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Travel brief
Sept. 19

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MAURITIUS

GOVERNMENT OF MAURITIUS

VISIT OF

Mr. Robert S. McNamara

PRESIDENT OF THE WORLD BANK GROUP

and

Mrs. R. S. McNamara

Tuesday October 2 and
Wednesday October 3, 1973

PROGRAMME

TUESDAY, 2nd OCTOBER

14.30 - Arrive Plaisance Airport (AF 497)

Met by:

The Minister of Finance and Mrs. V. Ringadoo
The Minister of External Affairs, Tourism and
Emigration and Mrs. R. Henrisson
The Minister of Economic Planning and Development
and Mrs. K. Jagatsingh
The Minister for Employment and Mrs. C. Leckning
The Chief of Protocol
The Dean of the Diplomatic Corps and
Mrs. R.L. Touze
The U.S. Charge d'Affaires and Mrs. J.P. Sullivan
The UNDP Resident Representative and Mrs. J. Birt
The Financial Secretary and Mrs. R. Pyndiah
The Permanent Secretary, Prime Minister's Office
The Director, Economic Planning Unit
The ADC to the Governor-General
Dr. O.P. Nijhawan

14.45 - Leave Plaisance Airport for Le Reduit

15.30 - Arrive Le Reduit

H.E. the Governor-General, Sir Raman Osman G.C.M.G.,
C.B.E. and Mrs. H. Fakim welcome the President of the
World Bank Group and Mrs. R.S. McNamara.
Tea with H.E. the Governor-General

16.15 - The Minister of Finance and Mrs. V. Ringadoo take leave
and depart

17.15 - Leave Le Reduit for Government House, Port Louis

17.30 - Call on Prime Minister

18.00 - Mrs. McNamara joins the Party in the office of the
Prime Minister

18.10 - Leave office of Prime Minister for Throne Room

18.00 - Cocktail given by Prime Minister at Government House,
to

19.30 Port Louis

19.30 - Leave Government House for Le Reduit

19.45 Arrive Le Reduit

- 20.30 - Meeting with Minister of External Affairs, Tourism and Emigration.
- 20.45 - Dinner given by H.E. the Governor-General

WEDNESDAY, 3rd OCTOBER

- 8.15 - UNDP Resident Representative call on The President of World Bank Group at Le Reduit
- 8.45 - Working Session at Le Reduit with Ministers
to
10.00 (officials in attendance)
- 10.10 - The President of the World Bank Group and Mrs. R.S. McNamara take leave of H.E. the Governor-General and Mrs. H. Fakim
- 10.15 - Leave Le Reduit for Petite Riviere and Bambous via Rose-Hill accompanied by the Minister of Economic Planning and Development and the Minister for Employment
- 10.30 - Arrive Petite Riviere
Visit of Villages
- 11.15 - Leave Bambous for Plaine Lauzun
- 11.25 - Arrive Plaine Lauzun
Met by Minister of Commerce and Industry and
Mrs. G. Marchand
- 11.30 - Visit Plaine Lauzun Industrial Zone
to
12.30 (Litronics (Mauritius) Pte. Ltd. and Micro Jewels Ltd.)
- 12.30 - Leave Plaine Lauzun for Headquarters House, Vacoas
- 12.50 - Arrive Headquarters House, Vacoas
Met by the Minister of Finance and Mrs. V. Ringadoo

- 13.00 - Lunch given by the Minister of Finance
- 15.00 - Leave Headquarters House for Rural Areas
- 15.30 - Visit Rural Areas via Mare aux Vacoas, Montagne Peruche, Grand Bassin, Bois Cheri, La Flora (Rea with representatives of the Private Sector), Riviere du Dragon, - L'Escalier, Carol Village, Plaine Magnien
- 18.00 - Arrive Plaisance Airport

Seen off by:

The Minister of Finance and Mrs. V. Ringadoo
The Minister of External Affairs, Tourism and Emigration and Mrs. R. Henrisson
The Minister of Economic Planning and Development and Mrs. K. Jagatsingh
The Minister for Employment and Mrs. C. Leckning
The Chief of Protocol
The Dean of the Diplomatic Corps and Mrs. R.L. Touze
The U.S. Charge d'Affaires and Mrs. J.P. Sullivan
The UNDP Resident Representative and Mrs. J. Birt
The Financial Secretary and Mrs. R. Pyndiah
The Permanent Secretary, Prime Minister's Office
The Director, Economic Planning Unit
The ADC to the Governor- General
Dr. O.P. Nijhawan

- 18.30 - Leave Plaisance Airport for Washington via Reunion
-

SPECIAL PROGRAMME FOR MRS. R.S. McNAMARA

Tuesday, 2nd October

- 17.15 - Leave Le Reduit for Port Louis, accompanied by
Mrs. H. Fakim
- Tour of the City of Port Louis
- 17.55 - Arrive Government House, Port Louis
- 18.00 - Join The President of the World Bank Group
in the Office of the Prime Minister

Wednesday, 3rd October

- 8.15 - Leave Le Reduit for Club Concordia, Curepipe,
accompanied by Mrs. V. Ringadoo
 - 8.45 - Arrive Club Concordia
 - Visit Exhibition of handicrafts
 - Tea with members of the Women Self Help Association
 - 9.30 - Leave Club Concordia
 - 9.50 - Arrive Le Reduit
-

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Wednesday, 3rd October

- 13.00 Lunch given by the Acting Prime Minister and Minister of Finance.
- 15.00 Leave Headquarters House for Rural Areas. (Route No. 7 — Order of Cars No. 7).
- 15.30 to 18.00 Visit Rural Areas via Mare aux Vacoas, Montagne Peruche, Grand Bassin, Bois Cheri, La Flora (Tea with representatives of the Private Sector), Rivière Dragon, L'Escalier, Carol Village, Plaine Magnien.
- 16.00 Baggage Party leave Le Reduit for Plaisance Airport
- 18.00 Arrive Plaisance Airport.

Seen off by:

The Acting Prime Minister and Minister of Finance and Mrs. V. Ringadoo.

The Minister of Economic Planning and Development and Mrs. K. Jagatsingh.

The Minister for Employment and Mrs. C. Leckning
The Chief of Protocol.

The Dean of the Diplomatic Corps and Mrs R. L. Touze.

The U.S. Chargé d'Affaires and Mrs. J. P. Sullivan.

The UNDP Resident Representative and Mrs. J. Birt.

The Financial Secretary and Mrs. R. Pyndiah.

The Governor, Bank of Mauritius and
Mrs. G. Bunwaree.

The Permanent Secretary, Prime Minister's Office.

The Director, Economic Planning Unit.

The ADC to the Governor-General.

Dr. O. P. Nijhawan.

- 18.30 Leave Plaisance Airport for Washington via Réunion.

ROUTES

TUESDAY, 2nd OCTOBER

- No. 1 Plaisance Airport—Plaine Magnien—La Rosa— Rose-Belle—Curepipe—Phoenix—New Trunk Road—St. Jean Roundabout—Le Reduit.
- No. 2 Le Reduit—New Trunk Road—Southern Entrance Road—Place d'Armes—Government House.
- No. 3 Government House—Queen Elizabeth Avenue—Southern Entrance Road—New Trunk Road—Le Reduit.

WEDNESDAY, 3rd OCTOBER

- No. 4 Le Reduit—Moka Road—Royal Road, Rose Hill to Montée S—Black River Road to Petite Rivière and Bambous.
- No. 5 Bambous—Petite Rivière—Black River Road—Montée S—Royal Road towards Port Louis—Hussard Hill—St. Louis Road—Plaine Lauzun.
- No. 6 Plaine Lauzun—New Trunk Road—St. Jean Roundabout—Nallétamby Road—Golf Course—St. Paul Road—Headquarters House.
- No. 7 Headquarters House—St. Paul Road—Reunion Road—Vacoas Road—Les Mares Road—Forest Road—Montagne Peruche—Les Mares Road—Nursery—Petrin Road—Grand Bassin—Gouli Road—Bois Chéri Road—Grand Bois—La Flora—Savanne Road—Rivière Dragon—Camp Diable—L'Escalier Road—Pass La Baraque Sugar Estate—Mon Désert Road to Carol Village—L'Escalier Road—Plaine Magnien—Plaisance Airport.

ORDER OF CARS

TUESDAY, 2nd OCTOBER

Order of Cars No. 1:

Plaisance Airport to Le Reduit.

- 1st Car Police Pilot Car.
- 2nd Car Security.
- 3rd Car The President of the World Bank Group.
- (Preceded by three Police Outriders). The Acting Prime Minister and Minister of Finance.
The ADC to H.E. the Governor-General.
- 4th Car Mrs. R. S. McNamara.
Mrs. V. Ringadoo.
- 5th Car Mr. M. N. Kochman.
Mr. B. R. Bell.
Mr. S. Husain.
- 6th Car Mr. W. Clark.
Mr. J. D. Roulet.
- 7th Car Mr. A. Ljungh.
- 8th Car Spare.
- 9th Car Police.

WEDNESDAY, 3rd OCTOBER

- 8.15 UNDP Resident Representative calls on the President of World Bank Group at Le Reduit.
- 8.45 } Working Session at Le Reduit with Ministers (officials
to } in attendance).
10.00 }
- 10.10 The President of the World Bank Group and Mrs. R. S. McNamara take leave of H.E. the Governor-General and Mrs. H. Fakim.
- 10.15 Leave Le Reduit for Petite Rivière and Bambous via Rose-Hill accompanied by the Minister of Economic Planning and Development and the Minister for Employment.
(Route No. 4 — Order of Cars No. 4)
- 10.30 Arrive Petite Rivière.
Visit of Villages.
- 11.15 Leave Bambous for Plaine Lauzun Industrial Zone.
(Route No. 5 — Order of Cars No. 5)
- 11.25 Arrive Plaine Lauzun Industrial Zone.
- 11.30 } Visit Litronics (Mauritius) Pty. Ltd. and Micro Jewels
to } Ltd.
12.30 }
- 12.30 Leave Plaine Lauzun for Headquarters House, Vacoas.
(Route No. 6 — Order of Cars No. 6).
- 12.50 Arrive Headquarters House, Vacoas.
Met by the Acting Prime Minister and Minister of Finance and Mrs. V. Ringadoo.

WEDNESDAY, 3rd OCTOBER

Order of Cars No. 4:

Le Reduit to Petite Rivière and Bambous.

1st Car Police Pilot Car (Mr. O. Hawaldar).

2nd Car Security.

3rd Car The President of the World Bank Group.

(Preceded by three Police Outriders). The Minister of Economic Planning and Development.

The Chairman—Development Works Corporation.

4th Car Mrs. R. S. McNamara.

The Minister for Employment. *Leekning*

The Financial Secretary. *Pyndiah - job. AR 130*

5th Car Mr. M. N. Kochman.

Mr. B. R. Bell.

The Director, Economic Planning Unit.

6th Car Mr. W. Clark.

Mr. S. Husain.

The Secretary, Industrial Development.

7th Car Mr. J. D. Roulet.

Dr. O. P. Nijhawan.

8th Car Mr. A. J. Ljungh.

9th Car Spare.

10th Car Police.

Order of Cars No. 5:

Bambous to Plaine Lauzun.

SAME AS ORDER OF CARS No. 4

TUESDAY, 2nd OCTOBER

14.30 Arrive Plaisance Airport (AF 497).

Met by:

The Acting Prime Minister and Minister of Finance and Mrs. V. Ringadoo. *Blue*

The Minister of External Affairs, Tourism and Emigration and Mrs. R. Henrison.

The Minister of Economic Planning and Development and Mrs. K. Jagatsingh.

The Minister for Employment and Mrs. C. Leckning
The Chief of Protocol.

The Dean of the Diplomatic Corps and Mrs R. L. Touze.

The U.S. Chargé d'Affaires and Mrs. J. P. Sullivan.

The UNDP Resident Representative and Mrs. J. Birt.

The Financial Secretary and Mrs. R. Pyndiah.

The Governor, Bank of Mauritius and Mrs. G. Bunwaree.

The Permanent Secretary, Prime Minister's Office.

The Director, Economic Planning Unit.

The ADC to the Governor-General.

Dr. O. P. Nijhawan.

14.45 Leave Plaisance Airport for Le Reduit.
(Route No. 1 — Order of Cars No. 1).

Tuesday, 2nd October

15.30 Arrive Le Reduit.

H.E. the Governor-General, Sir Raman Osman, G.C.M.G., C.B.E. and Mrs. H. Fakim welcome the President of the World Bank Group and Mrs. R. S. McNamara.

Tea with H.E. the Governor-General.

16.15 The Acting Prime Minister and Minister of Finance and Mrs. V. Ringadoo take leave and depart.

17.15 Leave Le Reduit for Government House, Port Louis. (Route No. 2 — Order of Cars No. 2).

17.30 Call on Acting Prime Minister.

18.00 Mrs. McNamara joins the Party in the office of the Acting Prime Minister.

18.10 Leave office of Acting Prime Minister for Throne Room.

18.00 } Cocktail given by Acting Prime Minister at Govern-
to } ment House, Port Louis.
19.30 }

19.30 Leave Government House for Le Reduit. (Route No. 3 — Order of Cars No. 3)

19.45 Arrive Le Reduit.

20.30 The Minister of External Affairs, Tourism and Emigration calls on the President of the World Bank Group.

(20.45 }
for } Dinner given by H.E. the Governor-General.
21.00 }

Tuesday, 2nd October

Order of Cars No. 2:

Le Reduit to Government House, Port Louis.

1st Car Police Pilot Car.

2nd Car Security.

3rd Car The President of the World Bank Group.

(Preceded by three Police
Outriders). The Chief of Protocol.
+ 1 Bank Official.

4th Car Bank Officials.

5th Car Spare.

6th Car Police.

Order of Cars No. 3:

Government House, Port Louis to Le Reduit.

1st Car Police Pilot Car.

2nd Car Security.

3rd Car The President of the World Bank Group.

(Preceded by three Police
Outriders). Mrs. R. S. McNamara.
The Private Secretary and Comptroller.

4th Car Bank Officials.

5th Car Bank Officials.

6th Car Spare.

7th Car Police.

Wednesday, 3rd October

Order of Cars No. 7:

Headquarters House to Plaisance Airport.

1st Car Police Pilot Car (Mr. O. Hawaldar).

2nd Car Security (Mr. M. Baguant).

3rd Car The President of the World Bank Group.

(Preceded by three Police Outriders). The Minister of Economic Planning and Development.

The Chairman—Development Works Corporation.

4th Car Mrs. R. S. McNamara.

The Minister for Employment.

The Financial Secretary.

5th Car Mr. M. N. Kochman.

Mr. B. R. Bell.

The Director, Economic Planning Unit.

6th Car Mr. S. Husain.

Mr. W. Clark.

The General Manager, Development Works Corporation.

7th Car Mr. J. D. Roulet.

Dr. O. P. Nijhawan.

The Principal Assistant Secretary, Ministry for Employment.

8th and

9th Cars Spares.

10th Car Police.

Programme

Wednesday, 3rd October

Order of Cars No. 6:

- Plaine Lauzun to Headquarters House, Vacoas.
- 1st Car Police Pilot Car.
- 2nd Car Security.
- 3rd Car The President of the World Bank Group.
- (Preceded by three Police Outriders). The Minister of Economic Planning and Development.
- 4th Car Mrs. R. S. McNamara.
The Minister for Employment.
- 5th Car Mr. M. N. Kochman.
Mr. B. R. Bell.
- 6th Car Mr. S. Husain.
Mr. W. Clark.
Mr. J. D. Roulet.
- 7th Car Mr. A. Ljungh.
- 8th Car Spare.
- 9th Car Police.

SPECIAL PROGRAMME FOR
MRS. R. S. McNAMARA

TUESDAY, 2nd OCTOBER

17.15 Leave La Rebut for Port Louis, accompanied by
Mr. H. Fatim.

Tour of the City of Port Louis.

17.55 Arrive Government House, Port Louis.

18.00 Join the President of the World Bank Group in the
Office of the Prime Minister.

WEDNESDAY, 3rd OCTOBER

8.15 Leave La Rebut for Club Concordia, Casque,
accompanied by Mrs. V. Ringard.

8.45 Arrive Club Concordia.

Visit Exhibition of handicrafts.

For with members of the Women Self Help Association.

9.30 Leave Club Concordia.

9.30 Arrive La Rebut.

INFORMATION

The President of the World Bank Group and Mrs. R. S. McNamara will be accompanied by:

- | | |
|-------------------------------|--|
| Mr. Mohamed Nassim
Kochman | Executive Director of the
I.B.R.D. |
| Mr. Bernard R. Bell | ... Vice President, Eastern Africa
Region |
| Mr. Shahid Husain | ... Director of Operations Depart-
ment, Eastern Africa Region |
| Mr. William Clark | ... Director, Information and
Public Relations Department |
| Mr. Jean David Roulet | ... Division Chief, Operations
Department, Eastern Africa
Region |
| Mr. Anders Ljungh | ... Personal Assistant to the
President of the World Bank
Group |

INFORMATION

The President of the World Bank Group and Mrs. R. S. McNamara will be accompanied by:

Mr. Mohamed Nessim
Executive Director of the
I.B.R.D. Kuchera

Mr. Bernard R. Bell
Vice President, Eastern Africa
Region

Mr. Shahid Husain
Director of Operations Depart-
ment, Eastern Africa Region

Mr. William Clark
Director, Information and
Public Relations Department

Mr. Jean David Roubier
Division Chief, Operations
Department, Eastern Africa
Region

Mr. Anders Ljungström
Personal Assistant to the
President of the World Bank
Group

**SPECIAL PROGRAMME FOR
MRS. R. S. McNAMARA**

TUESDAY, 2nd OCTOBER

17.15 Leave Le Reduit for Port Louis, accompanied by
Mrs. H. Fakim.

Tour of the City of Port Louis.

17.55 Arrive Government House, Port Louis.

18.00 Join The President of the World Bank Group in the
Office of the Prime Minister.

WEDNESDAY, 3rd OCTOBER

8.15 Leave Le Reduit for Club Concordia, Curepipe,
accompanied by Mrs. V. Ringadoo.

8.45 Arrive Club Concordia.

Visit Exhibition of handicrafts.

Tea with members of the Women Self Help Association.

9.30 Leave Club Concordia.

9.50 Arrive Le Reduit.



GOVERNMENT OF MAURITIUS

VISIT OF

Mr. Robert S. McNamara

President of the World Bank Group

and Mrs. R. S. McNamara

PRINTED BY
L. CARL ACHILLE, GOVERNMENT PRINTER,
PORT LOUIS, MAURITIUS
SEPTEMBER 1973

TUESDAY, 2nd and WEDNESDAY 3rd OCTOBER, 1973

OFFICE MEMORANDUM

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TO: Mr. Robert S. McNamara

DATE: September 12, 1973

FROM: S. Shahid Husain *ht*SUBJECT: Your Trip to Mauritius

Attached is a briefing book on Mauritius. Following is a summary of the more important political and economic features as I see them.

Political Situation

About the time of independence, many people regarded Mauritius as politically highly explosive. The island had one of the highest population growth rates and the labor force was growing rapidly. The economy was almost entirely dependent upon sugar, whose market prospects were considered to be dim. The situation was compounded by two additional factors. First, the potential racial conflict between the Asian majority and the economically dominant Franco-Mauritians (a euphemism to describe white descendants of the original settlers) and second, the high rate of literacy and political consciousness among the working class.

What has happened in the political field since independence has been remarkable. The country has not only been held together, but has managed to build apparently viable political institutions under the combined leadership of Asians, Creoles and Franco-Mauritians. Even though the country has been under a state of emergency for several years, political activity is very lively. The Mauritian leaders are an able group. Sir Seewoosagur Ramgoolam, the Prime Minister, is rather old but an extremely astute and capable politician. He has managed to carry the loyalty not only of his constituents, the Asians, but also of the Creoles and Franco-Mauritians. The Deputy Prime Minister and Finance Minister, Mr. Ringadoo, is another very able person. The Foreign Minister, Mr. Gaetan Duval, a flamboyant Creole, has a large following among the Creole population. He is credited with forging the close links between Mauritius and the European Economic Community, with which Mauritius now has associate status.

The Economy

Since the economy of Mauritius has undergone substantial changes in the recent past, I have included in Section F, the back-to-office report that has just been completed by our recent economic mission. This document supersedes, to a large extent, much of what was said in the last CPP.

Since independence in 1968, the economic scene has changed dramatically. The rate of population growth has declined from 2.9 percent in 1962 to 1.6 percent in 1972. In the 1960s, the economy was practically stagnant. From 1968 to 1972, the rate of growth of GDP has been 9.7 percent, while aided by the increase in sugar prices, exports have grown from \$85.5 million to \$142.7 million. The change of Mauritius' economic fortunes

Mr. Robert S. McNamara

September 12, 1973

is not purely a matter of chance. A very substantial part of it is owed to skilful economic management and there are three basic elements to be borne in mind.

1. The financial management has been fairly orthodox and Mauritius' external debt remains very low.
2. To combat the problem of unemployment, the Government has engaged in a massive program of public works, centering around the Development Works Corporation (DWC), whose payroll now covers 6,600 persons. A DWC rural development project has recently been financed by the Bank.
3. In view of the very small size of the economy, Mauritius' growth has to depend very largely on expansion of exports. Towards this end, the Government has established an export processing zone with emphasis on labor-intensive industries, mostly garments for export. Although the size of the industry still remains small, the success in attracting investors and building up and diversifying exports has been remarkable. Mauritius has an adaptable and hard working force and it seems that with the continuance of its present effort, the building up of manufactured exports can be a very important element in future growth.

The problem of unemployment, however, remains serious, particularly among the 15 to 24 age group, of whom currently 33,000 are unemployed, accounting for 39 percent of the labor force in that age group. The issue for the future is a massive program of training for these people and our own view is that the Development Works Corporation should focus increasingly on the training of youth. A training element is included in our DWC project. Another issue for the future which has a bearing on the unemployment problem, is the direction of education. Hitherto, education has been on the classical British pattern and has hardly addressed itself to the manpower needs of Mauritius. (For details, please see Mr. Pennisi's note on education in Section F).

Bank Group Operations

During the last few years, the Bank Group has been closely associated with Mauritius' successful efforts at speeding up the development process. To begin with, the Bank agreed in 1970 to second a staff member, Dr. Om Nijhawan to the Government to assume the role of Director of the Planning Department. Dr. Nijhawan's assistance has proved very valuable in helping the Government to draw up its current plan and he is highly regarded

Mr. Robert S. McNamara

September 12, 1973

in Mauritius. In addition, by having recently made finance available for both the Industrial Estate and the Rural Development Projects, the Bank has highlighted its support for the twin objectives of the Plan, namely development of export-oriented industry and reduction of unemployment. A fact that Mauritius has appreciated is that we have been able to respond rapidly to the country's needs with a minimum of bureaucratic delays. The Industrial Estate Project took just about five months from the time the appraisal mission left Washington until signing of the Credit documents, while the Rural Development Project, despite its novelty in the Bank, was completed in about nine months. Our relations with Mauritius are presently excellent, the Bank Group is highly regarded and the general tone of the visit should be a very happy one.

The operations program for the period FY 74-78 approved last September and still reflected in the present P.&B. tables, includes seven projects for \$26 million. The corresponding lending program amounts to \$18.0 million with five projects. The major change since then concerns the source of financing. Until now, Mauritius has been regarded exclusively as an IDA country (the 1963 Power loan of \$7.0 million was made before independence and was guaranteed by the United Kingdom). Even though the economic upsurge is recent, the question arises as to whether Mauritius should now be regarded as eligible for some Bank lending. Actually the question is crucial at this time since no IDA funds are available this year to finance the proposed Port Project, appraised last June, and for which \$7.8 million would be required, (in addition to about \$1.8 million expected to be financed by the United Kingdom) nor for a possible Second Development Bank Project currently being appraised and which might need \$3-4 million.

As described in the economic mission's back-to-office report, Mauritius can be considered as creditworthy for a moderate amount of Bank lending. This will need to be confirmed by more refined analysis of Mauritius' external debt and export prospects, and we expect to make recommendations on this to Mr. Knapp soon after the Annual Meeting.

SSHusain/JDRoulet:rp

cc: Mr. Knapp

A

REMARKS AT AIRPORT UPON ARRIVAL IN MAURITIUS

12/1/73

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It is a great pleasure indeed for me to be here, and I particularly look forward to meeting your Prime Minister. From my talks with ^{them} ~~him~~ and with other Mauritian leaders, I hope, to acquire a deeper understanding of your development problems and how ^{it can assist you in tackling them.} ~~they can be tackled~~. The World Bank Group has already made some contribution to Mauritius' own efforts to adapt and develop its economy for the benefit of its people. During this visit, I hope to learn how we can support these efforts more fully and more effectively.

of Governor General

^{as you may know} The World Bank Group has greatly expanded its activities ^{in recent years.} ~~around the globe~~. Under our five-year program 1968-1973, we have doubled our lending ^{and} In Africa we increased our lending threefold; ~~I am pleased that~~ Mauritius has had a significant share in this achievement.

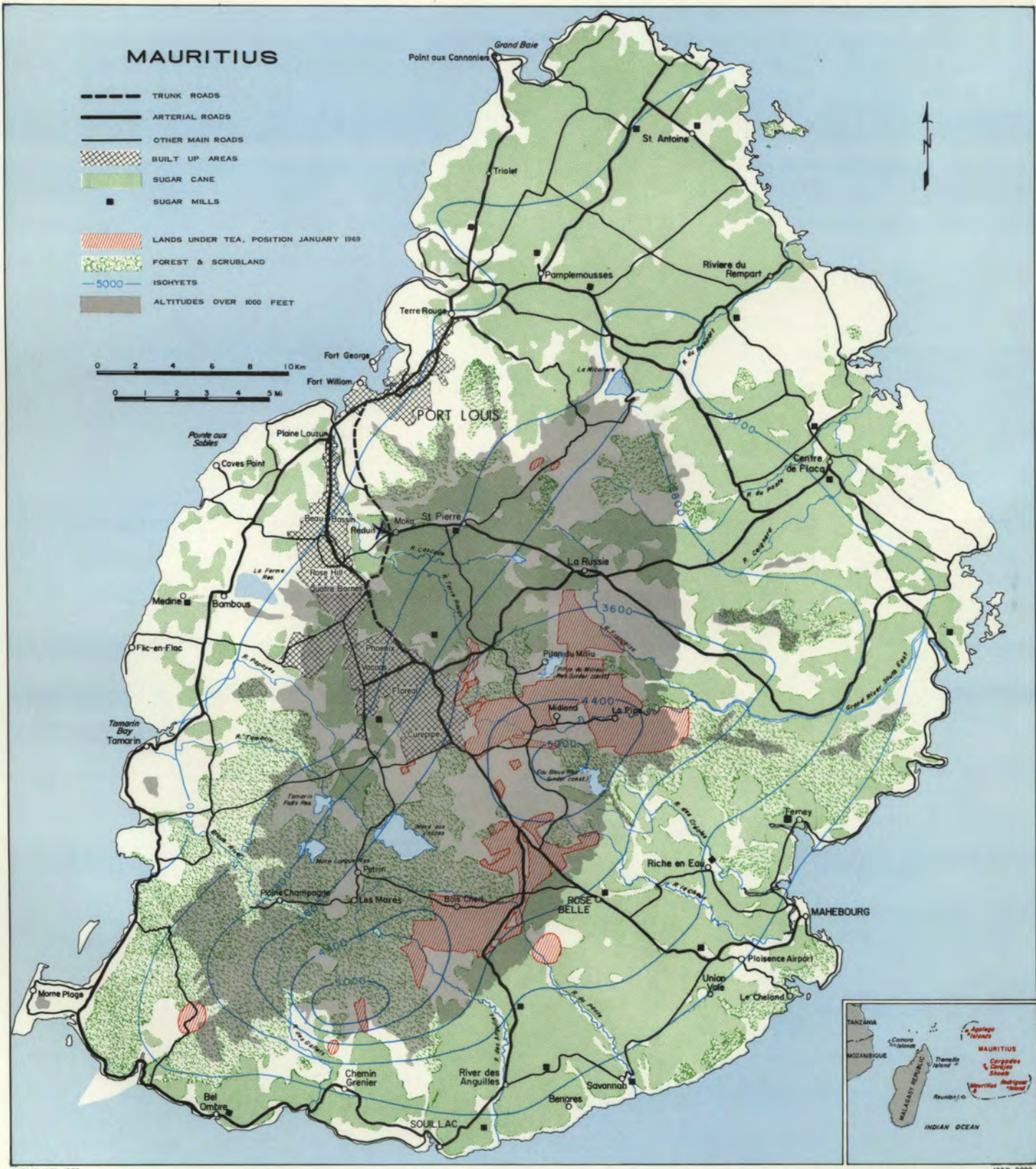
^{we are} ~~I am also~~ pleased to ^{see} notice that the development policy of Mauritius ~~shares our~~ ^{places} emphasis on full employment and better distribution of income. We look ~~therefore forward~~ to being able not only to provide a larger volume of assistance, but also to provide it for a broader range of purposes within the framework of Mauritius ^{development} ~~programs for further development~~.

Aside from the power project financed in 1963, our first operation in this country was a credit of \$5.2 million in 1971 for a small holder tea development. The next credit was made for a development bank, The most recent ^{projects are} ~~credits, were for~~ the industrial development program at Coromandel and a rural development program. IFC an affiliate of the Bank has made a

^{followed by investments in the tourism sector.} In the years to come, we hope to participate in the further development of your infrastructure as well as an industry & tourism.

Improving assistance, our aim will be to help the people of Mauritius achieve the goals they themselves have chosen.

C





MAURITIUS

BACKGROUND NOTES

Population: 810,000 (1971 est.)
Capital: Port Louis

Mauritius is an island about 500 miles east of the Malagasy Republic in the Indian Ocean. Its total area is 720 square miles (about two-thirds the size of Rhode Island). Its dependencies are Rodrigues Island (40 square miles, 20,000 people), the Agalega Islands, and Cargados Carajos Shoals (27 square miles, 1,000 people).

Mauritius is volcanic in origin and almost entirely surrounded by coral reefs. The land rises from the coast to a central plateau which varies in altitude from 900 to 2,400 feet above sea level. The plateau is encircled by mountains which may have formed the rim of an ancient volcano.

The climate of Mauritius is conditioned by southeast trade winds. Tropical conditions prevail in the lowlands. The hot season is from December to April; the cool season from June to September. The island is humid throughout the year, with annual rainfall in some areas as high as 200 inches. Mean temperatures vary from 74° F. at sea level to 67° F. on the high plateau. Devastating cyclones can occur from December to April.

Mauritius' flag has four horizontal stripes—red, blue, yellow, and green from top to bottom.

THE PEOPLE

The population of Mauritius was estimated at 810,000 in 1971. The eradication of malaria during World War II led to a population explosion on Mauritius. Although the annual growth rate is now about 1.5 percent, population density exceeds 1,000 people per mile, among the highest in the world. Overpopulation and unemployment are the country's most important socioeconomic problems. Although government efforts to curb population growth have experienced some success, the birth rate is still expected to increase slightly in the coming years, as the percentage of people of childbearing age increases.

Port Louis was the largest city with about 128,400 inhabitants in 1964 (the latest census taken). Other cities include Beau Bassin-Rose Hill (65,900), Curepipe (47,600), Vacoas-Phoenix (44,700), and Quatra Bornes (37,800).

The ethnic composition of Mauritius is linked to the needs of the sugar industry, which always has dominated the local economy. Twenty-nine percent of the Mauritians are of mixed European and African descent, tracing their origins to the plantation owners and slaves who were the first to exploit the island's sugar potential. These Creoles now are

clerical, commercial, and professional workers, as well as fishermen and stevedores. Slavery was abolished in 1833 despite strong local opposition, and indentured labor was brought from India to replace the emancipated Africans. Descendants of the Indian immigrants now comprise 67 percent of the population and remain the principal laborers for the sugar industry. The Muslims also are traders and industrial workers, and the Hindus are increasingly entering the civil service. The other 4 percent of the people are principally of Chinese origin, most of whom are engaged in retail trade. Despite this diversity, the island retains a distinctly French cultural flavor, reflecting French rule during the 18th century. The 20,000 Franco-Mauritians still are an elite class. They own most of the plantations, are lawyers and bankers, and thus control much of the economy.

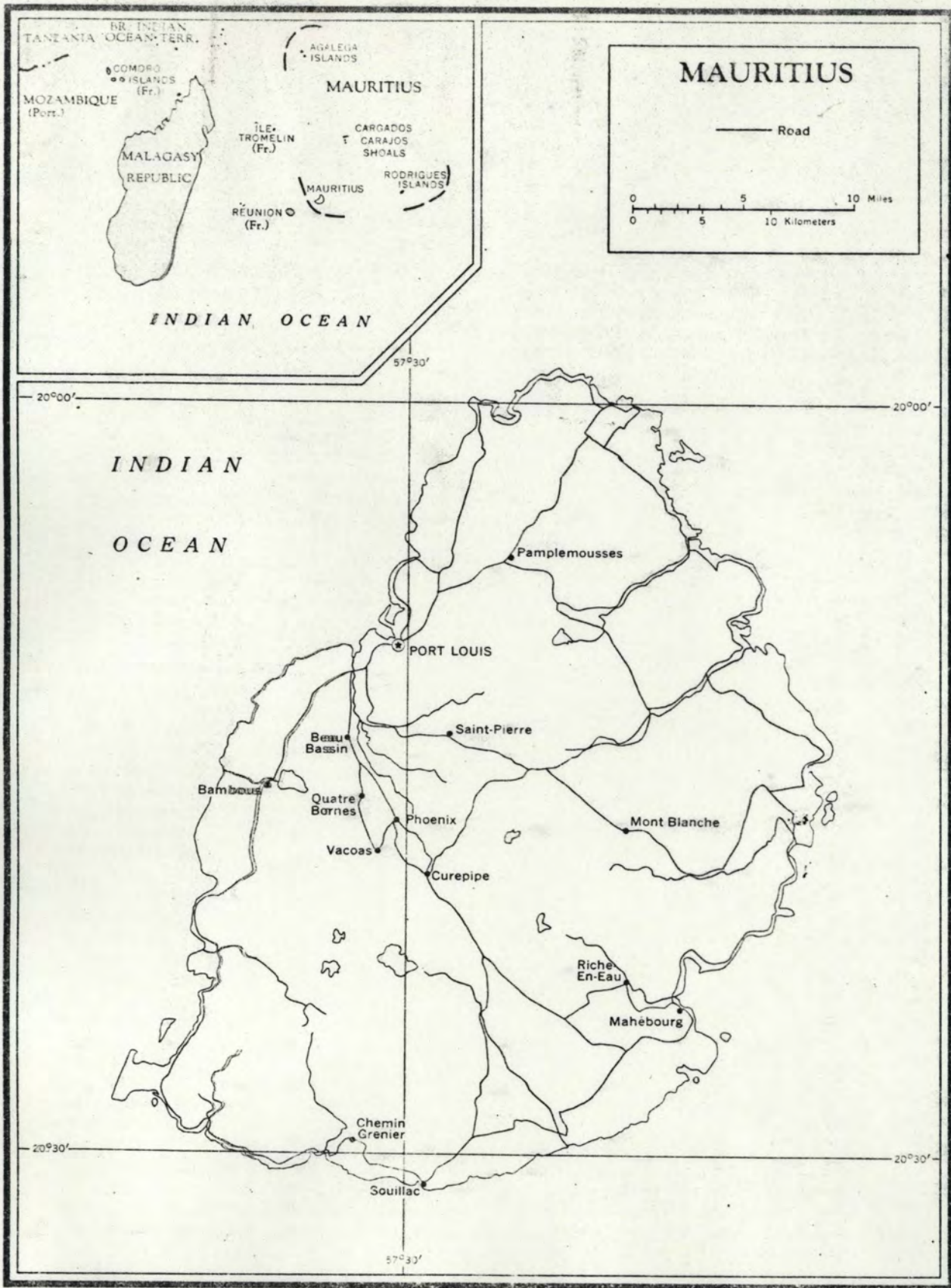
A Creole patois, basically French, is the common language of the island's masses. French, Chinese, English, Hindi, and various dialects of other Indian tongues also are spoken. Almost 90 percent of the primary school-aged children are enrolled in school. The university on the island is growing in size and scope. Each year about 700 students attend universities abroad (principally in Western Europe). Literacy is nearly universal.

It is estimated that 49 percent of the Mauritians are Hindu, 10 percent are Muslim, and 40 percent are African and European Christians—Roman Catholic and Anglican. There are about 29,000 Chinese Buddhists as well.

HISTORY

Portuguese sailors first visited Mauritius in the early 16th century, although the island had been known to Arabs and Malays much earlier. Dutch sailors, who named the island in honor of Prince Maurice of Nassau, established a small colony in 1638, but it was abandoned in 1710. The French claimed Mauritius in 1715, renaming it Île de France. Under the administration of the French East India Company, it became a strong and prosperous colony. The French Government took over control in 1767, and the island served as a naval base during the Napoleonic wars.

In 1810 Mauritius was captured by the British, whose possession of the island was confirmed 4 years later by the Treaty of Paris. The British chose to administer the colony through the existing French establishment. Thus, French institutions, including French law, were maintained, and the French language still is more widely used than English. The importation of Indian indentured laborers brought an additional cultural influence



to the island. As the Indian population became numerically dominant and the franchise was extended, political power shifted from the Franco-Mauritians and their Creole allies to the Hindus. The Mauritian Labor Party, which draws its strength primarily from the Hindus, was most

successful in the 1947 elections which determined representation in the newly created Legislative Assembly, as Mauritius took the first steps toward independence.

Alone, or in coalition with some of the other political parties, the Labor Party has led the

Mauritian Government since 1947. The party's independence campaign gained momentum after 1961, when the British agreed to permit additional self-government and to grant independence eventually. Despite opposition from Franco-Mauritian and Creole supporters of Gaetan Duval's Parti Mauricien Social et Democrat (PMSD), a coalition composed of the Labor Party, the Allied Moslem Action Committee, and the Independent Forward Bloc (IFB)—a traditionalist Hindu party—won an overwhelming majority in the 1967 Legislative Assembly election in a contest interpreted locally as a referendum on independence.

Sir Seewoosagar Ramgoolam, Labor Party leader and Chief Minister in the colonial government, became the first Prime Minister when Mauritius became independent on March 12, 1968. This event was preceded by a period of communal strife, which was brought under control with the assistance of British troops.

GOVERNMENT

By virtue of its membership in the Commonwealth of Nations, the Chief of State is Queen Elizabeth II, who is represented on the island by a Governor General. According to the Constitution, promulgated on March 6, 1968, the Mauritian Government is parliamentary in form. The Council of Ministers (cabinet) is responsible for the direction and control of the Government. It consists of the Prime Minister (Head of Government)—the leader of the majority party in the legislature—and 21 other Ministers.

The unicameral Legislative Assembly is composed of 70 Deputies—62 are elected by universal suffrage and eight are appointed by the Prime Minister. Elections are scheduled every 5 years. However, after independence the coalition agreed to postpone the 1972 elections until 1976.

Mauritian laws are based primarily on the French legal system, with some British innovations. The Supreme Court, consisting of a Chief Justice and two junior judges, is the highest judicial authority.

Local government is separated into nine administrative divisions, with municipal and town councils in urban areas and district and village councils in rural areas.

POLITICAL CONDITIONS

In December 1969 the PMSD entered the governing coalition, and the IFB went into opposition. PMSD leader Gaetan Duval became the country's Foreign Minister, and other PMSD figures received ministerial posts in an enlarged Council of Ministers.

During 1970 a new political party, the Militant Mauritian Movement (MMM), attracted a large cross-communal following with an appeal based on criticism of the Government's alleged inefficiency and on advocacy of "third world" solutions to domestic and foreign problems. In September 1970 the MMM won the only parliamentary byelec-

tion conducted since independence, and it showed considerable strength in local, municipal, and union elections during subsequent months. In December 1971 a state of emergency was declared when the MMM called for a general strike following legislation banning strikes in industries controlled by MMM affiliates. The MMM's leadership subsequently was imprisoned, and a number of affiliated unions were deregistered.

The PMSD split in 1971 when Maurice Lesage led seven other PMSD parliamentary representatives out of the party, following a dispute with PMSD chief Duval. The new group adopted the name Mauritian Democratic Union and replaced the IFB as the official opposition party since it had more members in the Legislative Assembly.

ECONOMY

Sugar dominates the Mauritian economy. Ninety percent of the country's cultivable land is planted in the crop; more than 60 percent of the work force is engaged in its production, transformation, or transportation; and sugar exports provide more than 90 percent of the country's foreign earnings. In 1970, 541,000 tons were exported. Mauritius receives premium prices for most of its sugar exports as a result of the marketing arrangements of the Commonwealth Sugar Agreement. The country has a 30,000-ton quota in the U.S. market, where prices also normally exceed those on the world market.

To ease dependence on sugar, which is subject to severe price fluctuations and drastic production losses due to Indian Ocean cyclones, the Mauritian Government encourages crop diversification and industrialization. Tea, tobacco, and aloe (a fiber used to make sacks) have been introduced successfully. Some import substitution is taking place in the industrial sector, but the Government has had limited success to date in attracting the capital needed for export industries. Tourism has considerable potential as a foreign exchange earner, and hotel facilities are being expanded. The country's importance as a port of call has increased with the closing of the Suez Canal, and air traffic is growing also.

Widespread unemployment, estimated to exceed 20 percent of the potential labor force, has focused development planning on labor activities. Through its "Work for All" campaign, the Government hopes to provide 20,000 new jobs by 1975. Foreign assistance is being provided by numerous donors, including the United Kingdom, the International Bank for Reconstruction and Development (IBRD), the United Nations, India, the United States, and the Soviet Union. In April 1972 the Government announced an agreement with the People's Republic of China to extend a U.S. \$35 million loan.

The cooperative movement, guided by a government department, is well developed. In 1966 there were more than 300 cooperatives engaged in credit, banking, insurance, retail trade, marketing, housing, and transportation.

The country's physical and social infrastructure is more elaborate and annual per capita income is higher (\$190) than in most nations of Africa and Asia. However, income is distributed unevenly, and it is declining, due to production and marketing limits on sugar revenue and the growing population. The 1971 estimated gross national product (GNP) was \$148 million.

Most of Mauritius' foodstuffs are imported, as well as most consumer and intermediate goods, together with all capital equipment. Imports totaled \$82 million in 1970, while exports were valued at \$75 million. The country's most important trading partners are the United Kingdom, Canada, Burma, and Australia. Mauritius enjoyed favorable trade balances during previous years, as well as good balance-of-payments positions, due partially to conservative fiscal policies.

British financial aid has been the chief source of external assistance, providing a total of \$14 million from 1946 to 1967. Special grants also have been made for housing reconstruction destroyed in the 1960 cyclone. Grants of \$7.9 million were agreed on for 1967-68 to permit balanced budgets in planned development. The Commonwealth countries provide experts, training facilities, and scholarships. Private foundations, such as the Nuffeld Foundation, and the United Nations also make some external assistance available.

FOREIGN RELATIONS

Dependence on Western markets and the Mauritian political heritage are responsible for strong ties between Mauritius and the West. These ties are particularly intimate with the United Kingdom, with which Mauritius shares a defense agreement, and with France, which exercises sovereignty over neighboring Réunion. Relations between Mauritius and India also are close. The Soviet Union is the only Communist government with an Embassy in the country, although an agreement was announced in April 1972 for the opening of diplomatic relations with the People's Republic of China.

Mauritius is a member of the United Nations, the Organization of African Unity (OAU), and the African, Malagasy, and Mauritian Common Organization (OCAM). A member of the Commonwealth of Nations, Mauritius is to become associated formally with the European Economic Community (Common Market), where it expects to sell most of its sugar, following the United Kingdom's entry.

Agricultural aid was provided in the early 1970's by the United States and the Republic of China. Japan and the Soviet Union are developing fishing interests. In late 1970 the Soviet Union was granted refueling and docking privileges for its ships and landing rights for Aeroflot planes.

U. S. -MAURITIUS RELATIONS

A U.S. Consulate opened on Mauritius in 1844 and closed in 1911. It was reopened in 1967 and elevated to an Embassy at independence in 1968. Since 1970 there has been a resident U.S. Ambassador, who is assisted by a small staff.

The thrust of official U.S. activities on Mauritius has been to assist in the country's development program. The instruments have been the sugar quota, a Public Law 480 (Food for Peace) grant program currently valued at approximately \$750,000 annually, a small Peace Corps contingent, and a Self-Help program. Total U.S. bilateral aid for fiscal year 1971 amounted to \$2 million.

U.S. investment in the country is minimal, and U.S. exports totaled only \$4.9 million in 1970. Bilateral political relations are good, and the United States has had the support of Mauritius on several key issues in international forums.

PRINCIPAL GOVERNMENT OFFICIALS

Governor General—Sir Len Williams
Prime Minister; Minister of the Interior and Information—Sir Seewoosagur Ramgoolam
Minister of Foreign Affairs, Tourism, and Emigration—Charles Gaetan Duval
Minister of Finance—Veerasamy Ringadoo
Minister of Agriculture and Cooperatives—Satcam Boolell
Minister of Health—Harold Edward Walter
Ambassador to the U.S.—Pierre Guy Giralde Balancy
Ambassador to the U.N.—Radha Ramphul

Mauritius maintains an Embassy in the United States at 2308 Wyoming Avenue, N.W., Washington, D.C. 20008.

PRINCIPAL U. S. OFFICIAL

Ambassador—William D. Brewer

The U.S. Embassy on Mauritius is located at Anglo-Mauritius House, Intendance, Port Louis.

READING LIST

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Report on Mauritius, 1967. Port Louis: Government Printer, 1968.
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Titmuss, R.M., and B. Abel-Smith. Social Policies and Population Growth in Mauritius. London: Methuen, 1961.

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MAURITIUS

MEMBERS OF GOVERNMENT

Governor-General	<u>OSMAN, Abdool Raman Mahomed</u>
Prime Minister	<u>RAMGOOLAM, Dr. the Rt. Hon. Sir Seewoosagur</u>
Minister of Finance (acting Prime Minister on several occasions)	<u>RINGADOO Hon. Veerasamy</u>
Minister of Economic Planning & Development	GHURBURRUN, Hon. Beergoonath
Minister of Agriculture and Natural Resources and Cooperative Development	
Minister of External Affairs, Tourism and Emigration	<u>DUVAL, Hon. Gaetan</u>
Minister of Education	JOMADAR, Hon. Rajmohunsing
Minister of Health	WALTER, Hon. Sir Harold Edward
Minister of Works	OSMAN, Hon. Abdool Hack
Minister of Housing, Lands and Town and Country Planning	MOHAMED, Hon. Sir Abdool Razack
Minister of Labour	GHURBURRUN, Hon. Beergoonath
Minister of Communications	RAULT, Hon. Raymond Pierre Gerard
Minister of Employment	LECKNING, Cyril
Secretary, Ministry of Finance	PYNDIAH, Ramaswamy
Governor of Central Bank (alternate Governor for IMF)	BUNWAREE, Goortarsad

MAURITIUS

GOVERNOR-GENERAL

OSMAN, Abdool Raman Mahomed, G.C.M.G., C.B.E.

Governor Osman, who was born in 1902, is a career judge. Called to the Bar in 1925, he subsequently assumed several judiciary functions until he retired in 1960. Following his retirement, he served as Chairman of various Boards, in particular of the Wages Council for Agricultural Workers in the Sugar Industry. Acting Governor General on various occasions between 1970 and 1972, he became Governor General in December 1972. Governor Osman is unmarried.

PRIME MINISTER

RAMGOOLAM, Dr. The Rt. Hon. Sir Seewoosagur, Kt. L.R.C.P., M.R.C.S. (Eng.)

Prime Minister Ramgoolam, who was born in 1900, is one of the oldest politicians in Mauritius. Elected Municipal Councillor in 1940, he subsequently held a variety of offices, including that of Mayor of Port Louis, the capital and largest town of Mauritius. Following independence, he became Prime Minister in March 1968, a function which he combined at times with those of Minister of Defense, of Internal Affairs, and of Foreign Affairs. Prime Minister Ramgoolam, who is of Indian descent and a member of the Labor Party, is a skilful politician who can be regarded as the chief artisan of Mauritius' successful efforts at conciliating ethnic and religious divisions. In December 1972, he refused to assume the honorary function of Governor General to remain at the helm of Government.

MINISTER OF FINANCE (Acting Prime Minister on several occasions)

RINGADOO, Hon. Veerasamy- Barrister-at-law

Born: 1920, Port Louis

Education: Port Louis Grammar School; London School of Economics;
LLB 1948

Called to the Bar 1949; elected Municipal Councillor, 1956;
elected Member Legislative Council for Moka-Flacq 1951-1967; Minister of
Labour and Social Security 1959-1964; Minister of Education 1964-July 1967;
Minister of Agriculture and Natural Resources 1967 to June 1968; attended
London Constitutional Conference 1965; 1st M.L.A. for Quartier Militaire
and Moka, 1967 (Lab.); Minister of Finance since June 1968; Officier de
l'Ordre National Malgache, June 1969; Governor for IMF.

Married- 2 children

MINISTER OF ECONOMIC PLANNING & DEVELOPMENT

JAGATSINGH, Hon. Kher,

Born: July 23, 1931;

Education: Beau Bassin Primary School, Private Tuition

Civil servant 1950-54; founded "Mauritius Times" weekly newspaper;
joined Labour Party, 1958; Pres. Govt and Non Govt General Workers'
Union 1961-67; elected Member Legislative Council for Beau Bassin/
Petit Rivière, 1959; 2nd M.L.A. for Montagne Blanche and Grand Riever
South East, 1967 (Lab); Minister of Economic Planning & Development
since 1971; Officier de l'Ordre National Malgache, August, 1969.

Married- 3 children

MINISTER OF AGRICULTURE AND NATURAL RESOURCES AND COOPERATIVE DEVELOPMENT

BOOLELL, Hon. Satcam, Barrister-at-law

Born: 1920, New Grove

Education: Educated Primary Schools and Private Tuition; Teacher
Primary Schools 1941-1944; LLB (Hons) London School
of Economics

Civil servant 1944-1948; called to the Bar Lincoln's Inn, 1952;
Practised at the Bar, 1953-59; Member Executive Council for Montagne
Blanche, 1953 as I.F.B. candidate; joined Labour Party, 1955; Minister
of Agriculture and Natural Resources 1959 to July 1967; Attended London
Constitutional Conference, 1965; Minister of Education and Cultural
Affairs 1967- June 1968; President Mauritius Arya Sabha 1956-61;
Minister of Agriculture and Natural Resources and Cooperative Development
since December 1, 1969.

Married - 3 children

MINISTER OF EXTERNAL AFFAIRS, TOURISM AND EMIGRATION

DUVAL, Hon. Gaetan, Barrister-at-law

Born: October 9, 1930

Education: St. Enfant Jesus R.C.A.; Royal College Curepipe;
Faculty of Law University of Paris; Called to the
Bar Lincoln's Inn; Sworn-In Mauritius 1955

Entered politics 1958; Elected member Town Council Curepipe,
1960; re-elected 1963; elected Member Legislative Council for Curepipe,
1960; re-elected, 1963; Chairman Town Council Curepipe 1960-61; 1963-
February 1968; Minister of Housing, Lands and Town and Country Planning,
1964- November 1965; Member, "Le Centre Culturel Francais"; represented
Town of Curepipe at Nice 1960; attended London Constitutional Conference
1965; Leader, Parti Mauricien Social Democrate since 1966; Leader of
the Opposition, 1967-November 1969; 1st M.L.A. for Grand River North
West and Port Louis West, 1967 Mauritius Social Democratic Party (P.M.S.D.)
Minister of External Affairs, Tourism and Emigration since December 1, 1969.

MINISTER OF EDUCATION

JOMADAR, Hon. Rajmohunsing, Barrister-at-law

Born: August 10, 1915, Rose Belle

Education: Primary School Rose Belle; Royal College, Curepipe;
Called to the Bar Middle Temple, 1948

Practiced law 1948-1964; elected Member Legislative Council 1959
for Flacq; reelected 1963; Chief Whip Labour Party 1959-61; Deputy
Chairman of Committees 1961-64; 2nd M.L.A. for La Caverne-Phoenix 1967
(Lab); Minister of Education and Attorney General, March 1969-Sept. 69;
Minister of Education since June 1968.

MINISTER OF HEALTH

WALTER, Hon. Sir Harold Edward, Kt., Barrister-at-law

Born: 1922, Quartier Militaire

Education: Royal College, Curepipe

Enlisted 1940; commissioned 1944; Regular Army Officer 1946;
on demobilisation was Staff Officer, G.H.Q., M.E.L.G.; Served in Madagascar
and East Africa and Middle East; resigned Regular commission 1948;
called to the Bar Lincoln's Inn, 1951 (Runner-up British Commonwealth
Advocacy Contest); Practised at the Bar 1951-59; President, Y.M.C.A.,
1953; Delegate World Centennial Conference in Paris, 1955; Member
Financial Delegation to London, 1960; Member Labour Party Delegation to
Indies (September) 1960; Member Labour Party Delegation to Constitutional
Talks in London, 1961, 1965; represented Mauritius at Guyana Independence
Celebrations, 1966; I.R.P.F. Conference, Chile, 1967; 3rd M.L.A. for
Mahebourg-Plaine Magnien 1967 (Lab.) Elected Village Councillor, 1952;
Elected Municipal Councillor, 1956; Member of Legislative Council for
Mahebourg, 1959; re-elected 1963; re-elected 1967; Minister of Works
and International Communications 1959-1965; Minister of Health April 1965-67;
Resigned and went back to the Bar in connection with electoral petition
against member of the Government; Minister of Labour and Minister of

and International Communications 1959-65; Minister of Health April 1965-1967; Resigned and went back to the Bar in connection with electoral petition against members of the government; Minister of Labour and Minister of Local Government and C.D. March 1969-November 1969; Minister of Health since 1971; knighted 1972.

Married

MINISTER OF WORKS

OSMAN, Hon. Abdool Hack, Barrister-at-law

Born: 1925, Port Louis

Education: Grammar School, Port Louis

Called to the Bar Middle Temple; Sworn-in Mauritius, 1955; elected Member Legislative Council for Phoenix, 1959; re-elected 1963; Minister of Information, Posts and Telegraphs and Telecommunications, 1962-65; Minister of Housing, Lands and Town and Country Planning for 6 weeks in 1961; Attorney General 1965-1968; Attended Commonwealth Parliamentary Course in London in 1961; attended London Constitutional Conference, 1965; 3rd M.L.A. for La Caverne and Phoenix, 1967 (C.A.M.), President of C.A.M. since 1961; Minister of Works since June 1968; Minister of Works and Minister of Communications March 1969 to November 1969.

Married

MINISTER OF HOUSING, LANDS AND TOWN AND COUNTRY PLANNING

MOHAMED, Hon. Sir Abdool Razack

Born: August 1, 1906, Calcutta, India

Education: Calcutta, India

Arrived in Mauritius in 1925; elected Municipal Councillor 1943-1956; Mayor of Port Louis 1949; 1953 and 1956; elected Member Legislative Council for Port Louis East, 1953, re-elected 1959, re-elected 1963; Minister of Housing, Lands and Town and Country Planning, 1959; Minister of Social Security, 1964; Delegate to London Constitutional Talks, 1955, 1957, 1961 and 1965; 4th M.L.A. for Port Louis Maritime and Port Louis East, 1967 (C.A.M.) Minister of Housing, Lands and Town and Country Planning since 1965; knighted 1970.

Married

MINISTER OF LABOUR

GHURBURUN, Hon. Beergoonath, M.D.

Born: 1928, St. Julien Village
Education: St. Julien Village Government School; New Eton College;
Faculte de Medecine de Bordeaux 1952-55; Faculte de Medecine
de Paris 1955-56;

Practised in France and in Morocco; nominated Member Legislative
Council, 1963; Minister of Social Security 1965-68; 2nd M.L.A. for
Piton- Riviere du Rempart, 1967 (Lab); Minister of Labour since 1971;
Minister of Commerce and Industry 1968- Nov. 1969; Officier de l'Ordre
National Malgache, June 1969.

Married

MINISTER OF COMMUNICATIONS

RAULT, Hon. Raymond Pierre Gerard, Barrister-at-law

Born: August 1, 1918
Education: St. Stanislas School, Rose Hill, Royal College,
Middle Temple, London

Served in the British Army from Sept. 1939 to March 1947; Officer
Parachutist 6th British Air Borne Division; camp: Dunkirk 1940, D.Day
Normandy, 1944; Germany 1945; elected Member legislative council for
Plaines Wilhems/Black River, 1948; Liaison Officer Civil Aviation and
Forest Dept. 1951; Elected Municipal Councillor 1950; re-elected 1953;
re-elected 1956; Minister of Works and Tourism 1958-59; Deputy Speaker
1960 & 1967; President Labour Party 1959-60; Vice President 1960 to
date; 3rd M.L.A. for Montagne Longue and Port Louis North, 1967 (Lab);
Minister of Communications since 1971; Minister of Social Security
June 1968- No. 1969; Vice President Labour Party since
1964.

Married.

MINISTER OF EMPLOYMENT

LECKNING, Cyril

GOVERNOR FOR CENTRAL BANK (Alternate for IMF)

BUNWAREE, Goortarsad

SECRETARY, MINISTRY OF FINANCE

PYNDIAH, Ramaswamy

Born: October 20, 1926

Education: Royal College of Mauritius; 4 month course organized by the British Council in Central Government Finance 1963; 3 month course on projects at the Economic Development Institute, 1968

Joined the civil service in 1947; appointed Financial Secretary, August, 1947; and has been for several years Mauritius alternate Governor for IHRD. Since the last Annual Meeting he has become a Deputy of the Committee of Twenty on the Reform Monetary System.

Married- 2 children

John BIRT

UNDP Resident Representative

Mr. Birt, who was born in 1915, completed his education at Cambridge University and began his career in the British army from 1938-1958. In 1960, he joined the United Nations Relief and Works Agency for Palestine refugees in the Near East, Amman, Jordan, serving successively as Field Personnel Officer, Field Program Officer, and Field Administrative Officer. In 1965, he was appointed Administrative Officer, United Nations Development Program, New York and from 1966 to 1969 he was Chief of the UNDP Personnel Division.

E

JDRoulet:lga
Septmeber 7, 1973

Suggested Topics for Conversation with Prime Minister

Sir Seewoosagur Ramgoolam

Possibilities of Bank financing (Creditworthiness for moderate amount of Bank lending instead of eligibility for financing exclusively by IDA).

Prospects for further development in industry (measures to attract foreign enterprises, to develop markets abroad, consequences of increasing wages).

Prospects of further developments in agriculture and particularly Government's intentions toward sugar and tea sectors.

Government's plans to tackle problem of unemployment related with need for revision of education sector. What assistance could the Bank provide in this respect?

Don't reconcile labor shortage in commerce + trade with high unemployment

Plan Obj: absorption of unemployed by end of decade

How?

Population Program - specific strategies: curbing population growth + projections

Education: growth correct: early "liberal" curriculum, analytical teaching, substance in enroll. between general + technical schools. Little effort + academic

For general topics of conversation, see Mr. Husain's covering note dated September 13.

Control over the private sector -

How to reform it? increasing the b:5? (4.52 public + 4.02 private)

Book: a dual structure

"Zambian" model: rapid expansion of public sector when copper (or sugar) prices rise

note that on the other hand govt subsidies rose 30%

Sugar: outlook for: commonwealth Sugar Agree; EEC agreement

Tea: outlook for Tea Producers Agreement

substitute "food" production for tea - high value crops: fruit + veg printing

DWC - long term outlook vs unemployment

net cost?

The extended family is a partial explanation of high unemployment in the context of labor shortage in tea, sugar, + trade

high literacy rate + low per capita income, high unemployment, high unemployment

An extraordinarily structured economy must be looking with increasing concern at the problems (high rate of pop growth; high unemp; high unemp) schools

F

MAURITIUS - POLITICAL SITUATION

Mauritius' system of Government is a parliamentary democracy with a Governor as official Head of State, but effective political power held by the Prime Minister, who appoints a Cabinet of Ministers. Apart from the theoretical structure of Government, little else is simple in Mauritian politics.

The Prime Minister, Sir Seewoosagur Ramgoolam, is at the head of the Mauritian Labor Party (MLP) which, despite its name, is in fact a party representing mainly the Indian and Pakistani elements of Mauritian society. However, in the one election since independence in 1968, the Labor Party failed to obtain a majority, and was pushed into coalition with the Social Democrat Party (PMSD) which somehow represented all elements of the Franco-Mauritian and Creole populations. Mr. Gaetan Duval, the leader of the PMSD, was originally Foreign Minister and took a strongly pro-Western line. At one point, he resigned when over-riden by the Prime Minister, who favors non-alignment, on Mauritius' position in the U.N. regarding U.K. arms sales to South Africa. His resignation has served to demonstrate that the coalition is essential for Government to be able to continue, and Mr. Duval is now back in Government as Minister of Foreign Affairs, Tourism and Education.

Mr. Duval's outspoken views lost some of the party's support among the younger Franco-Mauritians, and also among the more conservative generation of Franco-Mauritians who dominate business life. The former of these groups transferred its allegiance to the Movement Militant Mauricien (MMM) which was formed by a former leader of the French student uprising in Paris in 1968. The MMM followed basically Maoist principles, and concentrated mainly on the issue of unemployment. The party has subsequently been outlawed under the Emergency Powers that are still in force.

Racial balance is an element in Mauritian politics. The Governor, Mr. Osman, recently appointed upon the death of his British predecessor, is a Moslem, the Prime Minister is an Indian, as is the deputy Prime Minister, Mr. Ringadoo, while Mr. Duval is a Creole.

OFFICE MEMORANDUM

TO: Mr. S. Shahid Husain

FROM: Robert Maubouché *RM*

SUBJECT: MAURITIUS - Economic Mission's Back To Office Report

DATE: September 10, 1973

1. An economic mission visited Mauritius from August 13 to August 30, 1973 in accordance with its terms of reference dated August 2, 1973. I was accompanied by Mr. Roger Key, general economist in EA2B. Please find below our preliminary findings. A number of tables are attached as a Statistical Annex in support of this note.

2. Mauritius is likely to remain a "sugar economy" for this decade at least. However, instead of being a feature hindering its economic and social development, this may very well be one of the basic strengths of the country. Independence in 1968 gave Mauritius an international status and weight going far beyond the limited size of its land and population. In its bilateral negotiations, Mauritius has put more emphasis on trade than on aid, and has thus obtained favorable treatment for its sugar exports. Whereas, in the early 1960's, dependency on sugar was associated with stagnation, it now appears that Mauritius will be in a position to obtain a slightly increasing share in a sugar market whose prospects are not unfavorable. This should give time for Mauritius' strong efforts towards diversification to bear fruit.

3. The other positive asset of the country is the potentialities of its human resources. The unique Mauritian blend of races which had to cohabit within a tiny melting pot resulted a population that is open to the external world, is receptive to outside ideas and can easily adapt to imported techniques. Developments in the last few years have enhanced the confidence of Mauritians in themselves and brought about an eagerness to improve which was probably lacking before Independence.

4. The relative stability in the political and social situation can be taken in two ways. On the one hand, it shows that the Government has been able to cope with the latent problems that it has met since Independence. The Administration has known how to introduce reforms and evolve remedies. On the other hand, social tension and political pressures are still there and would probably have emerged if the proponents of more drastic changes had been allowed to voice their claims. The weight of the sugar industry (20 large private estates) and the dominance of a small group of Mauritians of French origin is extreme.

5. Economic prospects of Mauritius (section III below) have to be seen against the background of the ability of the Government to tackle current constraints and issues (section II). Developments in

*Income
& power
distribution?*

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the last few years gave some evidence that Government policies could be flexible and innovative; they also show the possible limitations of Mauritius' ambitious undertakings.

Recent Economic Performance

6. When the Four-Year Plan for Social and Economic Development was issued in 1971, the 7 percent target growth rate of GDP appeared overly ambitious, particularly when compared with the 3 percent growth barely reached in the 1960's. During the first two years of the Plan, national income increased at an annual average rate of 8 percent, and the mission estimates that real GDP growth attained about 4.5 and 6.0 percent in 1971 and 1972 respectively. Activities directly related to sugar (from the field to the port) contributed about 20 percent to this growth in real value added. Manufacturing and services (including tourism) not related to sugar increased at a similar rate of 9 percent, thus contributing close to 30 percent to GDP growth in the 1970-1972 period.

7. Obviously, the indirect effect of favorable sugar exports through private incomes, Government revenues and availability of foreign exchange was much greater than the direct impact on the domestic product. Sugar still accounts for about 30 percent of national income and over 90 percent of commodity exports. Very good weather conditions and favorable international prices brought sugar exports to Rs 566 million (about US\$ 110 million) in 1972 as compared to earnings close to an average of Rs 360 million in the four previous years (i.e. an increase equivalent to about US\$ 40 million in 1972 over 1971).

8. As the sugar crop increased, the estates found it increasingly difficult to recruit laborers willing to work temporarily at hard and low paid harvesting jobs. The growth throughout the economy was accompanied by creation of employment opportunities outside the sugar industry which went a long way towards the Plan targets. Close to 6,000 jobs were created in each of 1971 and 1972, mainly in manufacturing and tea development. Including the "development workers", over 90 percent of the male labor force aged between 25 and 65 is now employed, and in fact a large part of the increment in employment took place among women in the last two years.

9. There is, however, an unemployment problem, that of people aged between 15 and 25. They amount to 30,000 persons who are unwilling to work in the cane or tea plantations, who have received a certain amount of education (80% of the Mauritian population is literate) but whose skills are not adapted to the opportunities which may open in

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industry, administration or services. The recent development of tourism no doubt benefited from and helped reduce this stock of young manpower. Special measures - in addition to our Rural Development Project - are required to utilize these human resources and alleviate the social and political pressures of this dissatisfied part of the population.

10. Insufficient absorptive capacity appeared as the main constraint to investment in these last two years. The Four-Year Plan had set very high targets which would have resulted in doubling the investment rate over the period to reach 25 percent of GDP in 1975. It was then understood that the lack of funds would be the principal constraint. During the first two years of the implementation of the Plan, both Government revenues and foreign exchange were available; capital expenditure fell far short of targets and there was an accumulation of financial assets. The country experienced delays in project preparation and some difficulties in project implementation.

11. In spite of a 10 percent annual increase in Government current expenditure, the ordinary budget went from a balanced position in 1969/70 to a surplus of about Rs 50 million in 1972/73. The tax effort is substantial but does not exceed 22 percent of GNP. Capital expenditure increased by 25 percent annually in the last four years. In 1972/73, it actually amounted to Rs 126.7 million (about US\$ 24 million) as compared to budget estimates of Rs 207.7 million. The overall cash position of the Government thus improved last fiscal year by some Rs 80 million. Government revenues from its financial investments (including sinking funds) may amount to about Rs 5 million annually. The financial situation is very sound.

12. The current position of external finances is also very satisfactory. Foreign exchange reserves now account for the equivalent of more than six months of imports of goods and services. The year 1972 witnessed a balance of payments surplus of Rs 125 million resulting in part from an increase in net transfers and capital inflows (Rs 61 million as compared to Rs 29 million in 1970 and 1971) but mainly from a favorable turn of the balance on goods and services into a surplus of Rs 27 million against an average deficit close to Rs 20 million in the previous 5-year period.

13. Against this rather favorable progress in income growth, employment and financial availabilities, there are, however, a few causes of concern in recent economic performance: (a) the economic expansion has been accompanied by a relative deterioration in the share of wages and

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salaries in national income: they accounted for 53 percent of GNP in 1972 as compared to 59 percent in 1968; (b) merchandise imports increased by nearly 38 percent in 1972; imports of goods and non-factor services now account for more than 50 percent of GNP at market prices; (c) despite this increase in real resources at the disposal of the country, prices went up by about 5 percent in 1972 against a record of stability in the previous five years. Between July 1972 and July 1973, the consumer price index grew by about 12 percent. The possible impact of these developments on future prospects has to be seen in the light of the policies that the Government intends to follow to resolve current issues.

Issues and Policies

14. The Government and the private sector, although very satisfied with recent developments and the prospects of another booming year in 1973, are not carried away by euphoria. They remain aware of the basic constraints of the economy and the need to carry out policies aimed at overcoming them. Concretely, there is not always consensus on the specific means to reach these goals, but dialogues between public and private sectors take place through permanent or ad hoc committees and through the political process 1/.

15. Although current issues important for the long term economic and social development of the country are numerous and closely inter-related they can be regrouped under three main headings: (a) income distribution and its relations with wage policies, inflationary pressures and mobilization of savings, (b) economic diversification and its relations with the role of sugar, the dynamism of the private sector - local and foreign, and Government policies vis a vis foreign trade and aid; (c) absorptive capacity and the role of the public sector and related policies in education and manpower training.

16. The improvement in income distribution is sought in the first place through an increase in employment. The current Four-Year Plan set as a primary objective the resorption of unemployment by the end of the decade. This is probably too ambitious in the present socio-political context and some kind of relief/development program would still be needed through the 1970's. Another policy - which is more of a recurrent nature - is to ensure that profits are kept within reasonable limits and that wage earners share into the benefits of economic growth.

1/ One of the "burning" issues currently debated is the graduated export tax on sugar which was announced in the Budget Speech on May 29, 1973 but has not yet been enacted in view of strong opposition of the sugar industry voiced in the Parliament and even the Council of Ministers.

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17. In view of the increase in sugar export earnings that has occurred since 1970, the Government has decided to initiate an upward revision of public servants' salaries and promote some adjustments in wages throughout the economy. Further to a report on Government salaries prepared by Mr. Sedgwick, a civil servant coming from the U.K., the wage bill of the Government is to increase by about 30 percent in 1973/1974. To what extent the private sector will follow suit is still under debate; estimates range from 10 percent (sugar industry) to 30 percent (IMF). In the light of recent discussions, it seems to the mission that the private wage bill would increase between 15 and 20 percent. After allowing for past and current price increases, the improvement in real wages could thus restore the wage/GNP ratio of the mid-1960's.

18. The proposed measures are probably appropriate; they should not, however, jeopardize medium and long term prospects for income growth. In the short run, the impact can very well be absorbed by the relatively affluent financial assets. The Government budget may still be balanced and some draw down of reserves may be allowed in 1974 to finance the required increase in imports. Nevertheless, the Government should take steps to ensure that the current inflationary pressures are not reinforced: not only should it implement the measures considered in the Budget speech, it should probably consider additional controls particularly in monetary and credit matters, and perhaps on imports on non-essential commodities.

19. In view of the difficulty to evaluate inventories and the relative inadequacy of macro-economic aggregates to evaluate savings, comments in this matter should be cautious. Nonetheless, it seems that domestic savings still are relatively low, amounting to less than 15 percent of GDP over the last five year period. This may be due, in part, to the insufficient level of domestic investment and some capital flights abroad. Current Government policies which are more conducive to investment in the country should result in a higher and more appropriate mobilization of national savings.

20. The diversification of the economy is a primary objective of Mauritius. It is expressed in terms of (a) diversification within agriculture away from sugar; (b) creation of other industrial activities and (c) in the international field, by an openness to a large variety of trade and aid partners. When the Four-Year Plan was prepared, at the end of the 1960's, prospects for sugar were gloomy and considerable emphasis was put on agricultural diversification. Great efforts have been made in this direction; little has, as yet, been achieved, particularly because sugar now appears as a very remunerative crop with few competitive

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alternative land uses. Even tea, which competed with sugar as regards manpower only is now faced with marketing and pricing difficulties. Rather than alternative land uses, Mauritius aims at expanding interrow cropping with groundnuts and interseason cropping with vegetables and traditional crops like ginger. In view of the possible use of cane by-products for animal feed, livestock development for import substitution of meat and later on of milk and dairy products is another possible line of action.

21. Apart from agriculture, immediate prospects for diversification are manufacturing and tourism. Mauritius has already achieved great success in attracting foreign partners predominantly from Hong Kong, in the Export Processing Zone it established two years ago. More than 30 industries have been created of which 9 in textiles and garments and 9 in food and drink. These industries are very labor intensive and have entailed very little capital inflow. Thanks to the equipment of industrial sites (Lauzun already occupied, Coromandel currently financed, Koenig and Mer Rouge under consideration) there is scope for future developments. Mauritius could progressively utilize its talented manpower more adequately by promoting sophisticated manufactures in light industries, including electronics.

22. Mauritius has all the assets required for tourism growth: exoticism, climate, beaches, good and cheap services, liberal procedures. In the last three years, the number of tourist arrivals has doubled to 48,800 in 1972. Half of them came from the Indian Ocean area (mainly from La Reunion) but their proportion relatively is diminishing while French, English and South Africans are arriving in greater numbers. Investing in hotels is considered as very attractive, and the number of rooms available in Mauritius will almost double between 1972 and 1975. Gross earnings from tourism were estimated at Rs 55 million (or roughly US\$ 10 million) in 1972.

23. Mauritius has probably not yet reaped all the fruits in the economic and financial matters of its eclectic foreign policies. South Africa is a very important trade partner - tea, ginger, sacks and bags - as well as a place of investment and source of private capital. At the same time China is financing the creation of an international airport in the northwest of the island. The United Kingdom and the World Bank are the only other sources of capital aid while the United States, the WFP and the EEC give food aid. As Mauritius recently became part of the Yaonde Agreement, the FED is contemplating some capital aid. Disbursements of foreign aid (including grants, food aid, technical assistance and public capital inflows) amounted to Rs 32 million in 1972 as compared to Rs 21 million in the previous year. With the current trend and prospect of a

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decline in non-capital assistance, Mauritius should aim at multiplying its aid partners. This could be achieved through a build-up of a larger pipeline of development projects, which in turn will depend on an enlargement of its capacity to prepare and implement suitable projects.

24. The absorptive capacity of Mauritius has recently appeared as the main constraint to its long-term development. Private investments abroad of the Mauritian sugar industry and underspending of the Government capital budget have shown that attractive investment projects were not available and that the public sector was not geared to a more rapid pace of development. In the last few months, the challenge put by the Hong Kong, Japanese and Indian industrialists has revived interest among the local private sector in participating in domestic investments. This took place in tourism first. Mauritius' private sector recently began to invest in tourism, and its interests are to spread to other industries.

25. Despite the very high caliber of a few high civil servants and fewer managers of public corporations, the Government sector is still more adapted to mere administrative routine than to the management of economic development. Key positions in this latter respect are occupied by expatriates, who, even when they are competent, have not enough knowledge of local conditions to be fully operative. A number of Mauritians are living or are being trained abroad but no systematic effort has yet been made to assess the needs for, seek the possibilities to recruit, and program the supply of Mauritian executives. It is of great urgency that a plan for the development of executive and technical manpower be prepared as soon as possible.

26. An improvement in the quality and quantity of the development administration should be accompanied by a greater prestige accorded to the public sector. Most young talents are now attracted by private industry - the sugar group and its subsidiaries. A better balance should be struck without hampering the potential dynamism of the private sector. The enactment of the Sedgwick report will result in a new job classification in Government and higher salaries paid to civil servants - even in the top scales. This is an appropriate step in the right direction.

27. In the longer run, education and training are the keys to an improvement in the absorptive capacity. Primary education is quantitatively well developed in Mauritius; the secondary system is too academically oriented and its output is not sufficiently oriented towards the needs of the economy. A reform is under consideration and a number of projects have been presented for financing by international organizations (FED particularly). In addition some special programs should be developed to assure the conversion of the young unemployed. Such programs could

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be associated with the crash manpower plan suggested above. The DWC, for instance, could also be utilized as a training institution. The long term prospects of Mauritius depend to a large extent upon the utilization of its specific human reserves, the development of industries based on skilled manpower and the expansion of talented services.

Economic and Financial Prospects

28. In view of the importance of sugar in domestic output and even more in foreign exchange earnings, Mauritius' economic prospects for the 1970's are linked with possible developments in sugar. The production of sugar will probably reach an unprecedented level of about 720,000 tons in 1973. The Four-Year Plan had set a target of 800,000 tons by 1980; the sugar industry thinks that an output of about 1,000,000 tons should be possible in the early 1980's through seed selection, better cultivation practices, improved processing and some mechanization. With a 3 percent annual increase in sugar production (or a 900,000 tons output in 1980), total GDP could grow by about 5 percent annually in the 1973-1980 period. This would assume that value added in non-sugar manufacturing would grow by about 10 percent and services by about 6 percent per year.

29. Such an economic growth outside the sugar sector would imply the build-up of capital assets in industry but even more in infrastructure. The investment rate should probably grow from 16 percent of GDP in 1972 to about 25 percent in 1980; i.e. a growth in fixed investment of about 10 percent annually. Although the capital-output ratio would somewhat deteriorate in the period, this is probably the price to pay for reducing the dependency on sugar, diversify the economy and ensure longer term economic development.

30. The export of services already account for about one-third of Mauritius export earnings. The expansion of tourism, bunkering and other services, together with manufacturing should allow non-sugar exports to increase by about 8 percent. Total exports of goods and non-factor services in real terms would thus grow at an annual average rate of about 5 percent in 1972 prices. At the same time, real imports may grow by about 6 percent on account of accelerated investments and an annual increase in private consumption of 4.5 percent. The resource gap would thus amount to about 8 percent of GDP in 1980, as compared to an approximately balanced position in the 1968-1972 period. Despite the likely rapid increase in public current expenditures and reduction in budgetary surplus, private savings should only increase modestly, leaving some room for a better distribution of income and consumption.

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31. Mauritius' prospects with respect to external payments depend to a considerable extent on future developments in its terms of trade, and particularly on the prices obtained for its sugar exports. In the following paragraph, it has been assumed that the cost of Mauritius imports will increase at an average annual rate of 6 percent while sugar prices would grow by 5 percent and overall exports prices by 4 percent. This would result in a 10 percent deterioration in Mauritius' terms of trade between 1973 and 1980.

32. Whereas net foreign capital inflows roughly matched the increase in reserves over the last five year period, the need for external assistance will grow if Mauritius wants to ensure long term social and economic development through a step up in its investment level. By 1980, gross capital requirements may amount to US\$ 50-60 million, of which US\$ 5 to 10 million could be provided by private foreign capital. Preliminary calculations have been made by the mission to assess the impact of such inflows on future debt service. They are still tentative but show that the debt service ratio which is currently as low as 2 percent of export earnings may go up to 6 or 7 percent in 1980. With a rather soft blend of external aid, future debt service should not put an unbearable burden on the country's prospects. The investment effort projected for the 1970's should enable Mauritius to pause somewhat in the early 1980's, to start a fast growth of non-sugar exports and to keep its debt service within reasonable limits. On the basis of satisfactory economic performance and not unfavorable developments in sugar prices, Mauritius should be able to service a limited amount of conventional loans.

33. However, while Mauritius should be creditworthy on an increasing scale, some caution should be exercised in its borrowing policies. The prospects of a 6 to 7 percent debt service ratio could be misleading if it is forgotten that export earnings account for about half of Mauritius' GNP. If only on these grounds, the mission would estimate that debt service should not exceed about 12 percent of exports, or 20 percent of the Government budget. While Mauritius remains at a low poverty level and heavily dependent on sugar, it should continue to seek external assistance on concessionary terms.

Distribution

Messrs. McNamara, Knapp (3), van der Tak, Gustafson/Dixon, Fuchs, Tolbert, Lachman, Chenery, Edelman (2), Stevenson (2).

Messrs. Bell, Please, Barry, Lejeune, Kirmani, Hansen, Krishna, Moreau, Roulet, Dean, Walton, Pennisi, North, Morse, Key.

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Because of age, largely redundant
with 2/2

CONFIDENTIAL

COUNTRY PROGRAM PAPER

MAURITIUS

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WBG ARCHIVES

	IBRD/IDA Lending (\$ million)		
	<u>FY1964-68</u>	<u>FY1969-73</u>	<u>FY1974-78</u>
1971 Population: 0.8 million	IBRD	7.0	
1971 per capita GNP: \$240	IDA	<u>nil</u>	<u>15.7</u>
Current population growth rate: 1.7%			<u>18.0</u>
Current Exchange Rate: US\$1 = Rs5.12			
	Total	<u>7.0</u>	<u>15.7</u>
			<u>18.0</u>
	Operations Program		<u>26.0</u>
 <u>Annual Average per capita (\$)</u>			
	IBRD/IDA	1.7	3.9
	IDA		3.9
			4.5
			4.5

A. INTRODUCTION

1. Mauritius is a small island, densely populated and heavily dependent on one crop, sugar. It was described by James Meade in 1961 as "a case in Malthusian economics". A decade later the description is even more appropriate. The pressure on land, which is now almost completely utilized, has further increased and the increase of the capital stock has been insufficient to offset the deteriorating labor-land balance. Indeed, total output has virtually stagnated and, as a consequence, per capita incomes have been falling, and unemployment has been rising. The Government has surmounted problems such as communal unrest following independence from the U.K. in 1968 and is beginning to focus on economic problems. Last year the Government produced a 4-Year Development Plan (1972-1975) which focuses on employment creation with a target of full employment by 1980, and aims at a major structural change to encourage diversification away from agriculture and a rapid increase in GNP. The proposed lending program is designed to help Mauritius to diversify both away from sugar within agriculture and away from agriculture into industry.

B. POLITICAL BACKGROUND

2. The political and social complexion of Mauritius reflects the ethnic, cultural and religious divisions of the population. More than half the population are descendants of Indian Hindus. Another 17 percent are Moslems of Indo-Pakistani origin. Twenty-eight percent are Franco-Mauritian, African and Creole. The remaining 3 percent are of Chinese descent. The Franco-Mauritians dominate the economy; they own over half of the sugar plantations, run most of the hotels and importing houses, and dominate the emerging manufacturing sector. They, along with the Creoles, who are mainly in the service industries, support the Parti Mauricien Social Democrat (PMSD). Indo-Mauritians are mainly laborers on the estates, own small plantations and staff the civil service. The Hindus support the Labor Party and the Moslems, the Moslem Committee of Action.

3. The pre-independence election of August 1967, which led to serious communal riots, was won by a coalition of the Labor Party, the Moslem Committee of Action and the Independent Forward Bloc on a platform favoring independence. The Franco-Mauritian and Creole party, PMSD, was in opposition. In March 1968, Mauritius attained independence and became a member of the British Commonwealth. The leader of the majority coalition, Sir Seewoosagur Ramgoolam, became Prime Minister. He has shown skill in conciliating ethnic and religious divisions, and in December 1969 he persuaded the opposition PMSD to join the coalition. In 1970, the Assembly voted to postpone general elections until 1976, on the ground that they would exacerbate communal feelings.

4. The heavy unemployment (over 20 percent of the labor force) is a highly sensitive issue. A radical left-wing party, the Mouvement Militant Mauricien (MMM), founded early in 1970, made a strong appeal to the unemployed and trade unions and gained a small but significant foothold by winning a parliamentary by-election on the issue of unemployment, polling 76 percent of the votes cast in the Prime Minister's home district, in spite of active campaigning by the Prime Minister and other Labor Party leaders on behalf of their candidate. The MMM also organized a number of successful strikes during 1971. These resulted in a 12 percent general wage increase. In 1971, there was also some strain on the coalition with a faction resigning from the Government. The maintenance of political stability and social peace is not easy and the problem limits initiative in economic policy. The dilemma is that failure to act effectively on the economic front makes the process of maintaining peace and stability more difficult.

C. ECONOMIC PROBLEMS AND OBJECTIVES

5. The fundamental economic problems of Mauritius are the consequences of rapid population growth and the overwhelming dependence on sugar. These problems have been compounded by the low rate of growth of the economy: real per capita income deteriorated in the fifties when population rose faster than GDP, and there was barely perceptible improvement in the sixties.

6. Owing to the eradication of Malaria and the improvement in public health after the Second World War, population increased at over 3 percent annually in the fifties, although the rate declined to about 1.7 percent during the last three years. This has created a serious population problem for the present generation. First, there is a high dependency ratio, amounting to 46 percent of the population, which results in overcrowding in schools and pressure to increase already high expenditures on social services and welfare. Secondly, the age distribution of population will result in an increase in the number of women entering the peak fertility age group during the next few years almost 10 times as great as that of the increase in the population as a whole. If fertility rates continue at current levels, the birth rate would rise to about 37 per thousand in 1980, and the annual population growth rate would then rise again to about 2.5 percent in the first half of the eighties. In any event, the age structure of the population will cause the labor force to grow during the seventies at a rate of over 9,000 per annum, compared with about 5,000 a year at the end of the sixties. Open unemployment already stands at over 20 percent of the labor force and, in addition, underemployment is extensive.

7. The economy is very heavily dependent on sugar. The sugar sector (sugar cane production plus milling) contributed about 33 percent to GDP in the 1967-70 period and accounted for over 90 percent of exports and just under 40 percent of total employment. Land under sugar accounts for about 95 percent of the total arable land. Current total sugar production in Mauritius is roughly equivalent to the sum of the quotas set by the Commonwealth Sugar Agreement (CSA), the U.S. Sugar Act, and the International Sugar Agreement, in addition to domestic consumption. During the sixties, there was hardly any rise in the overall price of sugar accruing to the producers.

8. The distribution of land holdings in Mauritius is very unequal. Twenty-one sugar estates cultivate just over half the arable land in holdings ranging between 1,000 and 11,000 acres each, while over 25,000 smallholders cultivate about one-fifth of the area under crops on holdings of around $1\frac{1}{2}$ acres and less. This structure of land holdings is reflected in the distribution of income. Over four-fifths of the population earn a living below the per capita income. About 65 percent of Mauritian households probably earn an income below that which could enable them to purchase the minimum nutritional requirements.

The Development Plan

9. The main economic objectives of Mauritius are set forth in its first 4-Year Development Plan, 1972-75. The Plan emphasizes employment creation, with a target of full employment by 1980. This would require about 8,800 new jobs a year over the Plan period, as compared with 2,500 created annually during the last three years. The Plan also aims at reducing the population gross reproduction ratio from 1.86 at present to 1.71 for the period 1970-75 (and eventually to 1.20 in 1980-85), at raising GDP by about 7 percent a year (against 2 percent annual growth during the previous three years) and at improving labor productivity by 2.4 percent a year, compared with no increase during recent years.

10. While the Plan's primary objective is employment creation, it also stresses that employment should be "productive employment". These two objectives - GNP growth and higher employment - are, in fact, inter-dependent, since it will be difficult or impossible for the Government to achieve its employment objectives unless it can simultaneously achieve a higher rate of GNP growth, because in the absence of growth, the internal financial resources which the employment policy will require are unlikely to be generated.

11. To produce a high rate of growth of GDP, in contrast to the stagnation in the sixties, the Plan envisages a major structural change in the economy. The share of agriculture, at present about 25 percent of GDP, is projected to decline to about 17 percent by the end of this decade, and the share of manufacturing is to rise from 15 percent to 23 percent of GDP. The contribution of the sugar sector (sugar cane production and milling) to GDP would drop from 26 percent to 20 percent. Tourism is projected to grow rapidly and to reach 3 percent of GDP at the end of the decade.

12. The industrialization policy, on which much of the success of the Plan depends, relies on the attractions of Mauritius' labor force. Wages are generally about one-third of those in Hong Kong and Singapore and the labor responds well to training. In 1970, the Government established an Export Processing Zone (EPZ) where imports of raw materials and semi-finished goods could be further processed. A number of tax incentives and concessions are provided. The aim is to follow the example set by Hong Kong, Singapore or Taiwan. The EPZ has aroused considerable interest among foreign investors. Eleven industries, representing investment of about \$2 million and creating 1,170 new jobs have been established in the first year, and further applications already approved would create a number of jobs higher than the Plan's target of 3,000 by the end of 1973.

13. Nevertheless, the normal process of economic growth cannot provide employment for all those at present unemployed as well as those who will enter the labor force over the next few years. The Development Plan therefore includes the so-called "Travail Pour Tous" (TPT) program. This is a program to be carried out by a new agency, the Development Works Corporation (DWC), which is to provide employment by, for example, the construction of minor roads, building schools, clearing land, installing rural water supplies and replanting cane. The work must necessarily be very labor-intensive, and it is intended to be productive.

14. The target for the TPT program is 20,000 full-time jobs by 1975. After only a year in existence, DWC already employs about 7,000 persons; it has competent management and seems to be working effectively. Its success depends particularly on its ability to supervise workers in the field and to maintain, while using labor-intensive methods, a standard of quality not inferior to that maintained by traditional methods. A substantial number of DWC workers, previously considered unemployable by the private sector, have acquired on-the-job training as carpenters, bricklayers, plumbers and masons and have subsequently been offered permanent employment by private building contractors. DWC appears to have good control over workers and the quality of work in buildings and roads appears to be satisfactory, although there is need for improvement in land clearing works. According to preliminary figures, the labor-intensive methods used resulted in even lower unit costs than under traditional methods, particularly in construction of roads and schools.

Measures Required to Achieve the Plan's Objectives

15. The success of the Plan as a whole will depend on how well the Government can accomplish the following tasks:

- (a) Increasing financial resources, including public savings. This requires control over consumption and over the growth of social welfare expenditure;
- (b) Improving absorptive capacity and, as there is a shortage of skilled manpower, providing training facilities and ultimately more appropriate educational facilities;
- (c) Improving the yields of sugar and diversifying agriculture; and
- (d) Ensuring that taxes, subsidies, interest rates and other financial measures provide price signals to industry and agriculture to reflect the true opportunity costs of labor, land and capital.

1. The Availability of Financial Resources

16. The Plan calls for investment of about \$58 million annually in the first half of the seventies (compared with \$30 million annually during the last 4 years), of which \$33 million would be in the public sector and \$25 million in the private sector. To finance this investment, a gross public capital inflow of about \$20 million a year is needed, compared with under \$5 million a year during the previous four years. If a gross public capital inflow on this scale can be attained, then in order to finance the Plan's investment target, domestic savings would have to be 18 percent. This compares with 17 percent in the latter part of the sixties, so that, providing the growth of the economy can be increased and sustained at the 7 percent projected in the Development Plan, domestic savings should be adequate to fill the gap.

17. In the past, most of domestic savings were provided by the private sector. Despite an average ratio of Government revenue to GNP of 27 percent, public saving is insignificant. The explanation lies in the heavy budgetary expenditure on social services and transfers. Mauritius enjoys almost universal primary school attendance, a free national health system, family allowances, old age pensions and various relief payments. The Government has taken measures in the last three years to curb the growth of these expenditures, and the proportion of social expenditure fell from 48 percent of total expenditure in FY68 to 38 percent in FY71 while expenditure per capita has fallen from \$31.30 to \$21.50. An improvement in the budgetary situation has resulted. Thus, the recurrent budget, which had deficits averaging \$2.4 million annually during FY66 to FY68, had savings averaging \$3.1 million over the last three years. However, a recent 12 percent increase in salaries and pensions is likely to reduce the surplus in future. Some suggestions for increasing revenue have been made in a recent IMF study. These include a reduction in the depreciation allowances, a rise in the sugar export tax and in certain excise duties, a system of contributory social security benefits and a land tax.

18. A key factor in determining the success of the Government's policies will be the response of the economy to higher investments. Despite reasonably substantial investment in the sixties, growth was slow and sometimes non-existent. A number of possible explanations have been suggested to account for this. First, the terms of trade deteriorated mainly because of falling sugar prices in the sixties. Second, there are some indications that a large portion of gross investment went for replacements rather than for new additional productive capacity. This is particularly notable in electric power and sugar milling. Third, the sectoral composition of investment has been such that little of it produced large increments to GNP. Agriculture and manufacturing which are the major productive sectors have received only 23 percent of all fixed investment since 1961. At the same time, there was considerable investment in economic and social infrastructure in the form of housing, transportation, energy, water and social services. While these investments have laid a basis for future growth, they have not provided much growth in the short-run.

2. Absorptive Capacity

19. The most important factor upon which future growth depends is the country's capacity to increase investment; gross investment is to be almost double and public capital formation to be almost treble the level achieved in recent years. For an important part of the investment program - that in large-scale industry - the inflow of capital will have to be accompanied by the necessary managerial and technical skills. The major absorptive capacity problem in agriculture is not organizational or managerial at the farm level, but concerns the dissemination of technical agronomic skills, marketing, crop insurance, etc. These depend upon Government action. In rural development, the progress made by the DWC, which depends to a large extent on unskilled and semi-skilled labor, is undoubtedly rapid. The DWC is well organized and well administered. However, there are indications of limited absorptive capacity in certain areas, particularly in the public works sector. Public agencies have not been able in the past to spend fully the funds allocated to them in the capital budget. A shortage of design and engineering capacity in the Ministry of Works and the slow disbursement of available loans are further indications of constraints in project preparation and implementation. Most of the projects in the Plan are yet to be prepared. There is scarcity of skilled manpower to carry out investment programs, particularly engineers and middle-grade technicians.

20. The Government recognizes these constraints and is requesting a substantial increase in external technical assistance. Various bilateral donors are already responding favorably. Canada, for instance, has agreed to provide a special team with the responsibility of assisting in the preparation of projects.

21. In the medium and longer run, many of the constraints on absorptive capacity can be eased by the improvement of the educational and training systems. While Mauritius has an educated and skilled population, the educational system is very academic and considerable on-the-job training of semi-skilled industrial workers and of agricultural workers, both extension workers and planters, is required. This is also true of the skilled workers needed for the development of tourism. Moreover, it is recognized that the most important single constraint

to absorptive capacity is the lack of trained engineers. This will affect both the public and the private sectors. The forthright manner in which the Government has acted in regard to the development of the EPZ and the establishment of the DWC are favorable signs. In the short run, foreign advisers can meet the need, and our lending program includes appropriate components of technical assistance. But, in the longer run, a cadre of Mauritian experts needs to be built up. This means ensuring that those Mauritians trained overseas are encouraged to return and, in the future, the Government will have to resort to a bonding system.

3. Agricultural Diversification

22. The yield on smallholdings in sugar is little more than half the yield on the large estates and it seems likely that, by a comparatively small investment, a larger production of sugar could be obtained from a smaller area, thus releasing land for other purposes. At the same time, land remaining under sugar could also be used for other crops by growing an additional crop before the replanting of sugar, which occurs once every eight years in large estates, and by inter-row planting in fields of newly planted cane.

23. The need is to reduce the incentives for sugar in marginal areas. The sugar pricing policy gives the farmer an average price based on different markets which is higher than the world free market price, and this system encourages marginal producers. The sugar crop insurance system and the well organized marketing structure increase the comparative attractiveness of sugar. Any policy towards diversification must, therefore, include an insurance element for crops other than sugar, and should also strengthen the marketing arrangements for them. The profitability of sugar compared to other crops can be altered by changing the system of taxes and the pricing of sugar and new crops. A new tax on sugar lands should be considered, as well as higher tariffs on food imports that can be grown locally and higher Marketing Board producer prices for new export crops. Such measures should be accompanied by strengthening the extension services and expanding the provision of credit to small farmers for crops other than sugar.

4. Measures to Correct Distortions in Relative Prices

24. Some of the incentives offered in the Export Processing Zone (EPZ) may encourage more capital intensive techniques, e.g., the exemption of capital goods imports from duties and the generous capital depreciation allowances. To encourage the use of more labor-intensive techniques, the package of incentives should reflect the true value of relative factor prices (particularly the abundance of labor), for example, by awarding a lump sum labor subsidy for everyone employed. This would offset the effect of minimum wage regulations and job security which appears to raise wages above the social opportunity cost of labor. The budgetary cost could be met through changing the structure of the corporation tax or the reimposition of taxation on profits, which, at present, is tax free under the tax holiday provisions. The tax holiday in many instances benefits the revenue of foreign Governments, rather than the companies it is intended to benefit.

25. In the past, Government lending agencies have lent to the private sector at low rates of interest. The efforts of the authorities to avoid capital intensive investments in examining loan applications have not been completely successful. Moreover, a large section of the population is unable to obtain appropriate long-term financing and can only obtain short-term finance at exorbitantly high interest rates from the unorganized market. This applies particularly to the small farmers who could use funds productively if available on reasonable cost. Higher interest rates for official lending, while improving mobilization of private savings, could still provide funds at rates lower than those charged by moneylenders.

26. The ability of the Government to pursue such economic measures would depend to a great extent on the success in achieving a political consensus. The Government's initial success in creating employment and promoting investment, and its current plans to involve the public in the development process through village and local councils, should help to rally public support for the necessary economic measures and enable the authorities to concentrate on economic rather than political objectives.

D. EXTERNAL AID

27. During the last four years, annual gross public capital inflow averaged \$4.3 million, of which grants were \$2.4 million and loans \$1.9 million. Mauritius also made use of about \$2.7 million of SDRs to finance its capital budget in each of the years 1969/70 and 1970/71. The U.K. provided about 90 percent of official aid, about half of which was grants and the remainder loans. During 1968/69 grants from the USA amounted to \$0.2 million and during 1969/70, aid from France amounted to \$0.3 million.

28. The new economic plan calls for about \$20 million external capital inflow a year to 1975 which is more than four times the level of the last four years. A more plausible assumption would be about \$12-15 million. This would be sufficient to cover the balance of payment deficit without accumulation of reserves. In estimating the resource gap, it is assumed that exports will expand at an average annual rate of about 4.4 percent and imports at about 7.5 percent, the latter reflecting the growth of capital and intermediate goods required by Mauritius' investment plans and assuming a rise in consumption at a rate roughly equal to the increase in population. It is also reasonable to assume some draw-down of foreign exchange reserves, which now represent more than one half of annual imports. During the last four years, the balance of payments resulted in a surplus reflecting good sugar crops and favorable sugar prices and foreign exchange reserves rose from about \$27 million in 1967 to \$52 million at the end of 1971. Mauritius is subject to major fluctuations in export earnings, so that a high level of reserves is required. However, utilizing \$3 to \$4 million per annum of foreign reserves for financing the Plan would not be imprudent. Reserves would still be sufficient to ensure that investment and consumption could remain on trend during a bad year.

29. In response to requests made by Mauritius to various donors, a large

capital inflow can be expected in the future. The U.K. is likely to continue to be the major donor, and if the pattern of recent agreements is maintained, the terms are likely to be very soft. France is also likely to increase its aid and has established a permanent aid mission in Mauritius. India has recently agreed to provide \$1.4 million in grants and \$4.4 million in loans, and China will provide aid amounting to more than \$30 million. Furthermore, the Mauritius association with EEC, which will be effective in 1973, is likely to bring some soft aid from the European Development Fund. The Bank Group's disbursements during the next five years will probably amount to about \$4 million a year, i.e. between about 20 and 30 percent of total gross inflow.

30. To move the economy from stagnation to growth, the projected substantial capital inflow is necessary. However, such external assistance is bound to raise debt service problems unless the debt were to be incurred as grants or loans on very advantageous terms. Service payments on external public debt were about four percent of foreign exchange earnings in 1971. If the planned volume of capital inflow were incurred on conventional terms, the debt service ratio in the early eighties would rise to about 15 percent. Debt service would reach between 20 and 25 percent of earnings if the higher capital inflow projected in the Plan were to continue beyond the Plan period or if export growth rates were to be lower, say 3 percent per annum. Because of the uncertain prospects for exports and substantial demand on domestic resources to finance projects creating new employment opportunities, Mauritius needs to follow very careful debt management policies and keep to the minimum borrowing on conventional terms. In view of the low debt service relative to exports, there is, however, some room for borrowing small amounts on conventional terms. It is recommended that all of Bank Group financing be on IDA terms.

E. THE BANK/IDA PLAN

Past Performance

31. The Bank made a \$7 million loan to Mauritius for a power project in 1964, before the island gained independence in 1968. This loan has already been fully disbursed. The Bank Group's first lending to Mauritius since independence was a \$5.2 million IDA credit in April 1971 for the Tea Development Project. Revised cost estimates indicate some increase over the appraisal estimate mainly because of increased costs of tea factories and labor, as well as dollar devaluation. Field development is satisfactory, but clearing of land will need rescheduling.

32. In June 1972, a \$3.5 million IDA credit was made for the Development Bank of Mauritius (DBM). The credit will cover the import component of DBM's investments in the two-year period up to mid-1974. The DBM is the main source of long-term finance for tourism and industry.

A Strategy for Lending

33. The total lending program proposed for FY74-FY78 would amount to \$18 million for five projects. To realize this program, an operations program of \$26 million is proposed, comprising eight projects. The lending program represents a slippage of about 30 percent in amount over the proposed operation program. The whole program consists of IDA credits; we do not contemplate any Bank loans. The number of projects coming forward is in any event unlikely to exceed the amount of IDA money available in the next few years. In view of the large proportion of investment resources which Mauritius will need to import and the low proportion of foreign exchange component in certain high priority projects, some financing of local expenditure will be necessary.

34. The focus of IDA strategy is to promote diversification within agriculture away from sugar production and to support development outside agriculture, mainly in industry and tourism. In each case, emphasis is placed on promoting employment. We also plan to cooperate fully with other donors so that adequate technical assistance is provided for project preparation and implementation. In line with this strategy, the proposed operations program includes three projects (Industrial Estates II, DBM II and DBM III) directly supporting industry and tourism, and one project (livestock development) supporting diversification of agriculture. The three infrastructure projects (Port, Power II and Water Supply and Sewerage) would aim at eliminating important constraints on industrialization. Our current lending operation in 1973 consists of two projects, one aiming at rural employment creation, based on the activities of the Development Works Corporation and the TPT program, and the other for industrial estates. We are dropping the Airport and Western Irrigation Projects, both of which the Government is financing from bilateral sources.

35. Our lending program does not provide for a population control project, as the Government was recently able, with the help of the Bank, to obtain the required finance in a grant form from UNFPA/UNDP.

Sector Programs

(1) Agriculture

36. Agriculture will continue to be the major source of employment and income in the foreseeable future. Given the moderate growth rate of sugar production, major increases in agricultural output must come from crops other than sugar. Progress so far has been slow and projects to diversify agriculture are, with the exception of the Tea Project, yet to be identified.

37. Currently the most important diversification crop is tea. Tea exports started in 1954 and reached \$2.6 million or 4 percent of total exports in 1970. Tea is grown on about 10,000 acres, half of which are held by half a dozen estates and thirteen planters, the balance being cultivated by smallholders or maintained by the Government for future distribution to smallholders. The Government has demarcated a further 12,000 acres to be cultivated by smallholders by 1976. The \$5.2 million IDA credit approved in April 1971 helps finance smallholder tea development.

38. The proposed lending program includes a livestock project in 1978.

Mauritius currently imports about half of its consumption of livestock products, and about 30 percent of its milk. Livestock industry in Mauritius is in the hands of small producers on a part-time basis. The Development Plan envisages establishing 10,000 full-time, small-scale backyard livestock enterprises with improved breeding, credit, and marketing and a new ration partly based on surplus molasses and bagasse from the island's sugar mills. Despite constraints such as limited supply of feeding stock, inadequate extension services and the stomach fly, a major effort seems justified. We plan to involve PMEA in the identification and preparation of this agricultural project in our lending program.

39. Our previous lending program included the Western Irrigation Project. The Government also plans to start an irrigation project in the Northern Plain. It is likely, however, that both these projects will be financed by bilateral donors.

(2) Industry and Tourism

40. In 1970 the manufacturing sector contributed about 15 percent to GDP and 10 percent to total employment. It was dominated by sugar milling and related industries, which employed about half the workers in the manufacturing sector and generated about 60 percent of the value added by manufacturing. Possibilities for import substitution, severely limited in any event by the size of the domestic market, were exploited during the sixties and are now almost exhausted.

41. The major hope for industrialization now lies in the transformation of imported raw materials and intermediate products for export. The dexterity and high quality of the Mauritius labor force and its low cost compared with competing countries is a considerable asset, particularly for industries where value added is high and where labor cost constitutes a large percentage of value added, such as manufacture of office machinery, transistors, textiles, clothing, footwear and toys, or manufacture or assembly of components under sub-contracts. Such goods should preferably have a high value in relation to volume, since transport costs will be significant. The authorities are encouraging cooperation between established manufacturers and local businessmen who have some entrepreneurial skill but lack know-how and export marketing organizations.

42. The Government also wishes to provide adequate infrastructure for industry in the EPZ. At the request of the Government, the Development Bank of Mauritius (DBM) has already built about 60 factory units. The Government plans call for a five-fold increase in the number of factory units at Coromandel near Port Louis over the next five years. This will form the basis for an industrial estates project to be financed by IDA in 1973. A feasibility study is expected to be completed in December 1972. The study will concentrate on economic, marketing and organizational problems. Furthermore, the Government is reclaiming Mer Rouge near the harbor at Port Louis to construct a new industrial estate. The British ODA is considering financing the feasibility study. Depending upon the outcome of the study, another industrial estate project might be ready for IDA financing in 1976.

43. Mauritius has unspoiled white sand beaches, coral reefs and lagoons, which are rich in tropical fish and exotic shells. The temperature is subtropical and pleasant with long periods of sunshine at the coast. The Plan target is to

raise the contribution of tourism to GDP from less than 1 percent at present to above 3 percent by 1980. Annual gross foreign exchange earnings from tourism are projected to rise from about \$5 million (about 4 percent of total foreign exchange earnings in 1970) to \$9 million in 1975.

44. The exploitation of tourism potential used to be hampered in the past by the remoteness of the island and by the shortage of hotel facilities. However, eighteen airlines are now flying regularly to Mauritius with a total of about 70 monthly flights. The number of hotel rooms and beds has also shown a marked increase in recent years including two beach hotels being financed by IFC loan of June 1971. As a result there has been a sharp rise in tourism in recent years.

45. The Development Bank of Mauritius, established in 1964, is the main source of long-term finance for both tourism and industry. As recommended by the Bank mission which visited Mauritius in December 1969, DBM has been endowed with share capital; a new General Manager, whom the World Bank Group helped recruit, has been appointed; the Board has been strengthened; interest rates for lending to industry have been raised and DBM's policies and procedures have been improved. As a result, DBM has become a suitable channel for IDA financing and a \$3.5 million IDA credit for DBM was made in 1972. The credit will cover the import component of DBM's investments in the two-year period up to mid-1974 in industry and tourism, including a small program of industrial estates and a feasibility study on the future course of the larger industrial estates program. Our lending program includes two \$3 million repeat operations for DBM in 1975 and 1977 respectively.

(4) Employment Creation

46. The pressure of unemployment is a serious economic and political problem in Mauritius. The Rural Employment Project scheduled in 1973 (\$4 million) will be based on the operations of the Development Works Corporation. The project will probably have two components. First, the construction by labor-intensive methods of public facilities (roads, schools, dispensaries, etc.) in rural areas. The local people would participate in both the planning and the execution of these components of the project. Elected local councils, assisted by a village development officer representing the Ministry of Planning, would draw up the local plans, using existing base maps within a designated budget. The local people would assess their own priorities, e.g., among a school, a road, or a market place, and decide on the location of such works. These projects would be vetted by the Ministry of Planning for engineering soundness and for consistency with national economic objectives. The DWC would execute the required works with the assistance of the local labor force.

47. The second component would be a program to improve the rural environment and to develop and conserve the island's natural resources. The principal activities which would employ labor would be the planting of trees, the maintenance of public forests, and the development of facilities in national parks. However, before a project of this kind can be carried out, a plan for the best use of the island's resources needs to be prepared. Much of the basic data for such a plan already exists in the form of soil and climatic maps. The Government is giving priority to preparing a plan of this kind.

48. In evaluating a works program whose basic purpose is to create employment opportunities we shall have to refine and modify our normal techniques for evaluating the costs and benefits of projects. Much of the labor that will be employed in the works program is now on welfare, engaged in "relief" works producing little or nothing of economic value. The incremental costs of the works program, over and above the "relief" payments would be small while the emphasis will be on creating productive facilities. The project will include a large number of small sub-projects, covering activities such as rural roads, schools, market places, etc. and because of this it may not be possible to evaluate the rate of return on the entire package. However, as in an agriculture credit project, it should be possible to evaluate the cost and benefits of typical activities to be included in the project.

(5) Infrastructure

a. Ports

49. Owing to the small size of the local market and the lack of raw materials, industrial development in Mauritius will have to depend almost entirely on activities connected with foreign trade. The development of Port Louis, the only commercial port in Mauritius, is, therefore, of crucial importance. A long term master plan for the development of the port is being prepared; it will study areas which might be suitable for a free zone at the port. It is expected that the report would identify a suitable project. The study is expected to be completed by the end of this year and we plan to send an appraisal mission in April 1973. The Port Project (for \$4 million) is therefore included in 1974.

b. Airports

50. Air transport increased even faster than sea transport during the sixties. The number of passengers passing through Plaisance Airport rose by about 20 percent per year between 1960 and 1969. Air freight traffic also increased at approximately the same rate during the sixties.

51. Certain technical limitations of the airport now make landings under unfavorable weather conditions difficult. A French technical mission visited Mauritius in 1970 to make a feasibility study of the airport in view of the entry into service of large capacity aircraft. It recommended the construction of a new runway, a new terminal area and other related facilities. In 1971, an Indian technical mission also visited Mauritius to investigate the possibility of a completely new airport in the North. Both of these proposals call for a large investment (about \$16 million), which is not easy to justify economically, and we have dropped this project from our lending program.

52. In August 1972, an agreement was signed with the People's Republic of China for a loan of about \$30 million which will be used in the first instance to finance the construction of the new international airport and a highway linking it with Port Louis.

c. Water Supply and Sewerage

53. Shortage of water supply has been a major constraint on industrialization

in the country. Although Mauritius has a relatively high rainfall and run-off, the more easily developed water resources have already been harnessed for irrigation, power and water supply. The Government's future development strategy is to discontinue the piecemeal development of water resources to meet individual needs. A Central Water Authority (CWA) has therefore been set up with the principal task of making optimum use of the island's resources. It is to be the water supply and sewerage authority for the whole island. The establishment of the CWA as a viable entity is the first step towards much needed improvements in the water supply and sewerage facilities.

54. A Bank mission visited Mauritius in July 1971, to identify possible projects. The mission considered that the establishment of the CWA, its organizational structure and the determination of its policy were key factors in the development of the sector. The U.K. has agreed to provide two technical assistance personnel who will shortly take up their appointments. The preparation of suitable projects still requires a good deal of planning and engineering work and the U.K. has agreed to finance two feasibility studies, one to prepare a program for the development of the island's water resources and one covering sewerage needs. Unfortunately for budgetary reasons the ODA will not now be able to begin funding these studies until early 1973. It is therefore not likely that a water supply and sewerage project will be ready for financing by IDA before 1975.

d. Power

55. The anticipated growth of industrialization will require a sharp increase in the demand for power. Our previous lending program tentatively included a Power Project in FY1976. With the help of a loan from the U.K., the Central Electricity Board (CEB) plans to construct two additional 6MW diesel power plants which will be completed in 1974 and 1975 respectively. Furthermore, CEB now plans to install additional capacity by 1977 on the basis of new load growth projections. Depending upon the actual rate of growth over the next few years, IDA financing for a new generating plant appears suitable in 1976.

Other Activities

56. IFC made a loan of \$0.6 million in June 1971 for construction of two beach hotels with a combined capacity of 360 beds, whose total cost is estimated at \$1.8 million. The loan is being made to Dinarobin Inns and Motels Limited, a new company formed to build and operate these hotels. The project is sponsored by New Mauritius Hotels (NMH), which operates the three major hotels on the island and NMH's controlling shareholder, Rogers & Company. The construction of the first hotel on the island's northwest coast was completed last fall. The construction of the other hotel on the southwest coast is progressing satisfactorily and is expected to be completed this fall.

57. The term of the Director of the Planning Unit, who is seconded by the Bank, will expire in April 1973. We expect the Government to request an extension of his appointment or a replacement for him. Owing to the importance of planning in Mauritius and in order to strengthen the preparation and implementation capacity of the country, we propose to respond sympathetically to such a request.

F. CONCLUSION

58. After two decades of economic stagnation, the Mauritian authorities are making an effort to move the economy on a growth path. They recognize the problems involved and intend to bring about major structural changes. The first economic development plan sets the objectives of creating employment and improving the distribution of income within the context of a growth/employment strategy. The details of many measures, however, are yet to be worked out and most of the investment projects are yet to be prepared. Despite the existence of the Plan, there are signs that the mobilization of popular support for development is rather weak. However, the early success of the "Travail Pour Tous" program, the creation of new jobs in the Free Zone and the plans for larger local participation in rural development, would all create an atmosphere in which unpopular but necessary economic measures may be more acceptable. The Bank/IDA program is specifically aimed at strengthening the ability of the authorities to carry out the measures and projects required.

Eastern Africa Department
August 30, 1972.

MAURITIUS: ACTUAL AND PROPOSED LENDING THROUGH FY78
(\$ million)

Attachment I

Population: 0.8 m; 1.7% p.a.
Cap. Inv.: 240 (1971)
GDP: 1,865 Km²
Literacy Rate: over 70%

		Through FY68	FY69	FY70	FY71	FY72	Current FY73	FY74	FY75	FY76	FY77	FY78	Total FY64-68	Total FY69-73	Total FY74-78
Ten Development	IDA				5.2										
Livestock	IDA											4.0*			
ERM I	IDA					3.5									
ERM II	IDA							<	- 3.0						
ERM III	IDA										3.0				
Industrial Estates I	IDA						3.0	-							
Industrial Estates II	IDA									3.0*					
Power I	IBRD	7.0													
Power II	IDA											4.0*			
Rural Employment	IDA						4.0								
Free zone & port development	IDA							4.0							
Water Supply	IDA								5.0						
OPERATIONS PROGRAM:	IBRD	7.0			5.2	3.5	7.0	4.0	8.0	7.0	3.0	4.0	7.0		
	IDA														
	Total	7.0			5.2	3.5	7.0	4.0	8.0	7.0	3.0	4.0	7.0		
	No.	1			1	1	2	1	2	2	1	1	1		
LENDING PROGRAM:	IBRD	7.0			5.2	3.5	7.0	3.0	5.0	4.0	3.0	3.0	7.0		
	IDA														
	Total	7.0			5.2	3.5	7.0	3.0	5.0	4.0	3.0	3.0	7.0	15.7	18.0
	No.	1			1	1	2	1	1	1	1	1	1	4	5
Other Agencies (CY) ^{1/}															
Multilateral		n.a													
Bilateral															
U.K.		n.a	4.4	14.4											
Others		n.a	.2	.3											
IBRD o/s incl. undisbursed		2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5			
excl. undisbursed		2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5			
IBRD Cross disbursements		7.0	-	-	-	-	-	-	-	-	-	-	7.0	0	0
Less: Amortization		0.6	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.6	1.6	1.9
Equals: Net disbursements		6.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	6.4	-1.6	-1.9
Less: Interest and charges		1.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	1.3	1.5	1.1
Equals: Net transfer		5.1	-0.6	-0.6	-0.6	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6	5.1	-3.1	-3.0
IBRD/IDA Cross disbursements		7.0	-	-	-	0.2	1.4	3.6	5.8	4.6	3.2	2.8	7.0	1.6	20.0
Less: Amortization		0.6	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.6	1.6	1.9
Equals: Net disbursements		6.4	-0.3	-0.3	-0.3	-0.1	1.0	3.3	5.4	4.2	2.8	2.4	6.4	0	18.1
Less: Interest and charges		1.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	1.3	1.5	1.4
Equals: Net transfer		5.1	-0.6	-0.6	-0.6	-0.4	0.7	3.0	5.2	3.9	2.5	2.1	5.1	-1.5	16.7
Total Net Disbursements (Bank and other agencies: CY)		n.a	0.4	1.0	-0.3	4.5	6.0	9.6	8.6	10.9	11.1	11.3	n.a	11.6	47.5

^{1/} The Mauritian authorities are at present approaching various donors for aid to their 4-Year Development Plan. Detailed data is not available. The authorities project commitments during the next four years from, among others, U.K. (\$26 m), India (\$5.8 m), China (\$30 m) and France (\$3 m).

^{2/} As of end of Fiscal Year.

Note: Since the lines IBRD o/s exclude participations sold to third parties, they cannot be fully reconciled with the figures for disbursements, amortization, etc. which include transactions on behalf of third parties.

Eastern Africa Department
August 28, 1972

Attachment II

MAURITIUS

MAURITIUS: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS
(\$ millions)

Project & No.	Amount:		Date:		Closing Date	Forecast Date	FY'71	FY'72				FY'73				FY'74	FY'75	FY'76	FY'77	FY'78	FY'79	FY'80
	- Original	- Cancelled	- Approved	- Signed				1	2	3	4	1	2	3	4							
Tea	5.2		3/30/71		Orig: 12/31/77	3/18/71	-	.3	.5	1.0	1.4		1.7	1.9	2.4	2.9	3.6	4.1	4.8	5.2	-	-
Development	-		4/ 9/71		Rev: -	1/31/72	-	-	-	.7	.9		1.0	1.2	1.4	1.5	2.3	3.5	4.4	5.1	5.2	-
IDA 239	5.2		6/11/71		Act: -	-	-	.5	.5	.5	.7		-	-	-	-	-	-	-	-	-	-
Development	3.5		6/20/72		Orig: 6/30/76	5/30/72	-	-	-	-	-		-	.1	.3	.7	3.3	3.5	-	-	-	-
Finance	-		6/23/72		Rev: -	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
IDA 313	3.5		N.B.		Act: -	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-

Controller's
7/28/72

Last Economic Mission
November/December 1971

MAURITIUS

INDICATORS OF DEVELOPMENT

	Unit	Annual Average				
		1951-60	1961-65	1966-70	1971-75 ^{5/}	
I. ECONOMIC & STRUCTURAL INDICATORS						
1. Gross Domestic Product (in constant prices)	% Change		3.9	-0.4	6.8	
2. Manufacturing Output ^{3/} (including Sugar)	% Change		3.4	4.0	10.3	
(excluding Sugar)	% Change		6.4	1.6	17.5	
3. Agricultural Output ^{3/} (including Sugar)	% Change		2.0	2.9	4.0	
(excluding Sugar)	% Change		3.2			
4. Imports of Goods and NFS ^{4/}	% Change			3.5	7.8	
5. Exports of Goods and NFS ^{4/}				7.0	4.4	
6. Domestic Price Level (Consumer Price Index)	% Change		0.7	3.4		
(Export Price Index)	% Change		-2.3	2.0 ^{1/}		
		<u>1950</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
7. Gross National Savings	% GDP ^{6/}		6.6	15.6	15.8	17.5
8. Resource Gap	% GDP ^{5/}		23.8	0.5	-1.3	8.9
9. Net Factor Payments Abroad	% GDP ^{5/}		-0.6	0.7	-0.7	
10. Gross Domestic Investments	% GDP ^{5/}		29.8	16.8	13.8	26.4
11. Debt Service	% exports			2.3	3.4	
12. Central Govt. Current Revenue	% GDP		20.1	30.1	27.3	
13. Central Govt. Current Surplus (Deficit)	% GDP		0.6	5.4	0.8	
14. Public Exp. on Social Services	% GDP ^{6/}		8.1	8.7	10.7	
15. Military Expenditure	% GDP ^{5/}		0.3	0.2	0.3	
16. Manufacturing Output ^{3/}	% GDP		13.1	16.0	15.8	
17. Energy Consumption	kWh million		54.7	102.8	135.8	
18. Fertilizer Consumption	1000 tons		64	70	67	
II. SOCIAL INDICATORS						
19. Population Growth Rate	%		2.9	2.5	1.6	
20. Urban Population Growth Rate	%					
21. Birth Rate	per 1000 popln.	49.7	39.3	35.5	26.7	
22. Family Planning	Acceptors '000s.			1.4	41.3	
23. Income of: Highest quintile	% total income					
24. Lowest quintile	% total income					
25. School enrollment: Primary and Secondary	% school-age popln.		58	57	58	
26. Literacy rate	% adult popln.		62 ^{2/}		over 70	
27. Unemployment rate	% labor force			12	20	
28. Population per hospital bed	Number		265	294	308	

^{1/} 1966-68.^{2/} 1962.^{3/} Value added at current price for the years 1961 to 1970.^{4/} Balance of Payments accounts are kept from 1964 only.^{5/} Plan projections.^{6/} At current market price.

Estimates of GDF are at current factor cost unless otherwise stated.











Attachment IV

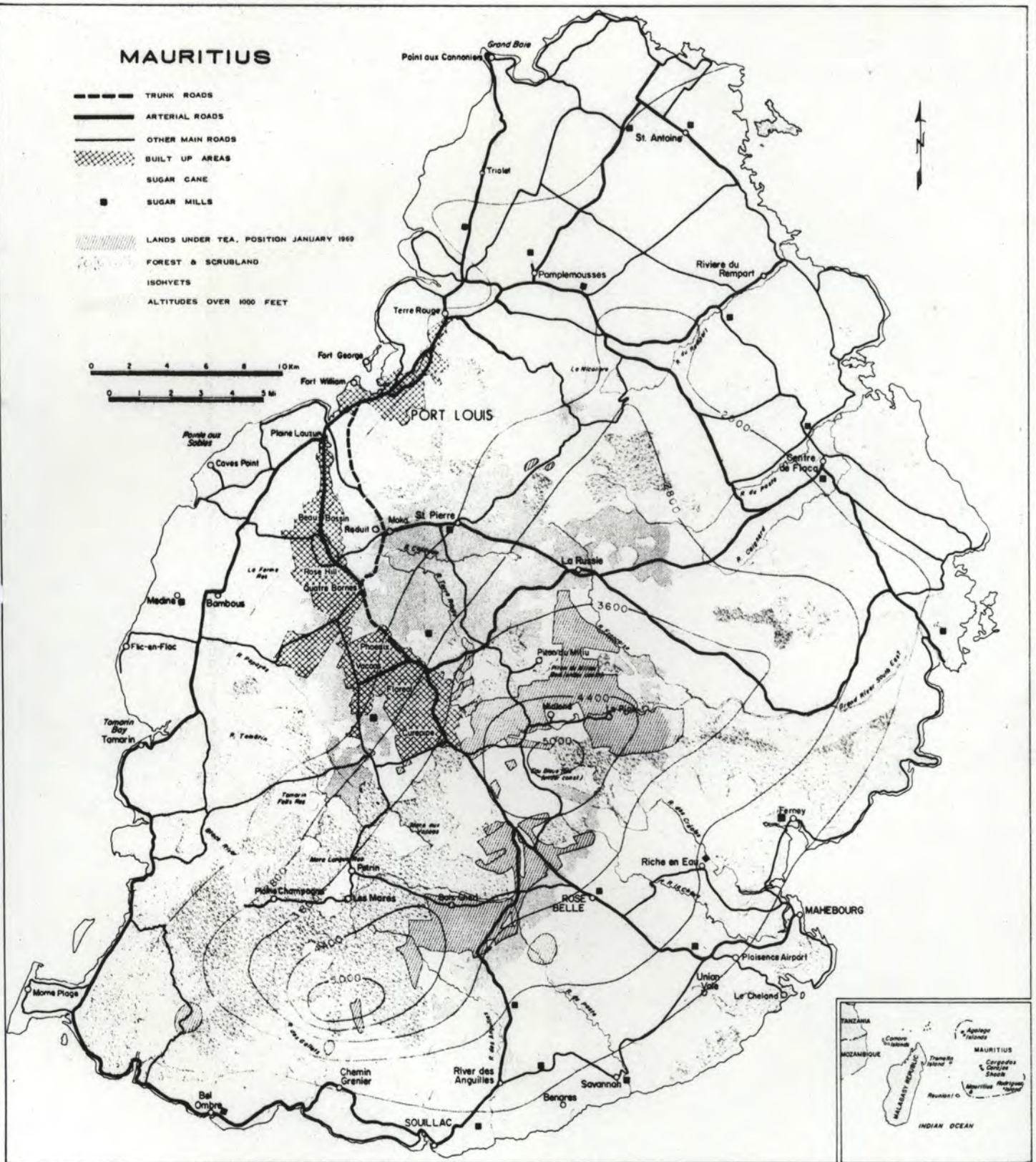
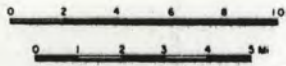
MAURITIUS - ECONOMIC WORK PROGRAM.

The emphasis of economic work on Mauritius in the immediate future should be on establishing a dialogue with the Government on the policy measures required to achieve the 4-Year Development Plan objectives. Our assistance to the Planning machinery should continue. We should also press for aid coordination on an informal basis. In addition, we plan to send an updating economic mission during each of FY73 and 74.

Eastern Africa Department
August 17, 1972

MAURITIUS

-  TRUNK ROADS
-  ARTERIAL ROADS
-  OTHER MAIN ROADS
-  BUILT UP AREAS
-  SUGAR CANE
-  SUGAR MILLS
-  LANDS UNDER TEA, POSITION JANUARY 1969
-  FOREST & SCRUBLAND
-  ISOHYETS
-  ALTITUDES OVER 1000 FEET



CONFIDENTIAL

MAURITIUS
COUNTRY PROGRAM PAPER

DECLASSIFIED

APR 08 2013

WBG ARCHIVES

Postscript

59. The Mauritius Country Program Paper was reviewed in Mr. McNamara's office on September 7, 1972. It was noted that, while high in per capita terms, the IDA lending program was appropriate in view of Mauritius' unique economic and social situation. The employment creation project was an experiment which should benefit the Bank Group as well as Mauritius and should not be counted against the country's normal IDA allocation. The program was approved with the suggestion that further efforts should be made to assist Mauritius in securing additional bilateral aid, perhaps covering part of the cost of some of the projects in the operations program. Furthermore Mauritius requires assistance in obtaining additional technical assistance to help increase its absorptive capacity and a closer coordination of the activities of various aid donors.

Eastern Africa Department
September 29, 1972

MAURITIUS: FOREIGN AID RECEIVED

<u>Source</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>
	(in millions of Rupees)				
<u>Grants</u>	<u>12.3</u>	<u>14.7</u>	<u>9.6</u>	<u>0.8</u>	<u>13.7</u>
U.K.	10.7	14.7	9.6	0.8	8.7
Other ^{1/}	1.6	-	-	-	5.0
<u>Loans</u>					
U.K.	<u>2.4</u>	<u>9.2</u>	<u>11.7</u>	<u>12.3</u>	<u>17.1</u>
IDA	2.4	9.2	11.7	8.1	9.6
	-	-	-	4.2	7.5
<u>Total</u>	<u>14.7</u>	<u>23.9</u>	<u>21.3</u>	<u>13.1</u>	<u>30.8</u>
<u>Total expressed in US\$</u>	<u>2.6</u>	<u>4.3</u>	<u>4.0</u>	<u>2.4</u>	<u>5.6</u>

^{1/} Principally food aid from U.S.A., Australia, WFP and EEC.

MAURITIUS: EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1972

(in thousands of U.S. dollars)

DEBT OUTSTANDING DECEMBER 31, 1972

CREDITOR COUNTRY TYPE OF CREDITOR	DISBURSED	UNDISBURSED	TOTAL
UNITED KINGDOM PUBLICLY ISSUED BONDS	2,955 2,955	- -	2,955 2,955
IBRD IDA LOANS FROM INTL. ORGANIZATIONS	5,014 1,383 6,397	- 7,367 7,367	5,014 8,750 13,764
CHINA, PEOPLES REP. OF INDIA UNITED KINGDOM LOANS FROM GOVERNMENTS	- - 20,335 20,335	35,284 4,411 13,357 53,052	35,284 4,411 33,692 73,387
TOTAL EXTERNAL PUBLIC DEBT (1)	29,687	60,419	90,106

NOTE: DEBT WITH A MATURITY OF OVER ONE YEAR

(1) INCLUDES PRINCIPAL IN ARREARS:	AMOUNT
UNITED KINGDOM LOANS FROM GOVERNMENTS	81 81
TOTAL	81

NET OF ACCUMULATED SINKING FUNDS:

UNITED KINGDOM PUBLICLY ISSUED BONDS	5,779 5,779
TOTAL	5,779

ECONOMIC AND SOCIAL DATA DIVISION
ECONOMIC PROGRAM DEPARTMENT



EXECUTIVE DIRECTOR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D. C. 20433, U.S.A.



(Same note sent to Minister Ringadoo)

To: His Excellency, Mr. Keharsingh Jagatsingh, Minister of Economic Planning and Development, Governor of the IBRD for Mauritius

From: Mohamed Nassim Kochman, Executive Director for Mauritius

Subject: Mauritius and the World Bank Group

The World Bank Group has to date lent to Mauritius \$24.3 million for projects in industry (including tourism), agriculture and power development. Of these, one project was financed by the Bank (\$7.0 million for power development) in 1963 and IFC made available \$0.6 million for hotel construction in 1971. The balance amounting to \$16.7 million consists of four IDA credits made since 1971.

A status of operations, together with a summary of projects under execution, is attached. Project execution is generally satisfactory and some projects, like the Development Bank Credit, are proceeding substantially ahead of the forecast made at appraisal. The smallholder tea development project on the other hand is facing a number of serious difficulties. The scope of the project is currently being reviewed in the light of the continuing decline in world tea prices and of the increase in wages in Mauritius.

For decades, until very recently, Mauritius was considered a typical case of the vicious circle of under-development: the population pressure on land was associated with a stagnation of investment and output; the limited size of the national market seemed to prevent the establishment of domestic industries; the vagaries of weather and the generally unfavorable outlook for sugar demand at that time inhibited attempts at increasing production and reducing employment. The present outlook is now more encouraging and in the opinion of the Bank staff, Mauritius may soon be viewed as a typical case of a rapidly developing nation which capitalizes on the availability of cheap labor. In recent years, the Government has taken advantage of favorable export sales of sugar to devise a development strategy which builds upon this asset. Recent economic and social performance indicates that the Government's efforts and policies have been successful in initiating promising changes in development prospects.

These recent changes are also creating new problems. In particular Mauritius's competitive position as a center for processing raw materials and

semi-finished goods rests on its low wages and good productivity. The recent proposal by the Government to increase substantially civil service salaries is expected to lead to increases in the private sector. Although these increases have to be seen against the background of stable salaries through the sixties (during which the general price level increased substantially) and as a measure for a more equitable sharing of recent increases in profit in the sugar industry, there is a risk that this wage increase may result in inflationary pressures and have other adverse effects on savings and investments. In addition, wage increases must be reconciled with the objective of increasing employment by attracting new industries.

These recent changes also have important consequences on the relations between Mauritius and the Bank Group. In the first place, it has now become particularly important to keep the Bank Group's proposed program of operation as well as ongoing projects under constant review to ensure that they are geared to the new needs of the economy. Changes may have to be made and accents may need to be placed on different areas. Thus, for example, tea development, which a few years ago seemed to be one of the few alternatives open to Mauritius, is now surrounded by many uncertainties, and, in fact, the difficulties that are currently affecting the industry (combination of the declining world prices with increases in wages) has caused its demise in neighboring Reunion. On the other hand, projects that were planned for completion in a few years from now may have become urgently required and may need to be prepared substantially faster than originally planned. This is particularly the case for projects aimed at supporting industrial development, not only by way of financing actual enterprises through institutions like the Development Bank of Mauritius, but also by way of building the required infrastructure such as power and water supply.

In addition, as the pace of development quickens, the need for external financing may increase substantially. During the last few years, Bank Group financing has been provided exclusively through IDA. In view of the limitations of the availability of IDA funds, financing by the Bank may have to be considered. Recommendations to this effect may be made on return of the mission that is now in Mauritius to review the current status and prospects of the economy.

Finally, a major determinant in sustaining economic growth will, in the Bank's view, be Mauritius' ability to carry out higher volumes of investment successfully. There are signs that shortages of design and engineering capacities in certain Ministries have slowed down project preparation and implementation which may make it difficult to reach the ambitious targets set out in the development plan. Consequently, in the preparation of future projects, particular attention should be paid to the institution building aspects in order to strengthen the efficiency of the entities concerned.

Several operations are currently being prepared in the fields of transportation, industry and public utilities. The annex to this memorandum includes a list of these projects together with a brief description of their current status.^[1]

[1] Not attached in view of summaries presented in Section G.

POPULATION

(Excerpts from 1972 Economic Report-
Volume II, para. 1-10)

1. Over the last 25 years the population has nearly doubled to an estimated 819,000 at the end of 1970, with a density of some 1,130 per square mile. While there is a high density of population in the towns ^{1/} where more than 44 percent of the total population live, the pressure of the population in rural areas is such that the net acreage available for cultivation is about 0.3 acre per person for the whole island. In these circumstances, there is little scope for a redistribution of the population within the island other than through the slight further move to towns which is likely to result from the current industrialization program. Some redistribution of population by district will also result from the implementation of the irrigation and reclamation schemes in the Northern Plain and on the West Coast. But apart from these two possibilities, the high rate of land occupancy and the already high technical level of crop production given the existing physical constraints preclude any substantial spontaneous rural migration from one area to another.

Dynamics of Population Growth

2. The center of the population problem is in the dynamics of population growth. It is true that population growth rate has been dramatically reduced during the last decade: the annual rate of natural increase, which was 2.8 percent in 1960, was as low as 1.8 percent in 1970 after reaching a peak at 3.0 percent in 1963. This was mainly due to a reduction of the annual crude birth rate from 39.3 to 26.7 per thousand and a drop in the crude death rate from 11.2 to 7.8 per thousand during the sixties. The gross reproduction rate ^{2/} also fell from 2.87 to 1.86 during the last ten years and the population policy of the government is to reduce it further to 1.20 between 1980 and 1985, with a crude birth rate of 22.5 per thousand.

3. If the population would continue to grow at rates equivalent to those achieved in 1969 and 1970, with unchanged fertility rates and taking no account of emigration (i.e. what the Plan terms the case of constant fertility hypothesis), total population would reach 910,000 in 1975 and 1,030,000 in 1980. However, due to the rising number of females, already born, who will enter the child-bearing age, the crude birth rate would reach a new peak of about 36 per thousand in the years 1980-1985. These projections assume a continuing decline in mortality - particularly in infant mortality - due to an expansion of health services and postnatal care. On

^{1/} Port-Louis, Beau-Bassin-Rose Hill, Quatre-Bornes, Vacoas-Phoenix and Curepipe.

^{2/} The gross reproduction rate is defined as the average number of daughters born to a hypothetical cohort of women subjected to current age-specific fertility rates through the child-bearing years.

the basis of the same mortality assumption, taking no account of emigration, but assuming a declining gross reproduction rate to 1.71 for the period 1970-1975 and 1.41 for 1975-1980, (i.e. what the plan terms the case of medium fertility hypothesis) the total population would be only 895,000 in 1975 and 980,000 in 1980 according to the Plan.

4. As stated above, the rising number of females of child-bearing age (15 to 50 years old) will tend, anyway, to cause a rise in the overall birth rate. This number, estimated at 183,400 in 1969, would rise at a rate double that of population increase projected under the Plan, to reach 224,000 in 1975 and 260,000 in 1980. Improvements in health and the declining incidence of widowhood among women of child-bearing age will also tend to increase fertility. On the other hand, the following factors will continue to pull age-specific fertility rates downward:

- (a) The use of family planning methods is expected to expand. Since the mid sixties, the use of family planning services increased greatly. The services are extended by two private organizations - the Mauritius Family Planning Association (MFPA), established in 1957 and Action Familiale, which advocates only the rhythm methods, established in 1963. By 1970, MFPA had established 62 clinics and 68 centers; it enlisted 41,300 clients (including 29,200 under 35 years old, i.e. with a high age specific fertility ratio) as against 1,400 in 1965. The government has adopted a plan to expand and improve the efficiency of family planning services, centralizing them in the post-natal clinics on the contention that women are more susceptible to birth control ideas after having a baby. MFPA will therefore be incorporated in the Division of Maternal and Child Health and Family Planning of the Ministry of Health. The process of amalgamation proved to be much slower than anticipated and some uncertainties exist. If the Plan objectives are to be achieved, a quick action for reorganizing the new structure would be essential.
- (b) The recent trend of a rise in the average age at which people get married is likely to continue. This is particularly so due to the increase in secondary school attendance of girls. While the number of girls in secondary schools was 9,608 in 1963 (i.e. 34 percent of the total enrollment in secondary schools), it reached 17,542 (almost 40 percent of total enrollment) in 1970. A survey conducted in 1970 showed that the average age at the start of a union rose from 17.5 years in 1952-1962 to 18.5 in 1962-69. However, this tendency may be partly offset by government success to increase employment among youths.
- (c) The number of abortions in hospitals has been constantly rising since 1960, but it is difficult to ascertain to what extent this rise may be attributed to greater use of hospitals for abortions.

5.. These factors, in addition to past experience in other countries in this respect, seem to make the assumptions concerning the decline in the rate of population growth for 1970-1980 quite plausible. However, regardless of this, the population of working age, which was estimated at 435,000 in 1969, will attain 528,000 in 1975 and 615,000 in 1980 i.e. growing annually at 3.2 percent in the seventies as against 2.3 percent in the late sixties. This is of course a major element in the overall employment problem.

Repercussions of Population Growth on Social Expenditures

6. The proportion of children under 15 years old to total population, which was 41.3 percent in 1970, would decrease in the seventies under both fertility hypotheses assumed in para. 3 to between 37 and 38 percent in 1975 and between 33 and 36 percent in 1980. However, the absolute number of children will continue to rise. As family allowances are based on a flat rate per family and if conditions of eligibility remain unchanged, government expenditure on this item is not likely to rise substantially. On the other hand, the demand for classroom places in already crowded schools would be intensified.

7. The proportion of persons over 65 years old to total population, which was 3.7 percent in 1970, would remain almost unchanged in 1975 under both fertility hypothesis, but is expected to rise to between 3.9 and 4.1 percent in 1980 under the constant and medium fertility hypothesis respectively. The increase in the absolute number of old persons will entail a further expansion in social expenditure, particularly on old age pensions. The total amount of old age pensions paid in 1969 was Rs 11.5 million and if the same regulations remain in force, pensions might reach about Rs 13.3 million in 1975.

Emigration

8. Although emigration is not mentioned in the Plan in relation to the population problems, it is in principle a means to alleviate them. Net emigration totalled 12,000 in the sixties i.e. 1.5 percent of the present population. In 1970 it reached 2,100 persons, a level which will probably be maintained in the future. In the sixties, most of the emigrants were young: about 77 percent under 35 years and about 46 percent between 15 and 35 years old (significantly within the age groups with high fertility rates). However, future prospects are uncertain and the number of countries which are prepared to accept Mauritian immigrants on a permanent basis is still very small. Since only 30 percent of the emigrants during the last few years were in the labor force, migration can merely provide a marginal relief to both population and employment problems.

9. Most emigrants are skilled workers or technicians. To ensure an adequate supply of skills required under the Plan, emigration should be restricted for people with skills in short supply, but encouraged for workers with skills which could be trained in sufficient numbers in Mauritius, e.g. nurses.

10. In 1970, half of the emigrants went to Australia. Mauritians are permitted to enter the United Kingdom and France as immigrants if they have succeeded in securing employment there. The French Immigration Authorities have recently introduced new regulations whereby employers are made responsible for the payment of the travel costs of immigrants. Three passage loan schemes are administered by the Mauritius Commercial Bank.



MALAGASY REPUBLIC

BACKGROUND NOTES

PROFILE

GEOGRAPHY

AREA: 228,000 sq. miles (slightly larger than Texas). CAPITAL: Tananarive (pop. 150,000). OTHER CITIES: Tamatave (pop. 40,000), Majunga (pop. 30,000).

PEOPLE

POPULATION: 7.2 million (1973 est.). ANNUAL GROWTH RATE: 2.5%. DENSITY: 31 per square mile. ETHNIC GROUPS: 18 Malagasy tribes, Comoran Islanders (40,000), French (33,000), Indians (17,000), and Chinese (9,000). RELIGIONS: Christian and Animist. LANGUAGES: Malagasy (official), French. LITERACY: 40%.

GOVERNMENT

INDEPENDENCE: June 30, 1960. TYPE: Republic. CONSTITUTION: August 28, 1959.

FLAG: Consists of three equal-sized bands—white on the staff side, red extending horizontally on the upper half of the remaining area, and green on the lower half.

BRANCHES: Executive—5-year interim government under Head of Government as of October 1972. Legislative—legislature suspended. Judiciary—Supreme Court and Court of Appeals.

FIRST LEVEL ADMINISTRATIVE DIVISIONS: 6 Provinces.

ECONOMY

GNP: \$800 million (1971). GROWTH RATE: 6%. PER CAPITA: \$114. PER CAPITA GROWTH RATE: 3.5%.

TRADE: Exports—\$147 million (1971): coffee \$39 million, vanilla \$13 million, rice \$7 million, sugar \$3 million. Partners—France \$50 million, U.S. \$33 million. Imports—\$210 million: machinery & transport equipment \$50 million, food \$26 million. Partners—France \$120 million, Federal Republic of Germany \$19 million, U.S. \$10 million.

AGRICULTURE: Products—vanilla, coffee, sugar, rice, livestock.

INDUSTRIES: Processing agricultural products, mining.

NATURAL RESOURCES: Graphite, chrome, coal.

OFFICIAL EXCHANGE RATE: 251.3 FMG=U.S. \$1.00 (5/73).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: United Nations, Organization for African Unity, Common Organization of Malagasy and Mauritian States (OCAM).

FOREIGN ASSISTANCE: Total (all sources)—\$280 million. Total U.S. only—\$15 million: AID (\$9.8 million), PL-480 (\$5.2 million).

GEOGRAPHY

The Malagasy Republic (the political name) is located in the Indian Ocean 250 miles from the southeast coast of Africa. It comprises the island of Madagascar (the geographic name) and its small island dependencies (Nosy Bé, Nosy Mitsio, Ste. Marie, Iles Barren, and Nosy Faly). Madagascar is the fourth largest island in the world.

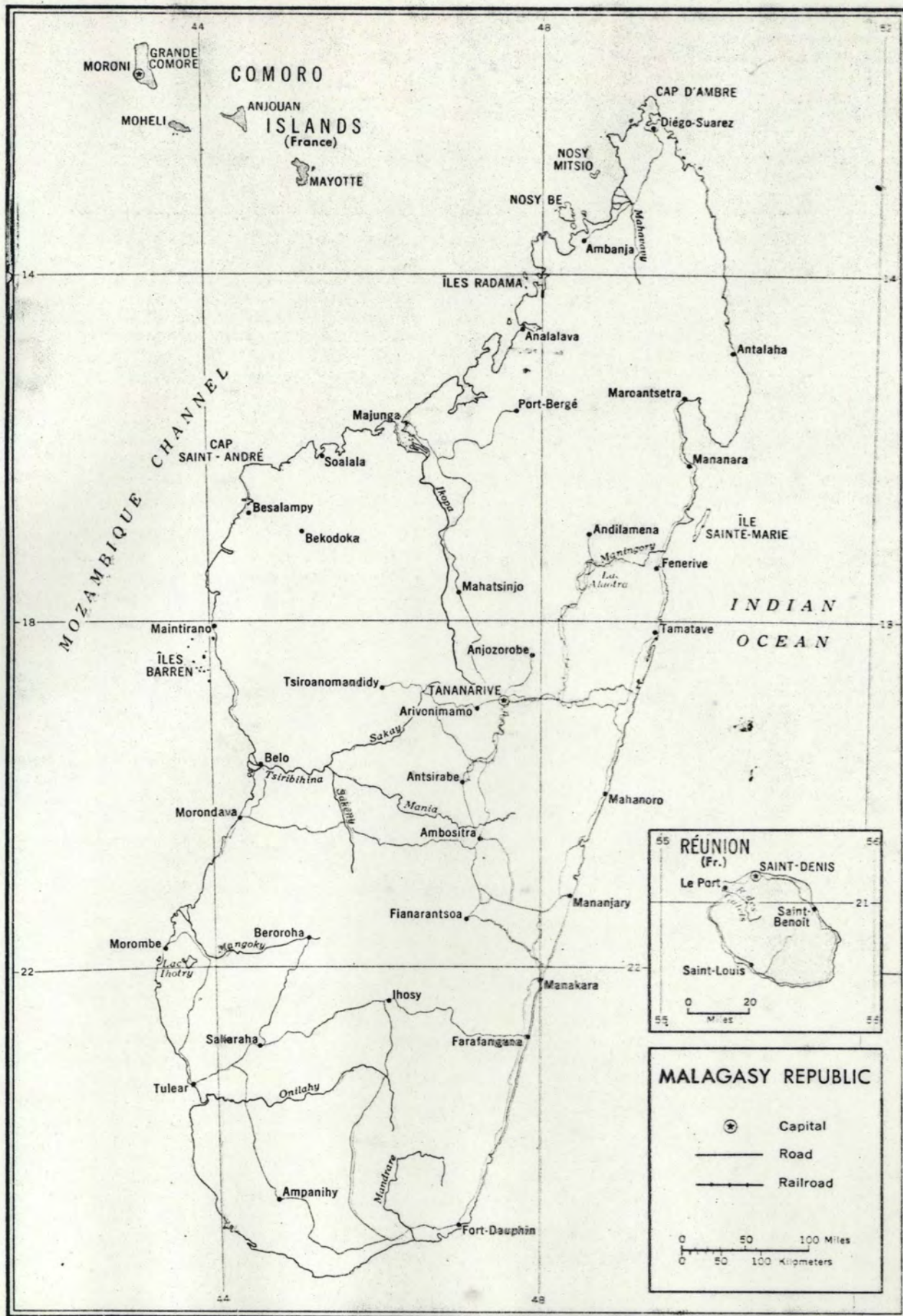
Madagascar's interior is a high plateau with mountain peaks ranging to the 9,450-foot Mt. Tsaratanana in the north. The moderate altitude of much of the highlands—2,500-6,500 feet—provides them with a temperate climate where warm rainy weather prevails from November to April and cool weather from May to October. The coastal region is tropical with a hot climate throughout the year. Rainfall is heavier on the east coast, as this area is exposed to trade winds and monsoons. At times cyclones have caused very serious damage. Southern Madagascar is arid.

PEOPLE

Of Madagascar's 18 separate ethnic groups, the largest is the Merina, whose more than 2 million members share the high plateau area with the Betsileo and occupy important positions in the civil service and the professions. Other notable "tribes" are the Betsimisaraka, the Sakalava, the pastoral Bara, and the Tsimihety.

In appearance, language, and culture the Merina closely resemble the first known non-African settlers, presumed to have come to the island from the southwest Pacific some centuries after the birth of Christ. The coastal peoples (côtiers) have admixtures of Negroid and Arab blood.

The Malagasy language, of Malayo-Polynesian origin, is understood throughout the island. Approximately 40 percent of the Malagasy are



Christian, divided almost evenly between Catholic and Protestant, while the rest of the people practice a form of animism combined with ancestor worship. In a sense the modern history of Madagascar is one of rivalry between the Protestant Merina and the Catholic côtiers. Ill will and disputes arising out of this rivalry have caused a serious cleavage in the population. The announced goal of the Government is to see nationalism overcome ethnic rivalries.

HISTORY

Arab settlements were established on Madagascar as early as the seventh century. The island was sighted in the 1500's by Diégo Días, a Portuguese sea captain whose ship had become separated from a fleet bound for India. In the late 17th century the French established trading posts along the east coast. From about 1774 to 1824 Madagascar was a favorite pirate haunt. An American buccaneer vessel introduced Malagasy rice to North Carolina.

Beginning in the 1790's the Merina rulers succeeded in establishing hegemony over the major part of the island, including the coastal areas. The Merina ruler and the British Governor of Mauritius concluded a treaty abolishing the slave trade on which much of Madagascar's "wealth" had been based. In return the island received British military assistance. British influence remained strong for several decades and in 1869 the ruling Queen and her court were converted to Anglicanism.

The British accepted the imposition of a French protectorate over Madagascar in 1885 as part of an overall definition of spheres of influence in the area. Absolute French control was established by military force in 1895-96, and the Merina monarchy was abolished. Despite the relative stability French administration brought to the island, the Merina have continued to harbor a strong resentment against France. The nationalist feeling has been partly responsible for a number of violent episodes. It found its most constructive outlets in the Malagasy independence movement and is expressed at present in opposition by many high-plateau inhabitants to the pro-French National Government dominated by the côtiers.

Malagasy troops fought in France, Morocco, and Syria during World War I. After the fall of France in 1942, Madagascar was administered first by the Vichy Government and then by the British, whose troops occupied the strategically situated island to preclude its seizure by the Japanese. The Free French received it from the United Kingdom in 1943. In 1947, with French prestige at low ebb, a nationalist uprising spread extensively over the east coast and was suppressed only after several months of bitter fighting.

The French subsequently established reformed institutions in 1956 under the Loi Cadre (Overseas Reform Act), and Madagascar moved peacefully toward independence. The Malagasy Republic

was proclaimed on October 14, 1958, as an autonomous state within the French Community. A period of provisional government ended with the adoption of a Constitution on April 28, 1959, and full independence was attained on June 26, 1960.

GOVERNMENT

A national referendum in October 1972 gave General Gabriel Ramanantsoa and his government a 5-year mandate to rule the country and to prepare a new constitution. In the interim the basic provisions of the Constitution of 1959 remain in force but with the Head of Government exercising the powers of the President and the suspended legislature. In addition to his cabinet which is composed of military officers and apolitical civilians, the Head of Government is assisted by the Superior Council of Institutions and the National Popular Council for Development.

Under existing law, the judicial system is comprised of two basic jurisdictions—a Supreme Court and a Court of Appeals and Labor. The bicameral Supreme Court is composed of 14 individuals, all appointed by the Head of Government. The Court of Appeals and Labor includes courts of first instance in each provincial capital and courts of traditional law.

For administrative purposes the Malagasy Republic is divided into six Provinces administered directly from the capital through appointed civil service officials.

POLITICAL CONDITIONS

After gaining independence, former President Tsiranana's Social Democrat Party gradually assumed increased authority in national and provincial life. In March 1972 President Tsiranana won reelection without opposition. However, rising political and social tensions resulted in massive demonstrations against the Government in May 1972. President Tsiranana resigned and General Ramanantsoa became Head of Government. Political parties continue to exist but there appears to be only a minor role for them to play until a new constitution is adopted.

ECONOMY

From 1967 to 1972 Madagascar's principal crops have had favorable climatic and market conditions, and the gross national product (GNP) has grown by about 6 percent annually. The country has serious problems because of its distance from external markets, lack of basic infrastructure, fluctuating world prices for agricultural commodities, lack of investment funds, and shortage of skilled technicians. A development plan has been enacted and is being carried forward with the help of foreign assistance.

Madagascar's economy is principally agricultural. Although cattleraising is extensive, its potential is only beginning to be explored. In 1968,

90 percent of Malagasy exports were agricultural. This fell to 70 percent as the exploitation of chromite and graphite deposits began.

Malagasy foreign trade is oriented principally toward France and other members of the European Economic Community (EEC). Trade balances continue to show deficits, compensated for by foreign, mainly French, public and private investment. Since independence the value of exports has averaged only two-thirds the value of imports.

France continues to be Madagascar's principal trading partner, supplying it with 60 percent of its imports and purchasing 30 percent of all Malagasy exports. The United States, Madagascar's second best customer, buys about 24 percent of Malagasy exports. However, U.S. exports to Madagascar are less than 5 percent of Malagasy total imports, largely because of a system of customs preferences which favors France and other EEC members.

Madagascar's small indigenous middle class is concentrated in the government service and in the professions. Such industry and commerce as exist are, to a great extent, in the hands of the French, Indians, and Chinese, with the latter two groups most prominent at the retail level and in the small provincial towns.

The Malagasy Republic is one of the largest recipients of aid from France and the EEC (together totaling about \$65 million annually). U.S. aid is a very modest supplement to this assistance.

FOREIGN RELATIONS

Madagascar, as an island apart from Africa, has had its own history separate from the African Continent and thus tends to remain somewhat aloof from African affairs. The Malagasy Republic does play, however, an important role in the Organization of African Unity (OAU) and in smaller regional groupings such as the Organisation Commune Africaine, Malgache, et Mauricien (OCAM).

While the Malagasy Government has close economic and cultural ties with France, it has recently established diplomatic relations with the leading Communist states. In 1971 the Malagasy Government renounced its previous policy of economic cooperation with the Republic of South Africa.

U. S. -MALAGASY RELATIONS

U.S. "relations" with Madagascar date to the early 1800's when an American residing on the west coast conducted considerable trade activities between the United States and Madagascar. A commercial convention was concluded in 1867 and a treaty of peace, friendship, and commerce in 1881.

The United States seeks to encourage economic development and political stability in the Malagasy Republic and support its pro-Western stand in international affairs. Although U.S. investment is not large, modest amounts of economic and technical aid have been provided to complement the assistance provided by other countries and to demonstrate U.S. interest in Madagascar. Through information and cultural programs the United States also seeks to provide the Malagasy Government and people with a greater understanding of the United States.

PRINCIPAL GOVERNMENT OFFICIALS

Head of Government and Minister of Defense—
Gen. Gabriel Ramanantsoa
Minister of Territorial Management—Gen. Gilles Andrianahazo
Minister of Justice—Jacques Andrianada
Minister of Culture and Education—Dr. Justin Mameeloma
Minister of Economy and Finance—Albert Marie Ramarason
Minister of Social Affairs—Dr. Albert Zafy
Minister of the Interior—Lt. Col. Richard Ratsimandrava
Minister of Information—Joel Rakotomalalo
Minister of Foreign Affairs—Capt. Didier Ratsiraka

PRINCIPAL U. S. OFFICIALS

Ambassador—Joseph Mendenhall
Deputy Chief of Mission—Richard Matheron
Economic/Commercial Officer—William Beachner
Defense Attaché—Lt. Col. Roy Jackson
Public Affairs Officer—John Challinor

READING LIST

These titles are provided as a general indication of the material currently being published on this country; the Department of State does not endorse the specific views in unofficial publications as representing the position of the U.S. Government.

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Office of Media Services
Bureau of Public Affairs



MAURITIUS
THE RURAL SECTOR

1. In Mauritius, land is the limiting factor to expansion of production. About one-third of the area is mountainous or otherwise unsuited for either agricultural or urban development. Of a total area of about 450,000 acres, about 230,000 acres are cultivated, of which 214,000 acres are currently planted to sugarcane. About 35,000 acres of additional land could be cultivated provided substantial investments are made in destoning and/or bench terracing. 40 percent of rural householders are landless, the remaining 60 percent own or rent an average of 3.5 acres. In the sugar industry, land ownership is skewed, with 53 percent of land owned by 21 large estates. The remaining 47 percent is divided among an estimated 24,000 owners. About 12,000 acres are under tea, divided equally between small growers and large estates, and some 5,000 acres are under food crops in small holdings. Livestock is a small producer activity on a part-time basis with a low level of technical efficiency. There are about 58,000 acres of poor quality forest mostly situated in the Central Plateau.

2. The rural villages of Mauritius are not self-contained communities in the sense of a European or Asian village. As they initially grew out of labor settlements spread along the edges of sugar estates and around the sites of existing or abandoned sugar mills, they often lack physical amenities of a regular community (electricity, adequate water, a market of some kind, internal roads). They have to rely for many of their needs on the sugar estates.

3. Income distribution is skewed towards the urban sector and, within agriculture, towards the land-owning agriculturists of which 10 percent own 80 percent of the land. The situation is particularly difficult for the 40 percent landless rural population, who have annual household incomes at or below US\$250 which is the minimum level necessary for family subsistence under Mauritian conditions.

4. Sugar has always been Mauritius' principal agricultural crop and the backbone of the economy. 21 large sugar estates with mills, employing 54,000 people, produce 60-65 percent of the total sugar crop, which has averaged 630,000 tons during the last five years. The remaining 35-40 percent of the crop is produced by some 30,000 small and medium planters whose cane is processed in the estates' mills. Both the Government and growers acknowledge that an increase in sugar production is an essential element in Mauritian economic policy and a target of 800,000 tons has been set for 1980. Progress towards this target has already been made over the last two years; a record crop of 686,400 tons was achieved in 1972, and the latest estimate for the 1973 season, which runs from June into January, is 720,000 tons.

5. The sugar producing sector is not without problems. In 1972, the estates and medium planters experienced some difficulty in finding a sufficient workforce at the peak of the harvest, which

resulted in some delays and a certain reduction in the sugar content of cane. Various factors, some exceptional, contributed to the shortage, though perhaps the most important is the unwillingness of young workers to take employment in agriculture. The average age of the agricultural workforce is increasing yearly. It can be expected that increasing mechanization will occur if this trend continues, though the costs of production would be slightly increased. The yields of small planters with less than 10 acres could also be raised somewhat. Although these planters tend to occupy poorer land, yields could be improved by better agricultural practices including access to equipment and crop replacement with superior varieties. There is also some mistrust between small planters and the mills concerning the method of determining revenue shares, both between mills and planters, and between individual planters. The Government, the millers and the small planters all have an interest in increasing small planters yields, and some measures are likely to be attempted to achieve this. The problem of mobilizing large numbers of small planters is, however, a difficult one, and better extension services are needed than at present.

7. While an increase in sugar production is essential, some diversification of agriculture is desirable and this has been an element in the Plan strategy. Many imported foodstuffs could be grown locally. Diversification has taken two directions. Firstly, production of tea has been developed (with IDA assistance), making use of land that is poor for sugar. The Plan intended to raise production from 6.5 million lbs. in 1970 to 30 million lbs. in 1980, and in 1972, a figure of 10 million lbs. was reached. However, the declining price for tea (despite a preferential market in South Africa) combined with increases in production costs - principally labor and fertilizers - have reduced the profitability of tea, while difficulties have been experienced in recruiting sufficient workers. In view of these two factors, tea planting is likely to be discontinued (see also note on Tea Project (Credit 239-MAS) below).

8. The other aspect of agricultural diversification is in production of food crops for local consumption. Despite a shortage of new land, there is considerable potential for cultivating on sugar land between rotations and between lines at appropriate times of the year. The theoretical profitability of vegetable production indicates that there should be little difficulty in persuading landowners to produce vegetables. However, early experiences from the sugar estates indicate that in some cases, revenues have failed to cover even marginal costs. With the present high price of sugar, it has become difficult to envisage the use of land solely for vegetable cultivation, and few planters have taken this course.

9. Livestock herding is at present fragmented and practised only on a small scale. Most beef and dairy products are presently imported. There would be a ready market for any locally produced meat. In addition, the bagasse and molasses available as bi-products from sugar milling could serve as a freely available base for cattle feed. The presence locally of both a market and necessary inputs makes the development of livestock an attractive avenue for diversification.

MAURITIUS EDUCATION

The Education and Training Sector ^{1/}

Evaluation of the sector - The education system, patterned after that of Britain, comprises a primary course of six years followed by a secondary course of five years, pre-University classes (Form VI) of two years and an embryonic University with courses of various duration. The main strengths of the sector are: (a) high enrolment ratios at the primary and secondary level; (b) keen interest of the Mauritians in education which has resulted in the establishment of many self-supporting schools of various levels and types; (c) a small, but rapidly growing, number of nonformal and in-service training schemes for rural and industrial skills which complements the formal school system. In addition, in selected secondary schools, academic standards are high and compare favorably with those of developed countries in Europe as indicated by the scores the students of these selected schools report at the Cambridge Higher School Certificate and at the Advanced General Certificate of Education of London University.^{2/}

The sector has, however, considerable weaknesses that need to be corrected to make it more responsive to changing socio-economic needs. In addition to insufficient education outputs to meet high level manpower needs, the following deficiencies are to be singled out:

- (a) Curricula are overly literary and teaching methods are antiquated throughout the formal school system.
- (b) The distribution of enrolment between general education and agricultural, technical and vocational training has apparent imbalances.
- (c) Little administrative and academic control over the private sector.

Mauritius has virtually achieved universal primary education and the curriculum, although still oriented primarily towards the examination administered at the end of grade 6, has recently undergone some changes in the social and elementary natural sciences. The pupils:teacher ratio is satisfactory and the Teacher Training College can meet the quantitative need of the Government and of the aided schools that, together, enrol over 90 percent of the total primary school pupils. It lacks, however, science and practical facilities, and the training, therefore, is purely academic. Further, a comprehensive scheme of continuing in-service training needs to be developed for teachers.

The dearth of facilities is another problem of primary education. As much as one fourth of the enrolment in Government schools, however, is in rented facilities. Further, over one-third of the primary enrolment is in double-shift workings. The curriculum cannot be fully implemented in the shorter day which results from this, and this accounts for the high rate of

^{1/} Excerpt of Mr. Pennisi's draft report on his reconnaissance mission August 22-25, 1975.

^{2/} About 85 percent of the candidates pass these examinations and a large number of them report a "distinction".

repetition and drop-out at grade 6.

Competition to entrance in prestigious institutions in secondary education is very keen because less than 2 percent of those who leave primary school have access in the four high quality Government secondary schools which enrol only 3,000 of the total 50,000 secondary enrolment. The overwhelming majority of the remainder seek admission to private secondary schools where most of them have little choice but to begin to memorize from grade 7 onwards the answers to the Cambridge School Certificate. A small minority (less than 1 percent) find places in the Senior Primary Schools (or Junior Technical Institutes) to learn woodwork, metalwork, elements of agriculture and/or home economics in a three-year terminal course. About 50 percent of the primary school leavers pursue secondary courses of some type; the others either enter low paying unskilled jobs in the labor market if they have reached the age of 16 1/, or try to be admitted in schemes, such as the Youth Training Farms or the Industrial Trade Training Center, where they acquire practical skills which could eventually enhance their income potential in self-employment. The applications for entrance in these schemes and in the Junior Technical Institutes are about three times as many as the places available.

The central problem of secondary education is the lack of effective administrative and academic control on the private sector, the consequence of a very rapid expansion. Only 80 of the 1,700 secondary teachers are graduates who have received training in pedagogy. Because of the predominance of the private sector, attempts to introduce improved curricula and teaching methods have been, by and large, unsuccessful. At the same time, however, financial constraints are such to prevent a considerably larger Government participation at the secondary level. In general, Mauritian educators recognize that:

- (i) Secondary education is generally biased in favor of what it has been doing in the past to the detriment of evolving types of education required to meet future needs;
- (ii) Secondary education is not disposed towards innovation and change from traditional patterns and procedures;
- (iii) Secondary education is geared to the production of a small minority which would go to the University and for the majority, their years of secondary schooling bring little private and social returns.

The University of Mauritius is at its infancy. The enrolment is summarized in the following table:

1/ The Employment Act forbids wage employment under this age.

School of Agriculture	1972
School of Administration	338
School of Industrial Technology	159
	<u>426</u>
Total	<u>923</u>

In addition to this enrolment, the University provides special part-time programs to about 700 persons already in employment. These programs are often conducted in collaboration with the employers and are therefore tailored to specific needs; further, the beneficiaries (both employers and employees) contribute significantly to the cost of these programs.

Nonformal education comprises essentially a few small trade centers (20 places each) for remedial courses in simple skills for primary school leavers, the Youth Training Farms and the Industrial Trade Training Institute which is coupled by an apprenticeship scheme. Specialized Education is limited to a Nurses Training School, a Hotel Training School and a Sea Training School, although a number of Government departments conduct pre-service and in-service courses (e.g., telecommunications) for their own employees.

Policy, Strategy and Plans for Education Development - Mauritius' Development Plan states that "the whole system of primary and secondary education needs a thorough and detailed review in order to change it adequately to fit in future needs of the economy and for developing the most important resource of the country: manpower". Within the limits of a 4.5 percent annual increase in recurrent expenditure on education, the Government has already started this re-examination of the education and training sector with assistance and advice from various sources (UNESCO, ODA, French Government etc.) and has defined various plans for the formal education system. Objectives for the nonformal education/training sector have not been spelled out in official documents and blue-prints as precisely as those for formal education. It is, however, the intention of the Government:

- (a) to develop a scheme of rural education for youth and adults; and
- (b) to integrate formal and nonformal education in urban areas.

Plans have been drawn up for various levels and types of education. The improvement of the physical facilities at the disposal of primary education would be carried out under the "Travail Pour Tous" scheme and the aim would be to gradually replace rented premises and reduce drastically double shift workings. To obtain full benefit from the proposed improvement in accommodations, an Institute of Education has been created to reform examinations, curricula and teaching methods and the programs of studies in primary teacher training would be reformed to place more emphasis on professional subjects, practice teaching and elementary applied science.

The Institute of Education would also constitute for focus for major reforms in secondary education. In addition to providing pre-service and in-service training for secondary school teachers and other education personnel,

the Institute would include an examination syndicate with control of all examinations, complete the already started reforms of the secondary curricula, develop syllabi and coordinate and guide in the introduction of educational television. Government plans also call for the establishment of a secondary school inspectorate, a limited expansion of the enrolment in Government secondary schools and for Government assistance to the improvement of selected private schools.

At the post-secondary level, Mauritius would give priority to the development of the University and of a highly selective number of specialized institutions, in the fields of public and business administration, agriculture, public health and industrial technology, including food technology.

Plans for education for rural development include the strengthening of existing Youth Training Farms and Youth Training Centers which would, however, be open also to adult farmers and farming families. Further, a mobile health education unit would ensure improvement in nutrition and preventive care knowledge of the farming population. In addition, primary teacher training and the secondary school curriculum will be reformed to include agricultural or industrial subjects.

In order to enhance nonformal training for industry, closer collaboration with employers would be sought. In addition, a new Industrial Trade Training Center would be established, the five Crafts Training Centers would be re-equipped and a small Institute for entrepreneurship training would be established to provide managerial skills for developing small-scale industries.

TOURISM

Tourism is an area where the island has a distinct comparative advantage. The island is completely surrounded by unspoiled white sand beaches, a coral reef and lagoons, which are rich with tropical fish and exotic shells. The temperature is subtropical and pleasant with long daily periods of sunshine at the coast.

The Government's target was to raise the contribution of tourism to GDP from less than one percent in the 1967-1969 period to above 3 percent by 1980, while private investment requirements were estimated at Rs 29 million between 1971 and 1975. By 1972, the share in GDP had already reached 3 percent, while private investment to date has been Rs 20 million with further hotel developments costing Rs 25 million approved by the Planning authorities.

These figures indicate the speed of development in tourism. In 1967, Mauritius received 14,800 visitors, in 1970, 27,700 and in 1972, 48,800. Around 40 percent of these come from nearby Reunion and often stay with Mauritian friends or relatives. Among other visitors, the average length of stay was 9 days in 1972. Hotel capacity is currently 1,900 beds and is expected to double by the end of 1974. Occupancy rates have been high, and consequently profits too.

Annual gross foreign exchange earnings were Rs 55 million in 1972. It is estimated that 26 percent of this expenditure went directly or indirectly out of Mauritius in payment for goods, services and distributed profits to foreign shareholders. Thus the net gain in foreign exchange was around Rs 40 million.

The direct employment effect of tourism is modest in relation to the capital employed. Hotels are the major source of employment creation in the tourism sector as a whole, at present employing slightly above 1,000, which represents more than half of all direct employment in tourism.

Government policy in Mauritius on the use of public funds for hotel development has been one of active encouragement in the form of loans and share capital. The need for public investment in the hotel sector, however, has diminished as the prospect of investing in Mauritius' tourism has become more attractive to private investors, both domestic and foreign.

G

MAURITIUS

Bank/IDA/IFC Capital Subscriptions
(in pre-devaluation dollars)

IBRD subscribed:	\$18.8 million or 0.08% of total
paid in:	\$1.88 million
voting power:	438 votes or 0.16% of total
IDA subscribed:	\$0.86 million or 0.08 % of total
voting power:	672 votes or 0.26% of total
IFC subscribed:	\$95.000 or 0.09% of total
voting power:	345 votes or 0.26% of total

Purchases of IBRD Bonds

6-3/4% of 1973 due March 15, 1975

\$ 200,000

STATUS OF BANK GROUP OPERATIONS IN MAURITIUS

1. Bank Loans and IDA Credits (as at July 31, 1973)

<u>Loan or Credit No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (US\$ million)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
355-MAS	1963	Mauritius ^{1/}	Power	7.0	-	-
239-MAS	1971	"	Smallholder Tea Development		5.2	3.4
313-MAS	1972	"	Development Bank		3.5	3.2
411-MAS	1973	" ^{2/}	Industrial Estate		4.0	4.0
419-MAS	1973	" ^{2/}	Rural Development		4.0	4.0
Total				7.0	16.7	14.6
Of which has been repaid				2.1	-	
Total now outstanding				4.9	16.7	
Amount sold					5.0	
Of which has been repaid					1.9	
Total now held by Bank and IDA (before exchange adjustments)				1.9	16.7	
Total Undisbursed						<u>14.6</u>

2. IFC Investments

<u>Year</u>	<u>Borrower</u>	<u>Type of Business</u>	<u>Amount (US\$ million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1971	Dinarobin Inns & Motels Ltd.	Hotels	0.6	-	0.6
Total gross commitment			0.6	-	0.6
less cancellations, terminations, repayments and sales			0.1		0.1
Total commitment now held by IFC			0.5		0.5
Total undisbursed			-		-

^{1/} Guaranteed by the United Kingdom.

^{2/} Not yet effective

MAURITIUS: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount:			Date:		Closing Date	Forecast Date	FY '73				FY '74				FY '75	FY '76	FY '77	FY '78	FY '79	FY '80	FY '81	
	- Original	- Cancelled	- Net	- Approved	- Slipped			- Effective	FY '72	1	2	3	4	1	2								3
Tea	5.2			3/30/71	Orig:	12/31/77	3/18/71	1.4	1.7	1.9	2.4	2.9	3.0	3.1	3.3	3.6	4.1	4.8	5.2	-	-	-	
Development	-			4/9/71	Rev:	-	1/31/72	.9	1.0	1.2	1.4	1.5	1.7	1.9	2.1	2.3	3.5	4.4	5.1	5.2	-	-	
IDA 239	5.2			6/11/71	Act:	-	-	.7	1.0	1.3	1.6	1.7	-	-	-	-	-	-	-	-	-	-	
Development	3.5			6/20/72	Orig:	6/30/76	5/30/72	-	-	.1	.3	.7	1.3	2.0	2.7	3.3	3.5	-	-	-	-	-	
Finance	-			6/23/72	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IDA 313	3.5			8/17/72	Act:	-	-	-	-	-	.2	.2	-	-	-	-	-	-	-	-	-	-	
Industrial Estate	4.0			6/28/73	Orig:	6/30/80	6/6/73	-	-	-	-	-	.1	.2	.3	.4	1.0	1.8	2.6	3.5	4.0	-	-
IDA 411	4.0			8.8.	Act:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Controller's
7/27/73

GNP PER CAP: \$ 240

MAURITIUS - 6 YEAR OPERATIONS AND LENDING PROGRAMS
(BY FISCAL YEAR - AMOUNTS IN \$ MILLIONS)

OPERATIONS PROGRAM		1974	1975	1976	1977	1978	1979
2-MTS-AD-01	RURAL DEVT. & EMPL.	4.0					
2-MTS-AL-01	LIVESTOCK I						4.0
2-MTS-DD-02	DBM (DFC) II	3.0					
2-MTS-DD-03	DFC				3.0		
2-MTS-IL-02	INDUSTRIAL ESTATES II						
2-MTS-PP-02	POWER II			3.0			
2-MTS-TP-01	MAURITIUS PORT DEVT.	4.0		4.0			
2-MTS-WW-01	WATER SUPPLY						
	IDA	4.0	3.0				
	PR	7.8					
	TOTAL	11.8	3.0				

*Can't get the IDA in figures yet 3m
is also on page.*

1964-68				1969-73				1974-78			
AMOUNTS				AMOUNTS				AMOUNTS			
IBRD	7.0			IBRD				IBRD			
IDA		12.7	28.0	IDA	11.0	3.0	7.0	IDA	3.0	4.0	4.0
TOTAL	7.0	12.7	28.0	TOTAL	11.0	3.0	7.0	TOTAL	3.0	3.0	4.0
NUMBERS				NUMBERS				NUMBERS			
IBRD	1.00			IBRD				IBRD			
IDA		3.00	8.00	IDA	3.00	1.00	2.00	IDA	1.00	1.00	1.00
TOTAL	1.00	3.00	8.00	TOTAL	3.00	1.00	2.00	TOTAL	1.00	1.00	1.00
LENDING PROGRAM (9/7/72)				AMOUNTS				AMOUNTS			
AMOUNTS				AMOUNTS				AMOUNTS			
IBRD	7.0			IBRD				IBRD			
IDA		12.7	18.0	IDA	3.0	5.0	4.0	IDA	3.0	3.0	3.0
TOTAL	7.0	12.7	18.0	TOTAL	3.0	5.0	4.0	TOTAL	3.0	3.0	3.0
NUMBERS				NUMBERS				NUMBERS			
IBRD	1.00			IBRD				IBRD			
IDA		3.00	5.00	IDA	1.00	1.00	1.00	IDA	1.00	1.00	1.00
TOTAL	1.00	3.00	5.00	TOTAL	1.00	1.00	1.00	TOTAL	1.00	1.00	1.00

Loan 355-MAS (Power Project), \$7.0 million Loan of September 23, 1963,
(guaranteed by the United Kingdom)

1. The project, which comprised the construction of a power station at Fort Victoria with two 6-2 MW diesel units and the expansion of the transmission and distribution systems, has long been completed. As of August 31, 1973, about \$2.1 million had been repaid and only \$1.9 million was being held by the Bank, the balance having been sold.
- 2.. Consultations took place earlier this year between the Central Electricity Board and Bank staff about the Board's proposed expansion program. The next phase is likely to be carried out with assistance from the British Overseas Development Administration (ODA), but for the following one, which may include a multi-purpose hydro-scheme, Mauritius will probably wish to approach the Bank. A notional amount of \$4.0 million has been included in the lending program for FY 76.
3. Thanks in part to assistance provided under the 1963 Loan, the Board has developed into a competent and efficient organization. Its staff has accumulated considerable experience in public utility operations and may actually provide assistance to the recently created Central Water Authority during its formative period.
4. The Board has recently advised the Bank that a review of its tariffs is being considered to cover increased operating expenses resulting mainly from substantial increases in wages and salaries.

JDRoulet:lga
September 10, 1973

Credit No. 239-MAS - Mauritius Tea Development Authority Project;
\$5.3 million Credit of April 9, 1971; Closing date: December 31, 1977:

The project, which comprises the second phase of the Mauritius smallholder tea development program, was originally expected to add, during a three year period, 5840 acres of smallholder tea to the 4000 acres planted during the first phase of the program 1963-70. The project also includes the establishment, staffing and equipment of a new entity, the Mauritius Tea Development Authority (MTDA), to carry out and subsequently operate the scheme, the construction of two tea factories and the installation of laboratory facilities for leaf analysis. The original acreage was subsequently reduced to about 4500 acres following an assessment of land suitability. This reduced acreage includes about 1500 acres located in two blocks called Kanaka and Castillon, which are remote from available labor sources. During negotiations it had been considered essential that construction of villages in this area would be necessary in order to attract smallholders.

Field development to date has been satisfactory, but a substantial increase in costs has occurred amounting to 51% over the appraisal estimate, mainly because of a sharp increase in wages and in the cost of construction of factories. Disbursement percentages in the loan documents have been revised earlier this year to reflect these changes. As of August 31, 1973, \$1.9 million had been disbursed. The construction of villages in the Kanaka/Castillon area, however, has not started yet and we have on several occasions indicated to Government that it would be unwise for MTDA to go ahead with further planting in that area before the construction of villages has actually started.

We also suggested that in any event the final decision should be taken only after all relevant factors including the outlook for future tea prices, have been taken into account.

Following the Bank's latest supervision mission last June, we have written again to the Government to underline the risks of proceeding prematurely. Indeed, recent developments have worsened the prospects: tea prices continue to fall while wage rates in Mauritius are increasing rapidly, thus compounding the difficulty of the industry as a whole. As a result, many private planters may have to cease production and in fact these factors are reported to have caused the demise of the industry in neighboring Reunion.

Difficulties are also being faced in finding settlers and during the last few months the number of plots available for allocation has increased. While a large number of responses was received when those were publicly advertized a while ago, it is doubtful how many applicants will pursue their application or be found suitable. Furthermore, even if the original concept of the project was to be modified to develop the area as an estate

rather than as a smallholder scheme, it would still be increasingly difficult for MTDA to find labor.

Our latest information is that the Government is currently reviewing the entire scope of the project in light of the outlook of the tea industry as a whole. Statements appeared in the press recently that the planting program may be discontinued altogether and that only one factory may finally be built. In addition, the Project Manager, an ADS staff member, has just told us informally that the Government is unlikely to go ahead with the development of the Kanaka/Castillon area. We believe this to be the right move, but we are still awaiting official notification of the Government's final intentions.

Attachment: Mr. Husain's letter of August 22, 1973 to the Minister of Agriculture.

ag ml
August 22, 1973

The Honorable S. Boolell
Minister of Agriculture
and Natural Resources
Port Louis
Mauritius

Dear Mr. Minister:

MAURITIUS - Tea Development Authority Project
Credit 239-MAS

You will recall our discussions on the planting program for your tea project during my visit to Mauritius early this year, and in particular the question of the development of the Kanaka/Castillion area. In my letter of March 29, I explained why, we in the Bank, believed at the time that to develop the Kanaka/Castillion area prior to the construction of villages, would be premature and that in any event the final decision should only be taken after all relevant factors including the outlook for future tea prices, have been taken into account.

Since then, Mr. Whyte has visited Mauritius at the end of June, to review the status and prospect of the project, and in the light of his findings, I wish to write to you again to underline the risks of proceeding prematurely. Indeed, developments during the last few months have, in my opinion worsened the prospects: tea prices continue to fall while wage rates in Mauritius are increasing rapidly, thus compounding the difficulty of the industry as a whole. In fact, these factors are reported to have caused the demise of the tea industry in neighboring Reunion.

In my letter of March 29, I had stressed the difficulties faced in finding settlers; here also, the situation seems to have worsened. While the progress report for October/December 1972 stated that 77 of the 353 plots then available for allocation remained to be settled, Mr. Whyte has reported that by now only 186 smallholders have remained. As a result, 257 plots are now vacant. While a large number of responses were received when those were advertized, it is doubtful how many will pursue their application or be found suitable. Even if the original concept of the project were

to be modified to have TDA developed as an estate, it would still be increasingly difficult to find labor unless adequate living quarter facilities and roads are available.

As a result, we believe that three basic requirements should in any event be met before the Kanaka/Castillion area is developed: first, a decision should be reached on the project planters; second the supply of smallholders to take over existing plots and those becoming available in the future (including any now held by project planters), should be assured; and third, construction of villages and roads should be in progress. We know that it may be some time before these conditions can finally be determined, but in our opinion, the risks of wasting resources by proceeding prematurely are considerable.

Another important question I should like to raise with you concerns the introduction of the levy, presently fixed at two cents per half-kilo, on smallholder tea delivered to TDA. During my visit to Mauritius, officials in your Ministry and in the Ministry of Finance had explained in general terms why the Government wished to modify the arrangements agreed during the negotiations of the Credit, and had indicated that they would shortly come up with specific proposals. While we appreciate these reasons, we would be grateful if you could let us know whether the proposed levy would be sufficient to cover all of TDA's obligations, including recurrent administrative and operating costs and its obligations under the subsidiary loan agreement, as described in Section 4.03 of the Project Agreement. In case the levy would go only part of the way, we would appreciate knowing how Government proposes to cover TDA's obligations including for example, provision for restitution for cyclone damages and other contingencies. Finally, we understand that when project smallholders start selling leaf, a two-tiers levy may be introduced. We would appreciate knowing how the Government would propose to administer these arrangements. As you know, the provisions in the Credit Documents will need to be modified to reflect the new arrangements. Before taking steps to do so, we would appreciate receiving your comments on the above questions.

In his letter of June 29, 1973 to Mr. Lloyd, copied to your Ministry, Mr. Whyte raised some other matters relating to TDA's operations. In general physical development continues to be satisfactory though it has fallen somewhat behind schedule due to weather conditions. We are pleased that the recent weed problems have been overcome, that

arrangements have been concluded with the Sugar Industry Research Institute for foliar analysis, that the Dubreuil factory performance has improved considerably and that TDA's accounting system has been improved. We would, however, draw to your urgent attention the problem of tea roads in the pre-project smallholders areas. The condition of these roads has deteriorated sharply and is now causing serious losses in production and quality. The Chairman of DWC, Mr. Leal, assured TDA of the mission that work would commence immediately and we trust that it will be completed according to the schedule he provided. We should like to be kept informed of progress.

Finally, I should mention that consideration ought to be given before long to a replacement for Mr. Lloyd who will be leaving next February. We look forward to having your proposals for his successor in due course.

With kind regards.

Yours sincerely,

, Director
S. Shahid Husain
Country Programs Department II
Eastern Africa Regional Office

P.S: Just after I had signed this letter, I came across a news item in "L'Express" of August 16 confirming the poor prospects of the tea industry as a whole and announcing government plans to reorganize it. I would be grateful for your letting us have all relevant information.

RWhyte/HMalik/BQLan/JDRoulet:lga

cc: Mr. Dewar
Mr. Malik
Mr. Goldberg
Mr. Whyte
(Nairobi)

cc: Mr. R. Pyndiah
Financial Secretary
Ministry of Finance

Mr. Hçl. Lloyd
General Manager, TDA

Credit No. 313-MAS - Development Bank of Mauritius; \$3.5 million
Credit of June 23, 1972; Closing date: June 30, 1976:

The Development Bank of Mauritius (DBM) was established in 1963 by the Government to finance industrial and tourism development, as well as diversification of agriculture. Originally, it was a statutory corporation with no share capital and little organisational autonomy. Staff turnover was high due to a poor salary structure.

A Bank mission visited DBM in 1969; as recommended by the mission, DBM was endowed with a share capital (Rs. 10 million) provided by the Government; a new expatriate General Manager, whom the Bank helped to find, was appointed; the Board was enlarged and given increased scope for establishing personnel policies and interest rates for lending to industry were increased to 8-12%.

In January 1972, a Bank mission appraised DBM for an IDA Credit of \$3.5 million which was granted in June 1972. Of this \$500,000 was to assist in financing the completion of DBM's first industrial estate project and to finance consultants to draw up plans for a new industrial estate. This study formed the basis for the Project financed with Credit 411-MAS of June 29, 1973, which is being implemented by
 DBM.

DBM's operations have increased dramatically recently: approvals of loans for medium and large-scale and tourism increased from Rs. 5.5 million in FY 71 to Rs. 8.1 million in FY 72 and to Rs. 18.9 million for the first half of FY 73. Its loans to this sector are primarily to foreign firms, most of which are associated with Mauritian investors, and which are taking advantage of low wages and Government incentives to produce for the export market. At the smaller end of the size spectrum, DBM has been actively developing its assistance to small-scale industries, handicrafts and small farmers. DBM has established seven regional offices largely to serve the small scale sector.

DBM is a fully governmental institution, with close operational links with the Government, but it exercises independent authority in making individual investment decisions. A Bank mission is presently in Mauritius to appraise it for a second project since the present IDA Credit is likely to be committed by the end of the year, about six months ahead of schedule. Before Bank involvement, DBM's economic analysis in its project appraisal work was very thin. The company's performance in this area is improving and generally speaking, the company is performing well, and has the requisite capacity to increase its effectiveness in the future.

Credit No. 411-MAS - Industrial Estate Project

\$4.0 million; Credit of June 29, 1973; Closing

Date: June 30, 1980

The Project was approved by the Executive Directors on June 28, 1973. The agreements were signed the next day, June 29, and are expected to become effective shortly (deadline: September 28).

The Project will establish an industrial estate at Coromandel, four miles southwest of Port Louis. It will aim at meeting demand for industrial space and at promoting the growth of export-oriented industries and creating productive employment opportunities. The Project consists of the following major elements:

- development of about 60 acres of land into plots for industrial enterprises (including one plot for a management and commercial center);
- construction of standard industrial buildings and individual factory buildings and of a management and commercial center;
- construction of an internal road network and installation of a sewerage treatment plant and of water, power and telephone facilities.

The Project, which will be owned and managed by the Development Bank of Mauritius is estimated to cost \$8.0 million. The IDA Credit of \$4.0 million is to be relented to DBM at an interest rate of 7 1/4 percent per annum for twenty years including a grace period of five years.

The industries to be established on the estate are expected to create 5,000 jobs by 1980 rising to 8,000 by 1985, most of them involving training and skill upgrading of unskilled and/or unemployed workers. The industries on the estate will represent an estimated capital investment of US\$58 million and by the mid-1980's, corporate income taxes should approach US\$5 million per annum. Net foreign exchange earnings after allowing for profit remittances and repatriation of imported capital, on the conservative assumption that all the invested capital is foreign, should approach US\$20 million per annum in the late 1980's. The estate is also expected to act as a strong stimulus to indigenous entrepreneurship and small-scale industry development.

The financial return of the project, on a constant rupee basis assuming 90 percent occupancy over a 20-year period, is 15.4 percent.

Credit No. 419-MAS - Rural Development Project; \$1.0 million
Credit of July 9, 1973; Closing Date: February 29, 1976

The Project was approved by the Executive Directors on July 3, 1973. The agreements were signed on July 9 and are expected to become effective shortly (deadline: October 12).

The Project covers the next two years (FY1974 and 1975) of Mauritius' program of rural development and employment creation. While it does not purport to solve the problem of rural poverty and unemployment in Mauritius, it constitutes a step in that direction and is the first case of a Bank Group financed project for a rural public works program with the creation of productive employment as its major objective.

The Project includes the following elements:

- a) Improvement works in 86 villages;
- b) Terracing of about 1,000 acres of land;
- c) Afforestation of about 4,000 acres of scrub land;
- d) Fodder planting on about 1,000 acres;
- e) Technical and consultant services;
- f) Training

The Government's overall rural development program will be coordinated at Ministerial level by the Rural Development Committee of the Cabinet, charged with overall project policy determination. This Committee, which is chaired by the Prime Minister, includes most Cabinet Ministers. The Rural Development Unit, a distinct entity within the Ministry of Economic Planning, serves as the Committee's Secretariat and is in charge of coordinating all project elements and of screening proposed schemes. Actual construction works will be carried out by the Development Works Corporation (DWC).

The total cost of the project is estimated at US\$11.0 million equivalent with a foreign exchange component of US\$3.1 million. The IDA credit of US\$4.0 million will finance US\$2.0 million of the foreign exchange cost and US\$2.0 million of local expenditures. Parallel financial support of US\$1.8 million equivalent is expected to be provided by UNDP, UNICEF, and bilateral aid (U.S., U.K., France, India) which have been supporting the ongoing DWC rural development program through contribution of food given to workers in lieu of wages (USAID), technical services (U.K., India, UNDP and France) and vehicles and equipment (U.K. and UNICEF). The balance of US\$3.7 million, as well as any shortfall in bilateral assistance, will be provided by the Government of Mauritius.

The project will give temporary employment to about 7,400 currently unemployed workers and, after completion, provide permanent employment for about 1,000 people. In addition, most of the benefits of the project are expected to accrue to the lowest income groups. The project would also yield direct economic benefits in the form of increased production of agricultural

and forest products, and the creation of infrastructure and social amenities at the village level. No attempts have been made to calculate a rate of return for the village improvement component, since most of the benefits would be of a non-quantifiable kind such as better health care or improved water supply. An attempt will be made through a system of monitoring and evaluation to assess ex-post the impact of the program in improving village life. An important objective of making village life more productive and attractive is that permanent migration of villagers to the Port Louis/Curepipe urban axis would be reduced. Economic rates of return are estimated at 14 percent for bench terracing, 13 percent for fodder planting and 8 percent for afforestation. Bench terracing, fodder planting and afforestation represent about one-third of the project.

FUTURE OPERATIONS

In addition to the Second Development Bank Project mentioned in the summary of Credit No.313-MAS above, the following projects are under consideration:

Port Development

An appraisal mission returned last June and the project is currently expected to be ready for Board presentation early in 1974. Total cost of the project is estimated at \$12.3 million of which \$9.1 million is foreign exchange. The project would improve port facilities at Port Louis and include: the construction of two deep-water general cargo berths; dredging of the harbor; provision of mechanical cargo handling equipment; consultant services for detailed engineering and construction supervision and technical assistance for Board administration, cargo handling operations and accounting. The United Kingdom (ODA) is expected to finance the purchase of mechanical cargo handling equipment and dredging works amounting to about \$1.8 million (including some elements of local cost financing). Bank Group financing would cover the balance of foreign exchange requirements amounting to \$7.8 million.

Water Supply and Sewerage

The project as envisaged comprises: improvement of facilities including the construction of service reservoirs and extension of the distribution system. The Central Water Authority would be the beneficiary. ODA is currently undertaking studies on water supply and sewerage in Mauritius, which are expected to be completed by the end of the calendar year and the project could be appraised shortly thereafter. A pre-appraisal mission is scheduled for late September.

IFC INVESTMENTS IN MAURITIUS

Existing Projects

Dinarobin Inns & Motels Limited

The company was established in 1970 to develop beach hotels on the island. New Mauritius Hotels operates three major hotels on the island. It is controlled by Rogers and Company, the major firm in the Mauritius tourist industry, which also provides management for the two hotels in the project.

Both hotels were completed on schedule (December 1971 and November 1972) at a cost of Rs 11,825,000 (US\$2.3 million) against a projected cost of Rs 9,700,000 (US\$1.9 million). The overrun is currently being financed by overdraft to be paid off in due course by cash generation or additional share capital subscriptions.

The tourism traffic to Mauritius has increased much faster than projected and the Company's revenue suggests it is getting a share of the increased market. Bed occupancy rates have been substantially higher than projected and the expansion that is already underway at Trou aux Biches seems justified.

The IFC investment consists of a loan amounting to US\$640,394 equivalent. It is being guaranteed by Mauritius Commercial Bank. The total has been disbursed. The loan will be repaid over 10 years starting July 1973.

New Projects

Two inquiries have been received, one relating to a pulp and paper project sponsored by Taiwan Pulp and Paper Corporation and one regarding a 150 room first-class beach hotel sponsored by the Oberoi Group in India. Both of these projects are in a very preliminary stage. Feasibility studies are presently under preparation.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 12, 1973

FROM: William S. Gaud *WSG*SUBJECT: Mauritius - IFC Investment

In view of your forthcoming visit to Mauritius I am enclosing a brief memo on Dinarobin Hotel Project in which IFC has made a loan of £250,000. The project has been completed on schedule.

CHassan :mm

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one copy
Hj 9/12*

Mauritius (cont'd)

IFC Investment Data

	<u>Amount</u>	<u>Terms and Features</u>	<u>Disbursement Status</u>	<u>Amount Held</u>	
				<u>By IFC</u>	<u>By Participants</u>
Loan (in Sterling)	£250,000	9.5%; repay- able over 10 years starting July 1973	£250,000 disbursed	£210,000	£40,000

The IFC loan is guaranteed by Mauritius Commercial Bank.

Operational Results

The total number of tourists visiting Mauritius has risen dramatically from 20,587 in 1969 to 36,398 in 1971. The Company's revenue and occupancy rates have as a result been considerably higher than projected in the Board Report (54% bed occupancy rate for FY 1972 as compared with 35% projected). Profits have also been higher although management fees and operating expenses are considerably higher than projected.

	<u>12 months to June 30, 1972 Audited</u>	<u>9 months to March 31, 1973 Unaudited</u>
	(Rs. '000)	
Sales	1,244	3,322
Net income (loss)	(23)	294
Net income as % of equity	(1.0)	6.9
Long-term debt/equity	-	0.51
Current ratio	0.07	0.32
Debt service coverage	-	4.57

An expansion of the Trou aux Biches facility is already under way. The expansion of 10 villas together with 15 villas to be leased from the Government will enable the Company to meet a rapidly increasing demand. The expansion project, with an estimated cost of Rs. 7 million will be financed locally.

Mauritius (Rs. 5.37 = US\$1)

Dinarobin Inns & Motels Limited (101 MAU), approved May 20, 1971

Company Objective and Background

The company was established in 1970 to develop beach hotels on the island of Mauritius. Major shareholders are New Mauritius Hotels (38%) and Rogers & Company (12%). A group of investors, including Mauritius Commercial Bank, Anglo Mauritius Assurance Company and Mauritius Brewery, provided 26% of the share capital, and the remaining 24% was raised by way of a public offering. New Mauritius Hotels operates three major hotels on the island. It is controlled by Rogers and Company, the major firm in the Mauritius tourist industry, which also provides management for the two hotels in the project.

The project provides jobs for some 200 persons and its net foreign exchange earnings are projected to amount to Rs. 3.3 million annually.

Project Cost and Financing

IFC helped finance the 168-bed Trou aux Biches Hotel and the 192-bed Dinarobin Pierre Desmarais Hotel. The two hotels started operations virtually on schedule in December 1971 and November 1972 respectively. The cost of the Desmarais Hotel has not been finally established but the present estimate of the total cost of the two units is Rs. 11,825,000 compared with the original estimate of Rs. 9,700,000. The overrun will be financed by additional equity and/or cash generation.

	<u>Original Project Financing</u>	<u>Capitalization 3/31/73</u>
	(Rs. '000)	
Short-term debt	-	2,916
Long-term debt	5,500	2,722
Share Capital	4,000	5,120
Cash Generation	<u>200</u>	<u>248</u>
	<u>9,700</u>	<u>11,006</u>

Draw-down of the balance of the long-term loans and payment for the additional equity will eliminate the short-term debt.

H

PRELIMINARY LIST OF PROJECTS

WITH

ESTIMATED GOVERNMENT AND UNDP INPUTS
IN FINANCIAL TERMS FOR THE PERIOD 1972-1975

ANNEX I

Page 1

Country : Mauritius

ESTIMATED TOTAL GOVERNMENT FINANCIAL INPUT : Rs. 5,263,000 ++
(in Local Currency Units)

IPF : US \$ 5,000,000

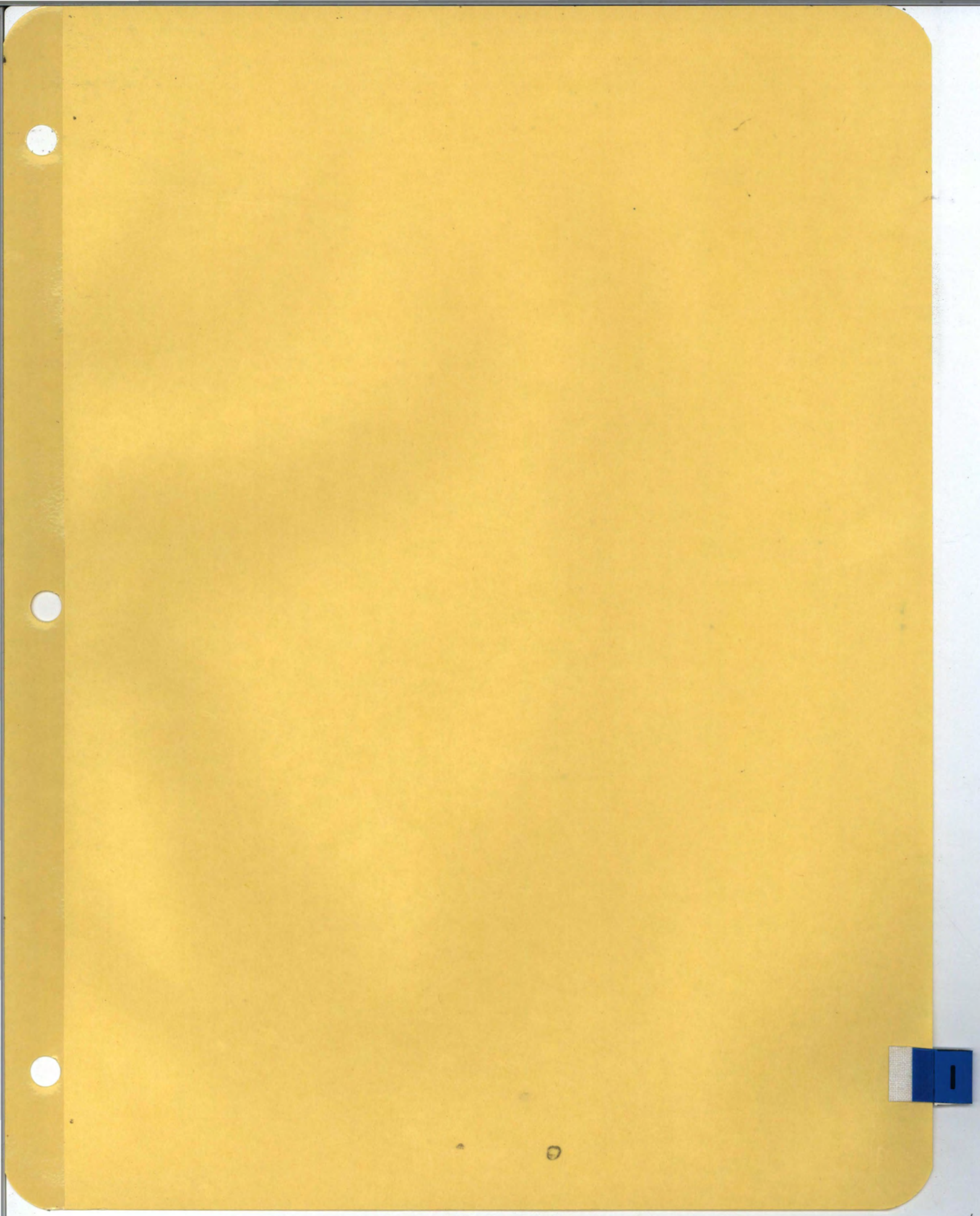
Estimated Government Inputs in Thousands of Rupees					Activities by Sector	Estimated UNDP Inputs in Thousands of US \$				
1972	1973	1974	1975	Total		Total	1972	1973	1974	1975
					Sector : <u>ECONOMIC PLANNING</u>					
					A. <u>Ongoing/Approved Projects</u>					
				+	i) Sectoral Programmer (UN/MAR/69/3)	100	35	35	30	-
				+	ii) Sociology of Development (UNESCO/MAR/70/2)	40	40	-	-	-
				+	iii) Expert in Industrial Export Development (UNIDO/MAR/71/4)	105	35	40	30	-
					Sub-total "A"	245	110	75	60	-
					B. <u>New Projects</u>					
					Nil					
					Sub-total "B"	-	-	-	-	-
					Sub-Total ECONOMIC PLANNING	245	110	75	60	-
					Sector : <u>HEALTH</u>					
					A. <u>Ongoing/Approved Projects</u>					
					Nil					
					Sub-total "A"	-	-	-	-	-
					B. <u>New Projects</u>					
-	575	534	319	1,428	i) Environmental and Occupational Health	285	-	135	75	75
-	119	137	138	394	ii) Nutrition Education	267.5	-	70	157.5	40
-	694	671	457	1,822	Sub-Total "B"	552.5	-	205	232.5	115
-	694	671	457	1,822	Sub-Total HEALTH	552.5	-	205	232.5	115

Estimated Government Inputs in Thousands of Rupees					Activities by Sector	Estimated UNDP Inputs in Thousands of US \$				
1972	1973	1974	1975	Total		Total	1972	1973	1974	1975
Sector : <u>EDUCATION</u>										
A. <u>Ongoing/Approved Projects</u>										
195	-	-	-	+ 195	i) Economic Research (FAO/MAR/69/2)	30	30	-	-	-
					ii) National System of Vocational and Technical Training (MAR 3)	90	90	-	-	-
195				195	Sub-total "A"	120	120	-	-	-
B. <u>New Projects</u>										
125	225	225	125	700	i) Institute of Education	400	72.5	135	125	67.5
156	66	-	-	+ 222	ii) Supervisory Training	30	15	15	-	-
					iii) Hotel and Catering Training Centre(MAR 10)	195	140	55	-	-
281	291	225	125	922	Sub-Total "B"	625	227.5	205	125	67.5
476	291	225	125	1,117	Sub-Total EDUCATION	745	347.5	205	125	67.5
Sector : <u>LABOUR AND SOCIAL SECURITY</u>										
A. <u>Ongoing/Approved Projects</u>										
				+ 30	i) Codification of Labour Legislation (ILO/MAR/69/9)	30	30	-	-	-
				+ 30	ii) Pension Schemes (ILO/MAR/71/1)	30	30	-	-	-
					Sub-Total "A"	60	60	-	-	-
B. <u>New Projects</u>										
Nil										
					Sub-Total "B"	-	-	-	-	-
					Sub-Total LABOUR AND SOCIAL SECURITY	60	60	-	-	-

Estimated Government Inputs in Thousands of Rupees					Activities by Sector	Estimated UNDP Inputs in Thousands of US \$				
1972	1973	1974	1975	Total		Total	1972	1973	1974	1975
					Sector: <u>CIVIL AVIATION</u>					
					A. <u>Ongoing/Approved Projects</u>	-	-	-	-	-
					Nil					
					Sub-Total 'A'	-	-	-	-	-
					B. <u>New Projects</u>					
				+	Training (Fellowships)	100	10	30	30	30
					Sub-Total 'B'	100	10	30	30	30
					Sub-Total CIVIL AVIATION	100	10	30	30	30
					Sector: <u>METEOROLOGY</u>					
					A. <u>Ongoing/Approved Projects</u>					
					Nil	-	-	-	-	-
					Sub-Total 'A'	-	-	-	-	-
					B. <u>New Projects</u>					
				+	Training (Fellowships)	50	10	10	15	15
					Sub-Total 'B'	50	10	10	15	15
					Sub-Total METEOROLOGY	50	10	10	15	15

Estimated Government Inputs in Thousands of Rupees					Activities by Sector	Estimated UNDP Inputs in Thousands of US \$				
1972	1973	1974	1975	Total		Total	1972	1973	1974	1975
					Sector : <u>COMMERCE AND INDUSTRY</u>					
					A. <u>Ongoing/Approved Projects</u>					
					+ i) Trade Promotion and Marketing (UNCTAD/MAR/68/1)	60	30	30	-	-
					Sub-total "A"	60	30	30	-	-
					B. <u>New Projects</u>					
					+ i) Project Formulation & Evaluation	240	50	85	85	20
					+ ii) Marketing (Data Collection Group)	140	42.5	60	30	7.5
					+ iii) Industrial Promotion Group	180	-	40	80	60
					+ iv) Transportation Facilities Study	75	60	15	-	-
					+ v) Labour Productivities	90	30	30	30	-
					+ vi) Industrial Standards Bureau	200	60	70	70	-
					Sub-total "B"	925	242.5	300	295	87.5
					Sub-Total COMMERCE AND INDUSTRY	985	272.5	330	295	87.5
					Sector : <u>AGRICULTURE</u>					
					A. <u>Ongoing/Approved Projects</u>					
					+ i) Chief Agricultural Adviser (FAO/MAR/70/5)	30	30	-	-	-
					+ ii) Soils Physics (FAO/MAR/69/14)	30	30	-	-	-
751	556	556	361	2,224	iii) Milk & Meat Production (MAR 4)	600	200	150	150	100
100	-	-	=	100	iv) Fishery Development (MAR 5)	40	40	-	-	-
851	556	556	361	2,324	Sub-Total "A"	700	300	150	150	100

Estimated Government Inputs in Thousands of Rupees					Activities by Sector	Estimated UNDP Inputs in Thousands of US \$				
1972	1973	1974	1975	Total		Total	1972	1973	1974	1975
					B. <u>New Projects</u>					
				+	i) Adviser on Agricultural Research	15	15	-	-	-
				+	ii) Ecologist	40	20	20	-	-
				+	iii) Fishery Development Advisory Services	100	15	30	30	25
					Sub-Total "B"	155	50	50	30	25
851	556	556	361	2,324	Sub-TOTAL AGRICULTURE	855	350	200	180	125
					Sector: <u>CO-OPERATIVES</u>					
					A. <u>Ongoing/Approved Projects</u>					
					i) Agricultural Marketing (FAO/MAR/68/2)	40	40	-	-	-
					Sub-Total "A"	40	40	-	-	-
					B. <u>New Projects</u>					
					Nil					
					Sub-total "B"	-	-	-	-	-
					Sub-total CO-OPERATIVES	40	40	-	-	-
++ 1,327	1,541	1,452	943	5,263	GRAND TOTAL	3,632	51,195	1,090	907.5	440
<p>+ The necessary logistic support will be provided by the Government</p> <p>++ This excludes items marked with +</p> <p>Titles of ongoing projects shown in this table are as at present established, but will be revised together with terms of reference where applicable.</p>										



PRESS AND RADIO

Mauritius has a well developed system of mass communication. There are 12 daily newspapers, 11 weeklies, 1 bi-weekly, 5 fortnightlies and monthlies. The total circulation of the dailies is around 80,000, i.e. one paper for every 10 persons. Given the size of the country and the very good road network, newspapers find their way daily to every nook and corner of the island. It is worth mentioning that one of the dailies, le Cermeen, ranks among the oldest papers in the world, dating back to 1832.

The radio and television services are run by the Mauritius Broadcasting Corporation, an autonomous body. Set up in June 1964, it is responsible for providing independent and impartial broadcasting services, information, education and entertainment in English, French, Chinese, Indi, Urdu and Tamil. Prior to the setting up of the Corporation, the broadcasting service was an integral part of the Government service. The television service was inaugurated on February 8, 1965.

It is estimated that a radio set is found in every other house. At present, there about 85,000 radio sets and about 15,000 television sets for a population of about 823,000. All village councils and social welfare centers are provided with radio and TV sets and newspapers. 53 cinema halls with a total seating capacity of 52,000 are scattered throughout the Island. More than 50 percent of these cinema halls are found in the rural areas.

The Ministry of Information operates the Reuters News Service. The beam from London is monitored by the H.M.S. Mauritius station at Tombeau-Bay. Ten newspapers subscribe to the service at a nominal fee of Rs 1,000 per year.

Agence France-Presse news service in French is also operating in the country.