgeted and actual expenditures less than (i) 5% for recurrent budget and (ii) 15% for capital budget. Audit report does not reveal any serious irregularities or inappropriate expenditures.	(+) To be closely monitored

	Medium-term expenditure framework (MTEF)	Pilot program for five ministries carried out in 2002/03 as scheduled.	The implementation of the MTEF has full commitment from Govt as agreed with the World Bank. Delayed for administrative reasons, Govt has scheduled the setting up of the MTEF Central Unit for early 2004 and pilot program (MTEF Cells in Ministries) to start in 2004 in the education sector.
To improve transparency in public procurement	Preparation and introduction of a new and modern public procurement system	New procurement procedures ready for Parliament action by March 2003*. Adoption by Parliament of new procurement legislation by end 2003*. Introduction of new system by end 2004*.	Government has initiated in 2003, as a first phase, a consultancy to advise thereto and produce the appertaining documentation. A second phase is to be carried out in early 2004 to end with a proposal for Parliament action. With respect to the provisions in the EDF 9 SPSP the Government will in the meantime commit to public opening and appraisal in full transparency of tendering carried out in the context of the National Sewerage Programme.

In terms of sectoral commitments, the 9<sup>th</sup> EDF Wastewater SPSP outlines a series of indicators that are listed in the table below, along with observed trends in 2003.

Performance indicators for the Wastewater Sector	Notes/Proposed indicators measured	Observed trends (2003)
Project Capital expenditure under National sewerage programme (Yearly )	<b>The base projected expenditure is based on the financial year from 1st July to 30<sup>th</sup> June the following year in Constant Rupees</b>	<b>The World Bank has indeed reported a three-year slippage in the sectoral capital expenditure. However the Wastewater Management Authority has now almost completed its internal reorganisation and institutional reinforcement. Together with technical assistance (EU-funded) there are good prospects that the capital investments will now take up to satisfactory rates.</b>
House connections (Cumulative)	Cumulative Projected domestic & non-domestic (living quarters) connections	Forecasts dependent on legislation (in progress) for paid and compulsory house connections,
WMA financial performance	Expressed as an annual amount of revenue collected to reflect combined effect of tariffs increases and improved collection performance.	(+) Tariffing as per Sector Policy Letter agreed in August 2003 and Joint billing with Central water Authority scheduled for as from Jan 2004.
Implementation of industrial	Yearly.	

pollution control programme	Implementation of Industrial Agreement with the Industries discharging wastewater into the public sewer networks.	Legislation under discussion, to be appraised in a context of fragile textile sector (main manufacturing sector)
Improvement of access of the poor to suitable sanitation	Yearly. Cumulative number of poor households getting access to proper sanitation through the CHA projects and from other capital sewer works planned	Predictable to increase gradually as a result of progress in the main and reticulate wastewater network and legislation for compulsory house connection.

### **Wastewater Sector Performance Indicators (quantified)**

It is agreed between the EU and Government that as part of the normal project management process, the EC will be monitoring the implementation progress of the EDF 9 Sector Policy (Wastewater) Support Programme. However, because the proposed intervention mechanism is a targeted budget operation, which can finance any project (or projects) in the National Sewerage Programme (NSP), project achievements will be assessed by looking at the implementation of the NSP as a whole. To help monitoring results at the sector level, the performance indicators (quantified) described in the Table below are recommended :

<b>Objective</b>	<b>Action</b>	<b>Performance Indicators</b>
<b>Improve living standards by sustainable provision of wastewater services in priority areas</b>	Implementation of the National Sewerage Program	<ul style="list-style-type: none"> <li>▪ Length of new sewers laid by NSP projects will be at least 50 kms in 2003/04.</li> <li>▪ Number of new house connections made under the components of the NSP will be at least 5,000 in 2003/04.</li> <li>▪ Volume of wastewater treated at the four main WWTP's currently under construction will increase from the current volume of 14,000 m<sup>3</sup>/day to at least 19,000m<sup>3</sup>/day in 2003/04.</li> </ul>
<b>Improve sanitation standards in non-sewered areas</b>	Implementation of a strategy for disposal of wastewater in non-sewered areas	<ul style="list-style-type: none"> <li>▪ Preparation by WMA of a framework strategy for on-site disposal of wastewater in non-sewered areas during 2003/04.</li> <li>▪ Publication in the Mauritius Government Gazette of the draft wastewater regulation for the licensing of wastewater carriers by the end of 2002/03.</li> </ul>
<b>Improve sector management</b>	Establishment of WMA as a financially sustainable and autonomous entity.	<ul style="list-style-type: none"> <li>▪ Completion of recruitment for all WMA established management and professional posts to by 2003/04</li> <li>▪ Implementation of tariff increases for 2003 in line with Sector Policy Letter from January 2003.</li> <li>▪ Preparation of a review study of future tariff requirements to provide full cost recovery by mid-2004.</li> <li>▪ Improve collection ratio from the current 65% to 90% by 2005/06.</li> <li>▪ Preparation of wastewater regulation for the enforcement of premises to connect to accessible public sewers by the end of 2002/03 and publication in the GoM Gazette during 2003/04</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Identification of WMA counterpart staff for each Technical Assistance post.</li> </ul>
<b>Improve the control of industrial effluents</b>	Establishment of a Pollution Control Division within WMA together with enforcement legislation.	<ul style="list-style-type: none"> <li>▪ Completion of recruitment for the Pollution Control Division (PCD) and equipping of the Pollution Control Laboratory by the end of 2002/03.</li> <li>▪ Publication in the GoM Gazette of the wastewater regulation for the discharge of industrial effluents to sewers by the end of 2002/03.</li> <li>▪ Increase of the number of trade effluent licenses issued by WMA by 50 per annum from zero in 2002 until all industrial premises are covered</li> <li>▪ PCD to carry out twice yearly monitoring analyses on at least 90% of licensed industries in any year.</li> <li>▪ PCD to carry out monthly monitoring analyses on the treated effluent from all wastewater treatment plants.</li> </ul>
<b>Improve the Quality of Life for the Most Disadvantaged in Society</b>	Sanitation improvements to be provided in low income housing areas.	<ul style="list-style-type: none"> <li>▪ Implementation of CHA Estates Phase III sewerage rehabilitation, comprising nine low cost housing estates, will begin in 2003/04.</li> <li>▪ Addition of fourth phase of upgrading comprising at least eight additional estates to the NSP for implementation in 2004/05.</li> </ul>