PJ BAS 834

AID 1120-1 (6-66)

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PAAD

PROGRAM ASSISTANCE
APPROVAL DOCUMENT

1. PAAD NO.
642-K-603

2. COUNTRY
Mauritius

OFFICIAL PROJECT DOCUMENT

3. CATEGORY
Commodity Financing

4. DATE

5. TO:
John W. Koehring
Director, REDSO/ESA

6. OYB CHANGE NO.
N/A

7. FROM:
James Dempsey
REDSO/ESA - Projects Division

8. OYB INCREASE
N/A

TO BE TAKEN FROM:
N/A

9. APPROVAL REQUESTED FOR COMMITMENT OF:
$ 2,000,000

10. APPROPRIATION - ALLOTMENT

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

12. LOCAL CURRENCY ARRANGEMENT: ☐ INFORMAL ☒ FORMAL ☐ NONE

13. ESTIMATED DELIVERY PERIOD: June 1984-May 1985

14. TRANSACTION ELIGIBILITY DATE

15. COMMODITIES FINANCED

All items listed in the AID Commodity Eligibility Listing - 1981 Edition will be eligible for financing. It is anticipated, however, that the procurement will consist entirely of bulk importation of degummed vegetable oil

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:	Code 000	U.S.:	2,000,000
Limited F.W.:	–	Industrialized Countries:	–
Free World:	–	Local:	–
Cash:	–	Other:	–

18. SUMMARY DESCRIPTION

This grant program will support U.S. political, strategic and economic objectives in the region by providing necessary balance of payments and budgetary support to the Government of Mauritius (GOM). Based on an analysis of the structure of trade and assistance in Mauritius and given the successful implementation of the FY 1982 and 1983 CIPs, the design team and the Embassy have concluded that the most appropriate mode of assistance is a continuation of direct balance of payments support to permit importation of necessary commodities from the United States. It is proposed that the counterpart funds generated from the importation of U.S. commodities will be used to support GOM programs for industrial estate development, tourism promotion, and small business and industry financing. Funding of these local currency activities is subject to final agreement by AID and the GOM. Disbursement of foreign exchange is conditioned only on the routine conditions precedent of submission of a legal opinion, representative signatures, and a procurement plan.

19. CLEARANCES

		DATE
REG/DP PROJ:	Jim Graham	5/2/84
REG/GC RLA:	K. Hansen	5/9/84
AA/PC RSA:	Lyn Dunn	5/3/84
A/CONT ECON:	Stu Callison	5/2/84
AA/MR RFMC:	Gary Eidet	5/9/84
AA DFPE D/DIR:	Peter Bloom	5/9/84

20. ACTION

☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE / DATE

Director, REDSO/ESA

TITLE

Mauritius: FY 1984 CIP Program Grant (CIP III)

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I. SUMMARY AND RECOMMENDATIONS

The following are the principal features of the proposed commodity import program for Mauritius:

Activity: Mauritius FY 1984 CIP 642-K-603 (CIP III)

Terms and Conditions: ESF grant funding for $2,000,000

Authorized Source: AID Geographic Code 000 (US only)

Program Justification: This program will support US political, strategic and economic objectives in the region by providing necessary balance of payments and budgetary support to the Government of Mauritius (GOM). Based on an analysis of the structure of trade and assistance in Mauritius, and given the successful implementation of the FY 82 and FY 83 CIPs, the design team and the Embassy have concluded that the most appropriate mode of assistance is a continuation of direct balance of payments support to permit importation through the private sector of necessary commodities from the United States.

Program Description: A two-phased assistance program is proposed, drawing upon the positive experience of similar programs from the previous two years. First, $2.0 million of ESF grant funds will finance edible oil requirements of the private commercial sector using the CIP mechanism. We anticipate that this will entail financing the commercial importation of approximately 3,200 tons of degummed vegetable oil from the US. Second, the estimated Rs. 24 million in local currency that will be generated under this program will be deposited in a separate government account available to support three mutually agreed upon development-related activities. The activities are:

1) Development of an Industrial Estate by the Development Bank of Mauritius (DBM) - Rs. 16,500,000;

2) Tourism Promotion through support of the Mauritius Government Tourist Office (MGTO) - Rs. 4,000,000; and

3) Replenishment of the DBM's Small Scale Industry and Business Financing Scheme - Rs. 3,500,000.

PAAD Issues from Africa Bureau ECPR:

The Executive Committee Project Review identified three issues to be addressed in the PAAD:

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1. Diversification of Manufacturing Exports

The Mauritius Export Processing Zone (EPZ) has a concentration of firms in the garment industry. ECPR suggested CIP financing of a study to determine how the EPZ might achieve diversification of its exports. The Ministry of Economic Planning and Development (MEPD) with support from the IBRD Credit, Technical Assistance Project, is undertaking a series of studies to examine incentives and comparative advantages that could be used to promote diversification of the EPZ. No CIP generated local currencies will be required in this area. As suggested by the ECPR, the results of the studies may open some opportunities for CIP funding next year.

2. Equity Loan Fund

The GOM and PAAD team decided not to use CIP generated local currencies to support the Equity Loan Fund.

3. Factory Construction

The planned program for industrial estate development by DBM includes both preparation of sites and services as well as factory construction. The ECPR questioned the priority of DBM construction and ownership of factory space. First, it should be noted that the GOM and DBM encourage, to the extent feasible, private sector development of industrial space. The DBM finances the construction of factory buildings by the manufacturer/operator as part of many of its start-up loans. The GOM has leased or sold land at concessionary rates to attract companies which will be constructing their own building. However, the garment industries, which make up most of the new or expanding firms in Mauritius, prefer to rent rather than build. At present, there is a shortage of preferred ground floor space because of the recent upsurge in demand. The GOM is modifying the Development Certificate (DC) laws so industrial site developers will receive the tax advantages under the special arrangements of the DC. For the present, however, no developer is moving forward quickly enough to meet the immediate demand. One particular problem causing this delay is that private sector developers have been hesitant to construct new space fo· garment industry firms which have a history of transiency from country to country. The GOM believes that, although the financial returns to the private sector may make investment unattractive, the high economic returns, especially in relation to employment generation, make it an attractive investment for the public sector.

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Program Implementation: The proposed program will be implemented by the Ministry of Finance in coordination with the Ministry of Economic Planning and Development. Individual activities financed with local currency generations will be implemented by the governmental entities charged with their development and implementation. Discussions have been held with all entities participating in this program, including the private sector importer of edible oil, and agreement on program implementation has been reached.

REDSO/ESA, with the support of the American Embassy in Mauritius, will be responsible for program monitoring. The principal REDSO backstop officer is Jim Dempsey, Project Officer; additional assistance will be provided by a REDSO program implementation committee.

Disbursement Period: The PAAD team recommends a period of 12 months for commitment and 18 months for disbursement of all foreign exchange resources. We anticipate that disbursement of all local currency proceeds will occur within a period of two years.

Congressional Notification: The announcement of this Program was made in the Congressional Presentation Fiscal Year 1984, Annex 1, Africa, page 184. No further notification is required.

Statutory Checklists: All required checklists have been completed and are included in Annex D to the PAAD.

Negotiations Status and Conditions: The PAAD design team has held numerous discussions with interested ministries and public and private sector entities and organizations to ascertain the appropriateness of the proposed program and to resolve any outstanding issues. Agreement has been reached on the commodity to be imported and on the uses of the CIP local currency proceeds.

Given our experience under the first CIP and the familiarity of the parties with AID procurement procedures and regulations, and barring unforeseen mishaps, we are confident that the implementation of CIP III (642-K-603) will proceed smoothly.

The grant agreement will provide for the use of a Special Account for local currency proceeds and that if any funds from the Special Account are used by the GOM to make loans, all funds received in repayment of such loans shall be reused only for purposes agreed to by the GOM and AID. No problems are foreseen in the negotiation of that agreement. A request for

Recommendation: It is recommended by the PAAD team that a grant commodity import program in the amount of US $2,000,000 be authorized for Mauritius.

PAAD Committee:

James Dempsey, Project Officer, REDSO/ESA
Stu Callison, Economist, REDSO/ESA
Lynn Dunn, Supply Mgmt. Officer, REDSO/ESA
Kathleen Hansen, RLA, REDSO/ESA
Shariff Jathoonia, Economic/Commercial Specialist, AmEmbassy, Mauritius
Dennis Light, Engineer, REDSO/ESA
Clare Cavolo, Economic/Commercial Officer

II. PROGRAM BACKGROUND AND RATIONALE

A. The Setting

The island nation of Mauritius covers 720 square miles and has a population of one million consisting of Hindus, Muslims, Creoles, Sino-Mauritians and Franco-Mauritians. The polyglot population mirrors the island's mixed history of French and British domination, and the importation of a large number of Indians as indentured laborers following the abolition of slavery in 1833. Hindus and Muslims of Indian descent constitute 67 percent of the population; the Creoles, descending from African slaves mixed with other racial strains, make up 29 percent, whereas the Chinese represent 3 percent of the population, and the Whites, 1 percent. Despite the heterogeneity of the population, a distinctive Mauritian cultural identity has emerged. Although English constitutes the official language, and French and Hindi are widely spoken, Creole represents the prevailing language of communication for Mauricians.

While the population density is very high, at 1,333 inhabitants per square mile, the population growth is a modest one percent per annum, largely resulting from a successful family planning program introduced in the 1960's. With an estimated per capita income of $1,056 in 1983, Mauritius enjoys a standard of living comparable to those in middle income countries in terms of nutrition, literacy, health care and educational facilities. However, the income distribution is relatively more uneven than in other developing countries owing to the historical dominance of the sugar estates and the rapid

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growth of a new industrial class. In 1980-81, the median monthly income of households was $150 as compared to $92 in 1975. While poverty is found in both rural areas and urban concentrations on the island of Mauritius, it is particularly prevalent on the other islands.

B. Political Overview

The Mauritian political system is a parliamentarian one within the Commonwealth, with the Queen of England presiding as titular head of state, represented by a governor-general. Since Independence in 1968, Mauritius has been governed by democratically elected political parties and coalitions which have generally espoused non-alignment, with a pro-Western bias in foreign policy and a mixed economy domestically.

During a nine-month period in 1982-83 when the Mauritian Militant Movement (MMM) dominated the government, the MMM developed a more strictly defined non-alignment which was not as favorable to US and Western interests, although the major trade partners are Western countries such as France, U.K. and the U.S. Since the August 1983 elections, which brought in a government more similar in political and economic philosophy to the pre-1982 governments, the GOM has maintained its membership and credibility in the Non-Aligned Movement (NAM), but with a distinctly pro-Western bias. The current government has voted favorably to US interests in the UN on such key issues as the Soviet invasion of Afghanistan, the exclusion of the Puerto Rico question from the agenda, and the UN consideration on Central America. While it has maintained its claims to Diego Garcia, it has significantly muted the previous MMM government's criticism of the US military presence in the Indian Ocean. Indeed, the current government has specifically asked the USG to help it solve it's unemployment problem by hiring Mauritian laborers to work on an operations/maintenance contract for the US military facilities at Diego Garcia. The Mauritian government also has expressed the desire to sell fresh fruits and vegetables to the US fleet as another means to create jobs in Mauritius.

C. GOM Development Strategy

The government in Mauritius has set out a development strategy which has as its goal economic self-reliance. At the same time, the GOM realizes that, as a small, isolated country, it does not have the resources or markets to develop without substantial foreign trade. Government officials and a recent White Paper, "Towards Increasing Self-Reliance," acknowledge the comparative advantage and crucial role of sugar production and export processing. Thus, the government's major development objectives are:

- "To enable the country to attain a degree of greater self-reliance which will minimize the adverse effect of world economic instability on the national economy."

- "To achieve a high rate of economic growth which will raise incomes and standards of living of all citizens while providing productive employment to the large backlog of unemployment and to newcomers of the labor market."

The most serious affronts to self-reliance and sustained economic growth are the recurrent balance of payment deficits and the heavy external borrowing required to finance government. As part of its strategy, the GOM has instituted a series of macro-economic policies and programs to bring the national economy into a balance for sustained economic growth. These policies and programs are discussed in the Economic Overview (Section IIIA), but it is important to note that the government's long term development strategy depends on the success of short term measures to cut government fiscal deficits, balance of payments, and external borrowing. The GOM is primarily relying on the IMF standby credit arrangements and the World Bank's Structural Adjustment Loan to help them through the period of economic adjustment. Significant donor assistance is also required.

The new government has taken a very pragmatic approach to structural adjustment and economic development. It realizes that historically the economic success which Mauritius has experienced has been based on a free market approach to development. It has chosen to emphasize and depend upon private productive sector development to get the economy moving again. Achievement of the longer term goal of self-reliance will require diversification and development of agriculture, export processing and light industries. All of these areas are dominated by the private sector and are the most productive and growth oriented in the economy.

To increase self-reliance and to achieve economic adjustment, Mauritius must make its fertile land more productive and more effective for national development. These lands are almost wholly under cultivation with 90% devoted to sugar cane. Some adjustment of present land use is required to limit dependence on this one crop and increase production of food crops. The GOM has proposed a vigorous program of agricultural diversification to reduce food imports (presently accounting for 25% of total imports) and, where feasible, to extend the role of agriculture as foreign exchange earner. The program seeks to maximize food production, to increase sugar yields, to rationalize tea and tobacco production, to develop high-value export crops other than sugar, and to promote local livestock production.

Making more resources available for foodcrops does not necessarily mean that sugar production will be reduced. The objective of the government is to increase yields and sugar processing efficiency to keep sugar production at marketable levels, while at the same time utilizing cane interline cropping and crop rotation to expand foodcrop production. The Commission on Enquiry on the sugar industry has suggested the land under sugar be reduced by 1% per year starting in 1987 if yields can be increased enough to keep total production constant. The idea is being reviewed by the GOM.

In the industrial sector, which is composed of light industries, primarily the garment manufacturers in the Export Processing Zone (EPZ), existing companies are expanding and new industries are coming to Mauritius. This new interest in Mauritius results primarily from:

1. The world wide economic recovery;
2. Mauritius' special access to the EEC markets through the Lome Convention;
3. The low local labor costs which are now below most countries in the Far East; and
4. GOM and private sector promotion of the EPZ.

Although the long term strategy is to diversify the type of industry in Mauritius, because of the overwhelming unemployment problem, the GOM is vigorously encouraging the expansion of the garment industry in the EPZ. With the high employment requirements of garment manufacturing, the GOM sees expansion of this industry as the primary means of solving the most serious economic and social problem in Mauritius, high unemployment. At the same time, the GOM is not ignoring the need to attract non-textile foreign investment.

One of the key instruments to the immediate expansion of the EPZ is the lack of industrial space for manufacturing and appropriate sites for factory construction. The GOM believes that public and private sector action in these areas is needed immediately and is placing highest priority on factory construction and supporting infrastructure development on industrial estates.

Tourism represents another GOM development objective. In order to tap new markets and diversify away from traditional ones, expenditures on tourism promotion campaigns will be increased. As the third largest foreign exchange earner, tourism has the potential to add substantially to the economic development of Mauritius.

Although the focus of the economic adjustment program is on the revitalization of the productive sectors, the GOM will continue to finance social programs at approximately the same level as last year (26.7% of recurrent budget). Expenditures for health, education and other social services will have to be examined closely with a view to ensuring that they are cost-effective and that they do not prejudice future growth. Fiscal discipline will be required throughout the economic adjustment period.

D. US Assistance Strategy

Mauritius has received modest bilateral US assistance since its independence in 1968. After independence, US assistance was limited to a PL-480 Food-for-Work program and the Ambassador's Self-Help Fund. In recent years, PL-480 programs under both Title I and Title II were initiated. In 1980, a HIG program was approved but was not drawn done owing to high interest rates in the US, and GOM limitations on investments in housing. Movement is underway for the HIG program to be signed in 1984.

Due to economic difficulties, the US provided a $2 million Economic Support Fund grant in FY 1982 and the same amount in FY 1983. ANother $2 million in ESF is proposed for FY 84. The rationale for these grants is based upon the political importance of Mauritius to US strategic interests in the Indian Ocean; Mauritius' willingness to receive US naval ships at its port facilities; the democratic principles and practices within the Mauritian political system; and residual claims on Diego Garcia. None of these conditions has altered with the elections in August 1983. On the contrary, the necessity of maintaining good relations has become more urgent.

The strategy for the present AID program of PL-480, ESF and a modest training program is three-pronged:

1. To support agricultural diversification, and sustainable food policies;

2. To promote private sector activities in key development sectors such as agriculture, export processing, manufacturing, tourism promotion, and services; and

3. To assist the GOM to provide essential services (e.g. water supply) to the poorest elements of the population.

III. Economic Background and Program Justification

A. Summary and Conclusion*

1. Prelude to Present Economic Situation

Mauritius's current economic problems date from the short-lived sugar boom of 1974-75, which was accompanied by increased government expenditures for social services and investments and expansionary wage policies. Despite the subsequent downturn in sugar prices, GOM expenditure patterns did not change to reflect the reduction in revenues. Given the high propensity to import within both the public and private sectors, expansionary fiscal, monetary and wage policies rapidly led to balance of payments deficits beginning in 1976-77. Poor economic management continued as real wages increased faster than productivity, and the government was ineffective in curbing its expenditures on social programs or in improving the efficiency of its operations. These problems were compounded by the impact of adverse weather on sugar production between 1979 and 1981. Thus, both balance of payments and budgetary deficits have prevailed in a cumulative manner since 1976.

GOM stabilization efforts began in 1979, when GOM foreign exchange reserves were almost fully drawn down. With IMF approval, the GOM embarked on a two-year stabilization program which included a 23 percent devaluation and numerous other austerity measures. The stabilization program had to be abandoned when severe cyclones struck the island in 1979-80 and reduced the sugar crop by about one-third. Heavy emergency rehabilitation expenditures were required, as government revenue, highly dependent on sugar production, fell. The following year, 1980-81, a drought struck the northern plains and reduced the sugar crop by about 18 percent below normal levels. In September 1981 the GOM and the IMF reached agreement on a second stabilization program, including a further 20 percent devaluation. The program was successfully

* See Annex B for further analysis and details

implemented, as was a third stand-by arrangement the following year. The GOM is currently implementing its fourth stand-by arrangement with the IMF and a World Bank-sponsored structural adjustment program, working closely with both of these multilateral institutions to extricate itself from its economic difficulties.

2. Prospects for Economic Adjustment

Mauritius is presently undertaking major economic adjustments. Its economic difficulties have intensified over the past four years, due primarily to adverse weather. 1981/82 was the first normal year for the pervasive sugar industry since economic stabilization measures were initiated. The measures have had a significantly positive impact on the basic underlying economic factors, such as the budget and balance of payments deficits. The public debt had grown to such dimensions that drastic measures were required to improve economic performance. These measures involved the reduction of the fiscal deficit and increased productive output for both the domestic and export markets. Such measures cannot be judiciously implemented in less than five to seven years, assuming continued good economic performance and no unusually adverse weather conditions. The progress achieved to date, however, is very encouraging.

Worldwide recessionary conditions have made economic recovery more difficult. The world price of sugar is still low, and tourism worldwide has declined due to the economic decline in Europe and the U.S. Reduced world consumption and protectionist policies in major markets such as the U.S. affect the demand for Mauritius's manufactured exports. Thus, GOM efforts must anticipate adverse international conditions and compete effectively for limited markets, tourists, and investments.

Mauritius's economic performance since 1981/82 has been reasonably strong, considering the unfavorable world market climate, although overall growth in 1983 was reduced by cyclone damage in December, which reportedly reduced the sugar and tea harvests by 15 and 10 percent, respectively. In 1981 and 1982 GDP growth in real terms was 6.4 and 6.0 percent, respectively, which brought the GDP back to 1979 levels in real terms, after the 10.6 percent decline in 1980. In 1983, according to preliminary estimates, the real GDP growth rate was only 0.7 percent.

Budgetary restraint, reducing real government expenditures on social and economic development programs and increasing tax revenues, in order to reduce the inflationary and balance of payments impacts of fiscal deficits, has reduced those deficits from 13.9 percent of GDP in FY 1981 to 9.9 percent in FY 1983. As a result of these and other measures, the rate of consumer price inflation has dropped from 42.0 percent in 1980 to 5.3 percent between November 1982 and November 1983; and the deficit on the current account of the balance of payments was reduced from -15.4 percent of GDP in 1980/81 to -5.0 percent in 1982/83.

The further reduction of the deficits in both the government budget and the balance of payments to acceptable and sustainable levels is expected to take at least five to seven years, assuming good econommic performance and no natural disasters. The public debt stood at over $120 million in December 1982, or about 42 percent of recurrent government revenue for 1982/83. Over 60 percent of the public debt is external. Thus, debt amortization payments will continue to burden both the government budget and the balance of payments over the medium term. Borrowings from the IMF and Eurocurrency markets are expected to continue at substantial levels to offset debt service payments and import requirements associated with economic recovery.

3. GOM Economic Policies and Reform Measures

Mauritian authorities have made determined efforts since 1979 to promote economic adjustment. Their efforts include two major devaluations, three rounds of price increases to reduce subsidies on rice and flour, increases in interest rates, the imposition of credit ceilings, limits on government budget deficits, and the successful implementation of a restrictive wage policy. The first round of these stabilization measures was set back by the devastating impact of a series of cyclones, which damaged both sugar exports and property. Increased government expenditures coupled with decreased tax revenue annulled the effects of the stabilization program, resulting in a redefinition of performance criteria and a second stand-by agreement. Under the second agreement, all performance criteria were generally met, although the fiscal deficit and balance of payments deficit were larger than anticipated due to reduced sugar production.

The GOM is presently implementing the fourth stand-by arrangement with the IMF since 1979, all of which "have supported an adjustment strategy designed to reduce external and internal imbalances and promote sustained economic growth. Policies supported by the first three stand-by arrangements emphasized mainly demand management measures. Despite unfavorable external factors, including adverse weather

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conditions in 1980/81 and 1981/82, and continued deterioration in the terms of trade, progress has been good... (as noted above). In view of this progress, policies supported by the fourth stand-by arrangement were designed with the twin objectives of encouraging supply and continuing on the path of adjustment."*

4. Economic Justification for CIP

There are two economic rationales which justify the proposed Commodity Import Program: 1) Budgetary support for the GOM to reduce its fiscal deficit by providing local currency generations to finance priority investments; 2) Balance of payments support during a period of unprecedented shortage of foreign exchange.

Although the proposed level of assistance is not substantial, the CIP will provide $2 million of budgetary support for the GOM in the form of a grant. The funds will be utilized to finance expenditures for local development activities which have been jointly identified by AID and the GOM. The selected areas reflect GOM priorities for which scarce resources might not otherwise be available. They reflect areas in which the GOM has committed itself to expand expenditures through a World Bank Structural Program. The local currency generations from the sale of the edible degummed oil have been programmed by the GOM and AID to finance priority investment in the productive sectors of the economy. A portion of these funds will be allocated to expanding government expenditure in the tourism sector, which in turn is expected to generate additional foreign exchange as well as employment in Mauritius. Another allocation will support GOM efforts to attract foreign investment by building industrial parks and factory space. This investment will stimulate the productive capacity of the economy, expand employment, increase the government's revenue base by increasing salaries and corporate profits subject to taxation, reduce government expenditures by lowering unemployment benefits, and increase foreign exchange earnings by expanding exports. Total net returns from these investment promotion efforts cannot be estimated, but benefits are expected in each of these categories.

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*IMF, "Mauritius - First Review of the Stand-By Arrangement, IBS/83/234, October 31, 1983, p. 3.

Another portion of the local currency generated will be allocated to expand the revolving loan fund available for Small Business and Industry Loans from the Development Bank of Mauritius (DBM). These loans are provided primarily to traders, service firms and artisans, and will be expanded to include working capital loans for small-scale industries which receive foreign exchange loans from a World Bank project with DBM. This effort will increase productive employment. Under the existing policy matrix and incentive schemes, much of this investment is expected to support industrial production that will either save or earn foreign exchange by replacing imports or producing goods for export.

Secondly, the program will provide direct balance of payments support for the GOM through the financing of the importation of degummed vegetable oil from the U.S. This commodity is purchased primarily from the U.S., and constitutes a necessary consumption item within the Mauritian economy. Thus, the CIP provides scarce foreign exchange to cover a portion of the annual requirements for this commodity. This represents a direct savings of foreign exchange for the GOM.

In summary, the proposed CIP will support government efforts to reduce the fiscal deficit and the balance of payments deficit, while improving the productive capacity of the economy. All of these activities will directly support the stabilization and structural adjustment measures agreed to under the IMF and World Bank programs.

B. Other Donor Assistance

Mauritius receives substantial assistance from both multilateral and bilateral donors. The World Bank continues to be the major multilateral donor, due in part to sizeable structural adjustment assistance. The European Economic Community is also a significant donor, followed by the African Development Bank and UNDP. Bilateral donors include France, the United Kingdom, India, West Germany, Canada, Australia, China, Japan, South Africa, various Arab states and the U.S. The following quotation is a recent IMF description of the main World Bank effort in Mauritius:

> "In May 1981 the World Bank approved a US$ 15 million Structural Adjustment Loan (SAL) for Mauritius. The main objectives of the SAL were to: scale down and restructure the Public Sector Investment Program (PSIP) by placing greater emphasis on infrastructure directly linked to production and developing criteria for project selection; to stimulate investment, production, and exports in

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manufacturing industry; to develop policies and proposals to stimulate agricultural diversification away from sugar and establish a Commission of Enquiry into the sugar industry with the aim of developing policies conducive to the long-term strength of the industry; to draw up a national energy plan, including an assessment of the potential use of bagassse (sugar cane residue after processing) for power generation and establish an energy planning unit; to assess the problems of the tourism industry; to improve the efficiency of the parastatals; and to strengthen public debt management. Most of the policies were implemented, and, although some delays were encountered, the remainder are now in train. In particular, studies on industrial incentives are currently being made, and measures to reform inefficient parastatals have been formulated."*

A second SAL for US$ 40 million was approved in December 1983. Its major objectives are:

"to reduce the high level of unemployment by encouraging growth based on export processing industries and tourism and--to a lesser extent--to substitute local energy resources for imports and to increase production of certain agricultural and manufactured goods....In view of the scarcity of land for agriculture, the SAL II will place a major emphasis on manufacturing exports, particularly those originating from the Export Processing Zone. To this end, the authorities are embarking on a major review of industrial policy to assess the effectiveness of the current structure of protection and incentives to manufacturing......the SAL II program (will also continue to) improve the efficiency of the parastatal sector...."**

IV. PROGRAM DESCRIPTION

A. Program Activity

The purpose of the $2.0 million ESF grant is to provide balance of payment and budgetary support to the Government of Mauritius through a Commodity Import Program.

*IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 18.
** Ibid., p. 19.

Foreign exchange will be provided to the GOM which will then make it available to the private sector for the purchase of U.S. commodities. The private sector firms will pay for the imports in local currency (rupees) and a special account will be established to monitor local funds. The rupees will be drawn down from the account for local development activities which have been mutually agreed upon by, the GOM and USAID.

A key objective in the use of the local currencies is to support and promote private sector activities, both domestically and internationally. Specifically, there are three programs which are expected to receive assistance from the estimated 24 million rupees generated by the Commodity Import Program. Assistance for these activities is subject to final agreement by AID and the GOM.

	Activity	Amount (Rs)
1.	Development of the Industrial Estate at Vacoas/Phoenix	16,500,000
2.	Tourism Promotion	4,000,000
3.	Small Business and Industry Financing Scheme	3,500,000
		24,000,000

First, private sector development through the expansion of industry will be encouraged by the development of a new industrial estate at Vacoas/Phoenix by DBM. The CIP financed activity will include construction of the infrastructure of internal roads, storm water drainage, sewerage and water reticulation, street lighting, electricity and telephone lines. Additionally, 60,000 sq. ft. of industrial space for leasing will be constructed. DBM, which presently owns and manages two other estates, will be the manager for Vacoas/Phoenix. The GOM will loan CIP funds of Rs. 16.5 million to the DBM to complete the site preparation and services and the initial buildings.

Secondly, CIP generated currencies of Rs. 4.0 million will be provided for the continued support of the Mauritius Government Tourist Office (MGTO). FY 1983 CIP generated rupees of the same amount supported the expansion of the MGTO budget from Rs. 6.0 million to Rs. 14.0 million. With the continued support of the CIP funds and other donor monies, the GOM plans to increase the MGTO budget to Rs. 16.0 million. Again this year, CIP money will be used to support the general operations of the MGTO.

Finally, CIP local currencies of Rs. 3.5 million will be used to replenish and expand on the DBM's Small Business Financing Scheme, a revolving fund, which received Rs. 2.0 million from the 1982 CIP. The successful program (see below) enables small businessmen, traders and other service-oriented enterprises to set up on a small scale basis a business of their own. It is planned that the scheme be extended to small scale industries which have difficulty in obtaining funds for their working capital requirements.

B. Implementation of Fy 1982 and FY 1983 CIPs

In FY 1982, Mauritius received its first Commodity Import Program Grant ($2.0 million) which was used to purchase US degummed edible oil by Mauritius Oil Refineries (MOROIL). The disbursement of the grant funds incorporated a special letter of credit which permitted the GOM to draw down funds in May of 1982. Thus, the grant had an immediate balance of payment impact and enabled the GOM to meet foreign exchange targets set by the IMF. The MOROIL purchase of 4,200 tons of oil was completed in a timely manner, required a minimum of AID or State Department supervision, and, except for some minor transfer problems, was a simple operation for all parties. Local currency payments were deposited in a special account at State Commercial Bank (SCB) and were transferred to the GOM general account for disbursement to the agencies implementing the sub-projects listed below. Neither AID nor the Ministry of Finance were satisfied with the accounting and record keeping by the SCB. Thus, for 1983 and again this year, it was agreed that the special account be held at Citibank, Port Louis, the only American bank with an office in Mauritius.

The FY 1982 CIP planned local currency programs worth Rs. 20.0 million; however, Rs. 24.0 million has been generated of which Rs. 21.0 million has been disbursed. The GOM plans, and USAID agrees, to use the Rs. 3.0 million balance for improvements in the rural water distribution program. This allocation follows the success of the other water programs implemented by Central Water Authority with FY 1982 CIP funds.

The development impact of the FY 1982 local currency activities has been substantial. Six thousand sixty-one households in 56 estates have been connected to clean, reliable central water supplies. The Central Water Authority, through a local contractor, completed the construction hook-ups on time and for Rs. 13.4 million, which was 2.6 million rupees under the original estimate. The surplus Rs. 2.6 million, plus an additional Rs. 1.0 million allocation, has been used to improve the water supply system in two other rural areas. The Development Bank of Mauritius, using Rs. 2.0 million, developed a small scale business loan program. Since the program combines the GOM/USAID funds with its own and other commercial bank monies, the program is helping 429 small entrepreneurs and tradesmen with Rs. 5.9 million in loan funds. Finally, the irrigation authority has received Rs. 2.0 million for a revolving fund to assist small scale irrigators. To date, 260 small scale irrigation schemes have been assisted.

Due to a better than expected economic position, the GOM did not use the Special Letter of Credit mechanism in the FY 1983 CIP to generate foreign exchange during its FY 1982-83. Further, use of the dollar grant was delayed by the reluctance of the Mauritius Oil Refineries to use the CIP to purchase US edible oil which, because of the US drought, had been higher priced than other world market sources. Market forces have now adjusted the US price and MOROIL has used the CIP mechanism to purchase 3,200 tons of soybean oil. Local currency deposits in the special account at Citibank, Port Louis, are expected to be made in April, 1984.

The status of planned activities to be financed by the local currency generations is as follows. The GOM, through its general budget with reimbursement planned from the CIP, is already supporting the expanded program of tourism promotion. The CWA, using its own funds for the meantime, started planning the village water supply program in February. The construction design engineeer for the small farmer drip irrigation pilot project has completed the plans and costing for the system. The request for construction bids has been advertised. The Irrigation Authority, which will manage the project, will be evaluating bids and selecting a contractor in the next three months. Although the Mauritius Export Development and Investment Authority (MEDIA) has yet to be established, a study which defines its structure and role more clearly is completed. MEDIA development will go quickly once this study is accepted. Not slowed by the delays in MEDIA's establishment, the Ministry of Trade and the Ministry of Industry have expanded their programs of trade and investment promotion using funds earmarked for MEDIA. AID and the GOM agree that the trade and investment promotion activities are key at this time of expanding markets and, thus, have agreed to this reallocation. Once MEDIA is ready to open its door, the GOM and AID will review funding possibilities.

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C. Commodity Import Component

1. Import Market Analysis

a) US Trade with Mauritius

US-Mauritius two-way trade is relatively small. US imports from Mauritius in 1983 amounted to Rs. 336 million ($26.8 million), while exports to Mauritius were valued at Rs. 151 million ($12 million), or approximately 2.9 percent of total Mauritian imports. Compared with Rs. 265 million ($24.3 million) in 1982, the value of Mauritian imports from the US had dropped by approximately 43 percent in 1983. This fall in imports from the U.S. followed a general reduction in imports from all sources and was also due to relatively high U.S. prices for many commodities. Under FY 83 CIP agreement, Mauritius Oil Refineries Ltd, the local vegetable oil refinery, did not purchase crude soybean oil from the US in calendar year 1983 because of its exceptionally high price due to drought-affected low production in the US. Although an order of $2 million was finally placed by MOROIL in November 1983, shipment and payment was to be made in April 1984. The IMF Standby Loan conditions restricted Mauritius purchase of U.S. and other nation experts, as limitations on imports were made. U.S. exports were, in many cases, not competitive with exports from other sources.

It is significant to note, however, that an estimated 50% of total US imports do not come directly from the United States, but are shipped from US affiliated companies or from representatives in Europe or South Africa. This indirect trade pattern is attributable to the small volume of trade and the great distance separating the countries. As a result, or perhaps because of this, there is no direct shipping connection between the two countries.

b) Composition of Import Market

The largest category of imports from the United States in 1982 was food, which accounted for nearly 38% of all imports. It included mainly rice, wheat flour, milk/cream and almonds. $5.5 million worth of rice and flour, however, came in under PL 480 Titles I and II programs.

The second largest category was animal and vegetable oils (25%, which consisted primarily of crude soybean oil which is refined locally into cooking oil, with the by-products utilized for the soap industry). Chemicals were the third largest category (16%). These were imported for the fertilizer industry or as plant ripeners, herbicides, insecticides and

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fungicides. Other imported chemicals included those used in plastic, paint, photography and rubber industries, as well as detergents and pharmaceuticals.

Machinery and transport equipment also represented a major category (9%), and included electrical apparatus, telecommunications equipment, mechanical handling machinery and equipment, construction machinery, motor vehicle parts, computers, liquid and air pumps and compressors, machine tools, food processing machinery, printing machinery and supplies, agricultural machinery and irrigation equipment, air conditioners and steam engines.

The private sector is the largest user of US imported materials and equipment. The sugar industry, the backbone of the agricultural sector and, hence, of the entire economy, is the major client for fertilizer and crop-related imports and for agricultural machinery. This being the case, US goods are reasonably assured of a stable market in Mauritius, since many sugar-related imports constitute annual requirements for the sugar industry. There is also a constant demand for vegetable oil which is used by all households in everyday cooking.

c) Absorptive Capacity

The major import items from the US fall under the essential goods category (capital goods, raw materials for industry, and agricultural inputs) and have a fairly stable market in Mauritius. For the same reason, US goods are likely to be exempt from import restrictions and are given priority in the foreign exchange allocations. There is no doubt that the proposed CIP, by bringing in additional foreign exchange, will help to provide funds for imports from the US.

TABLE I

IMPORTS FROM THE UNITED STATES
(CIF Value in Million Rupees)

	1977	1978	1979	1980	1981	1982	1983
Food and Live Animals	2.0	6.8	36.4	49.3	85.6	100.3	
Beverages and Tobacco	10.1	5.8	9.8	9.2	9.3	5.2	
Crude Materials (inedible, except fuel)	1.8	1.8	2.2	2.6	2.3	2.1	
Mineral Fuels, Lubricants etc	0.3	0.3	0.5	0.6	0.8	1.1	
Animal and Vegetable Oils	-	25.0	15.4	33.3	67.0	65.0	
Chemicals	13.9	18.6	27.6	28.3	50.6	42.8	
Manufactured Goods	5.3	4.8	7.5	12.4	11.3	16.4	
Machinery and Transport Equipment	32.6	25.3	34.9	59.8	29.9	22.6	
Miscellaneous Manufactured Goods	9.4	8.5	15.8	18.5	9.0	9.2	
Other Commdities	0.6	0.4	1.8	0.1	0.01	0.3	
	76.0	97.3	151.9	214.1	265.8	265.0	151.0

NOTE: Annual Average Exchange Rate (World Bank)
1980: $ 1 = Rs. 7.69
1981: $ 1 = Rs. 9.09
1982: $ 1 = Rs.10.90
1983: $ 1 = Rs.12.50 (Estimate)

Based on the past records of regular importers of US goods and their purchase plans for the coming year, we have nc doubt about the Mauritian requirements and capacity to absorb the full amount of the proposed program. For example, Mauritius Oil Refineries imports annually an average of 10,000 tons of crude vegetable oil worth $5-7 million from the US. This company alone has therefore the capacity to absorb twice the amount of the CIP Grant proposed.

2. Commodity Procurement

Two million dollars in grant funds will be made available through the government to the private sector to finance the cost of commercial imports from the U.S. The foreign exchange could be used to finance a variety of commercial imports including irrigation equipment, agricultural equipment and spare parts, fertilizer, agricultural chemicals or tobacco. The options of importing other U.S. goods were reviewed again, as they had been in 1981 and 1982. Once again, the design team and Embassy recommended the purchase of degummed edible oil. Last year the CIP provided the necessary foreign exchange for the Mauritius Oil Refineries to purchase approximately 3200 tons of edible oil from the U.S. The rationale for again using the foreign exchange to purchase edible oil is as follows:

a) Given the limited staff available to implement and monitor the grant, the purchase of oil is most attractive because it places the minimum administrative and logistic burden on the Embassy and REDSO/ESA. Only one or two consignments will be required to utilize fully the $2.0 million.

b) Because of the high demand for edible oil and the efficiency and financial strengths of the Mauritius Oil Refineries Ltd, local currency repayments will be made immediately upon shipment of oil and presentation of shipping documents. The local currency is expected to be generated by a 3200 tons ($2,000,000) purchase in September and shipped in November or December. Shipping of the oil will be financed by the refinery itself.

c) Mauritius Oil Refineries now has experience with AID Regulation One's procurement procedures and the company will be able to conduct the transaction with little additional burden to its usual purchasing operations.

d) There is a strong ongoing demand for edible oil from the U.S.; Mauritius Oil Refineries imports an average of $5-7 million worth of vegetable oil from the U.S. annually.

e) Refining the crude oil in Mauritius provides domestic value added, thus generating local employment and increasing benefit to the economy.

D. Use of Local Currencies

MOROIL will pay approximately Rs 24.0 million, the equivalent of $2.0 million, into the special interest bearing account held by the GOM at Citibank, Port Louis. The

Counterpart Funds in the special account will finance programs which support the development objectives of both the GOM and AID. The development strategy of the AID program is three pronged. It is designed to:

1. Support agricultural diversification, and sustainable food policies;

2. Promote private sector activities in key development areas such as export processing, manufacturing, services and tourism; and

3. Assist the GOM in the provision of essential services (e.g. water supply) to the poorest elements of the population.

For FY 1984, AID's objective is to coordinate CIP and PL 480 local currency generations to create and support a program that strongly demonstrates US assistance and has measurable impacts in line with the AID development strategy. The CIP generations will be used primarily to support the second objective of the strategy, that is, to promote private sector activities. The program assistance as a whole is in accord with the GOM's program of structural adjustment.

The local currency generated under the CIP will be used by the GOM to support activities mutually agreed upon by the GOM and AID. The following three programs are proposed for support:

1. Industrial Estate Development

In mid-1983, there were 444 manufacturing firms (10 employees or more) in Mauritius employing a total of 37,000. The largest group of manufacturers was in wearing apparel, which accounted for 25% of all firms, and 51% of total employment (see Annex F). An estimated 16% of the firms are located on the two DBM estates of Coromandel and Plaine Lauzun, but the firms in these estates account for nearly 40% of total employment. There are three small private industrial estates located outside the Port Louis area which provide employment opportunities in the rural area. Other individual factories are generally found in clusters in the corridor that runs from Port Louis to Plaines Wilhems to the south of the city.

In the mid-1970's, when the Export Processing Zone (EPZ) was expanding rapidly, the development of two estates (Phoenix/Vacoas) by DBM was crucial to relieving a factory space bottleneck. It should be noted that then, as is the case now, Mauritius EPZ was attracting the highly mobile segments of the garment industry, which are unwilling to make substantial capital investments. By and large, these industries rent space rather than build, but, fortunately, the infrastructure requirements for garment manufacture are much less than in heavy industry. Management and rental of the two estates is a break even operation for the DBM. It is earning enough money to pay back the concessional construction loan from the World Bank.

In the late 1970's, the expansion of the EPZ stopped, and, in fact, there was some retrenchment in the early 1980's. Unfortunately, the DBM completed its building program for factory rental units at Coromandel. Because of low demand, it had been unable to rent more than about 50-60% of the building area. Similarly, the open space reserved for owner constructed factories has not been built up. The problems at Coromandel have been caused not only by the world recession, but also by poor building design (little demand for second storey space) and labor supply problems in the area. The DBM projects that by mid-1984 all its rental space will be occupied. The Plaine Lauzun Estate is fully rented now.

The Ministy of Economic Planning and Development, and the Ministry of Industry, along with DBM, are now evaluating the demand for new factory space and supporting infrastructure. The National Physical Development Unit of the MEPD has made the preliminary estimate that 1.3 million sq.ft. of factory space will be needed over the next three years. The figure should be viewed with caution until detailed surveys are complete, but it does suggest that there is an immediate need to begin planning industrial estate development. Even if the estimate turns out to be somewhat inflated, the task of building only a small percentage of the presently estimated factory space requirement will be enormous. Updated MEPD statistics on use and demand will be reviewed before final allocations of local currencies are made.

Although the GOM has not set out a general strategy to attract and develop the EPZ and Development Certificates (for import substitution industries) enterprises, it does support a three-prong approach to factory site development. First, it will encourage the DBM to develop the Vacoas/Phoenix estate and possibly the site at Beau Vallon. Secondly, it will promote mini-estates located in high unemployment areas of the island. Some of these will be built by the GOM and then turned over to the DBM or MEDIA to manage. The private sector may develop some, but at present, little is known about their interest and incentives to build estates. The MEPD is embarking on a study of the private sector which should provide a basis for GOM policy in this area. However, there exists a

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general consensus within the GOM that, to the extent practical, private sector development is desirable. To encourage private sector investment in this area, the GOM plans to allow industrial estate developers to qualify for Development Certificates (DC) which give substantial tax breaks to the holder.

In line with the GOM approach, and the present demand for industrial sites and factory space, AID and the GOM plan to provide Rs 16.5 million of CIP generated funds on a loan basis to DBM for the development of the Vacoas/Phoenix Industrial Estate. It has a large potential employment catchment; it will be very well served by transport; and, all essential infrastructure will be provided at reasonable cost. The DBM will operate and manage the estate, once constructed. A contract has been let for the design and detailed cost projections which will be completed in June. A DBM engineer estimates that site preparation will be completed in June and that site preparation and basic infrastructure for the 13 acre estate will cost Rs 6,000,000. Because of the projected shortage of factory space for rent, the DBM wants to move quickly to construct 60,000 sq.ft. of space. At an estimated cost of Rs 150/sq.ft. of space, an additional Rs 9,000,000 will be required by the DBM. A 10 per cent contingency of Rs 1,500,000 is added to the cost to bring the total requirement to Rs 16,500,000.

As part of the incentive package to EPZ and DC enterprises, the GOM has been arranging rental and land purchase terms that are concessionary. Although the GOM is now reviewing its general incentive program for the EPZ and DC industries, it is expected that new or expanding firms will receive favorable rental terms. Thus, it is expected that the terms of the Rs 16.5 million loan from the government to DBM for development of the Vacoas/Phoenix Estate will also need to be concessional. A detailed economic analysis of the Estate will be completed by the DBM. Clearly, although the financial returns to the DBM may be low or possibly negative in real terms, the economic returns to the country as a whole, especially in regard to employment generations, are expected to be high.

2. Small Business and Industry Loan Scheme

In the 1982 CIP local currency program, Rs 2.0 million was granted by the GOM to the Development Bank of Mauritius for an experimental small scale business loan revolving fund. The DBM had experience with small scale industry loans, but wanted to expand its lending to artisans, traders and service firms. The objectives of the scheme are to increase employment and promote economic growth in the small scale enterprise sector. Establishing loan procedures for the scheme went slowly because of the decision to have commercial bank participation (this does not involve any acquisition of equity). Their participation was desirable in order to "leverage" the CIP generations, lay off part of the risk, and encourage private bank participation in the sector. Agreement was reached on the procedures in late 1982 and the first loans were made in early 1983. By the end of 1983, 429 small businesses had received loans totalling Rs 5,906,250 of which traders received 62 percent; service firms 17 per cent; artisans 5 per cent; and miscellaneous other firms 16 per cent. Sixty per cent of the loan amount sanctioned by the scheme was provided by the DBM (Rs 3.54 million of which the CIP L/C total is Rs 2.0 million), while the commercial banks provided 40 per cent (rs 2.36 million). The overall interest rate was in the 12 per cent range with DBM loans at 10 to 11 per cent and the other banks at the commercial rate of 12-14 per cent. The term of the loans were generally five years. It is too early to have any indication of the repayment performance. Generally, the Embassy and AID have been pleased with the performance of the scheme and propose a replenishment of it from the FY 1984 CIP L/C generations.

The DBM has proposed that the AID funds also be used to finance small scale industries which have difficulty in obtaining funds for their working capital requirements. The local currency provided under this program will complement the foreign exchange loans for small industries from the World Bank funds provided to DBM. The terms will be essentially the same as those for small business; however, little commercial bank participation is expected since IBRD credit funds will complete the loan packages.

The DBM estimated that up to Rs 5.0 million of new funds are needed to replenish the expanded Small Business and Industry Loan Scheme. The CIP local currencies in the amount of Rs 3.5 million will be provided to help replenish the revolving fund.

3. Tourism Promotion

Tourism plays an important role in the economy of Mauritius. It contributes approximately 10 per cent of foreign exchange earnings, and provides direct or indirect employment for an estimated 20,000 workers (10 per cent of the labor force). The development of the tourism industry is in line with the GOM policy to diversify the economic base of the country to ensure sustained growth and increased employment. In recent years, there has been a decline in receipts from

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tourism as a result of continued world recession combined with the erosion of Mauritius' competitive position vis-a-vis other tourist destinations.

The GOM, through the Mauritius Government Tourist Office (MGTO), has intensified its promotion program in the main tourist generating countries. The FY 1983 CIP is providing MGTO with Rs. 4.0 million which, in part, has enabled the GOM to raise MGTO's budget from RS. 6.0 million to Rs. 14.0 million for FY 1983-84 (the 1979 level in constant rupees). This increase is being used to expand and improve traditional promotion activities. The GOM wants to improve management and evaluation in these areas to determine the program's effectiveness and ensure proper allocation of scarce resources.

The present strategy of the promotion campaign has the following objectives: (1) To smooth out the seasonality in tourist arrivals, thus improving tourist nights in Mauritius without new hotel construction; (2) To strengthen participation of all organizations involved in the tourism sector, especially the private operators; and (3) To emphasize traditional markets, but plan long term diversification to protect Mauritius from dependence on a few markets. The MGTO has just begun to expand its program and it is too early to tell the impact of its plans and strategy, although tourism is up this year despite France's currency restriction placed on its traveling citizens (France is the major tourist market for Mauritius). Because of the high potential return in this area and the need to sustain a promotional campaign for several years to have an impact, a Rs. 4.0 million FY 1984 CIP allocation to assist the MGTO is again proposed. The GOM is planning to increase MGTO's budget to Rs. 16.0 million for FY 1984-85 in recognition of its importance to tourism expansion and continued support from donors. The CIP funds would be used to support promotion activities such as (1) workshops with tour operators, (2) familiarization tours for travel agents and journalists, (3) production of material and brochures, and (4) selective advertising in traditional and new markets.

V. PROGRAM IMPLEMENTATION

A. Implementation Responsibilities

1. Government of Mauritius

Primary responsibility for implementation of the US dollar aspects of the program, including reporting requirements, will rest with the Ministry of Finance. The Bank of Mauritius will act as a clearing house to approve applications for foreign exchange while import licenses will be issued by the Ministry of Trade and Shipping.

A special account, opened in favor of the Ministry of Finance, will be established in the Port Louis branch of Citibank. The funds in this account will be monitored by the Ministry of Finance in consultation with the Ministry of Economic Planning and Development. Disbursements will be made by Finance in a timely manner to the government entities implementing the agreed upon activities. On a periodic basis, the implementing agencies will send to AID progress reports on the programs. These financing and reporting procedures are the same as those used for the last CIP and no serious problems with them have arisen.

2. AID

REDSO/ESA, with the assistance of the American Embassy, Port Louis, will have primary responsibility for the administration and implementation of the grant. A REDSO Project Committee will be responsible for overseeing the implementation of this program. The principal REDSO backstop officer will be James Dempsey, Project Officer.

3. Mauritius Oil Refineries

The Mauritius Oil Refineries will tender bids for the purchase of degummed oil. When a bid is awarded and the oil received, the firm will then process it and sell it on the open market. Next, the Mauritius Oil Refineries will pay into the special account the rupee equivalent of the value of payment documents presented by the US supplier under letters of credit established for the supply of oil. These payments will be made within three business days of receipt of notification by Citibank, Port Louis, that said documents have been presented.

B. Applicable AID Regulations and Procedures

1. AID Regulation 1

AID's standard financing procedures, applying the AID Regulation 1 in its entirety, will be applicable to all foreign exchange transactions under the Grant. After having reviewed the GOM's foreign exchange allocation and import licensing procedures, it is not expected that these AID procedures place an undue burden on the system. During the previous CIP, AID Regulation One procedures were seen as compatible with existing commercial procedures.

2. Eligible Commodities and Related Services

While all items listed in the AID Commodity Eligibility Listing - 1981 Edition will be eligible for financing under the Grant, it is anticipated that the initial Commodity Procurement Instruction will limit eligible items to those included in Schedule 1 (Animal and Vegetable Products), Schedule 4 (Chemicals and Related Products) and Schedule 6 (Metals and Metal Products, Machinery and Transportation Equipment). Transportation and marine insurance will also be eligible for financing. We expect that the entire $2 million will be used to finance the procurement of degummed edible oil.

3. Authorized Source of Procurement

In accordance with the policy set forth in AID Handbook 1, Supplement B, for Economic Support Fund Grants, the authorized source of procurement for commodities and services will be AID Geographic Code 000 (US only).

4. Non-Availability of US Shipping

Because no US registered vessels call on Port Louis and freight charges for special routings are excessive, a determination of non-availability of US flag carriers will be requested to satisfy 50-50 cargo preference requirements. The determination of non-availability is requested from AID/W, as done in previous years.

5. Value of Transactions

The minimum value of transactions under the Grant will be set at $10,000; however, it is anticipated that the entire amount of the CIP will be utilized in procuring a single commodity, edible oil. Only one or two transactions are expected. Should there be any change in this plan, however, the issue of procurement will be subject to further negotiation. It is proposed that REDSO review all transactions which exceed 20% of the value of the Grant.

6. Methods of Financing

AID will open a Bank Letter of Commitment through Citibank, N.Y. with Mauritius Oil Refineries as the approved applicant. Although Mauritius Oil Refineries, normally makes payment by direct wire transfers, it will use a Bank Letter of Credit for the CIP procurement. US supplier(s) will be paid by letter of credit. Citibank, Port Louis, has agreed to reduce its letter of credit charges so that they are only marginally more than for a wire transfer. If purchases other than oil are made, bank letters of credit from Citibank are expected to be used.

7. Disbursement Period

Based on previous experience, we do not anticipate any significant delay in the timely disbursement of funds under this program. Use of the Letter of Credit is expected to result in a rapid draw-down of AID funds; a period of 12 months is provided for this action. Complete disbursement of AID funds is expected within 18 months from the effective date of the agreement. Utilization of all local currency generations is anticipated within a two year period.

C. Government of Mauritius Import Procedures

Severe import controls introduced by the Government in 1981 were continued through 1983 to help rectify a deteriorating balance of payments position and to insure that available foreign exchange was utilized in the best, most productive interests of the country. As from January 1984, however, following the recommendation of the IMF, GOM has taken steps to gradually lift all import restrictions.

Under current Government regulations, an importer must hold:

i) An import license;

ii) An import permit; and

iii) Pay a levy of 12% of the CIF value of the goods to be imported before he can place an order. In addition, once the above requirements have been complied with, the participating commercial bank must obtain prior approval from the Bank of Mauritius (central bank) before foreign exchange can be released.

However, all these functions are being carried out under established procedures. They have been reviewed by REDSO/ESA staff and determined to be fair and equitable. Accordingly, the funds made available by the Grant will be integrated into normal licensing and allocation procedures. Grant funds will not be used, however, to pay the 12 percent levy, nor for any other identifiable taxes, tariffs, duties or other levies imposed by the GOM, and the Grant Agreement will contain the standard provision prohibiting such use of AID funds.

D. Port Clearance - Status of Port

All Mauritian importers use Port Louis as the port of entry. It is the only commercial deep-water port of the country and is administered by the Mauritius Marine Authority. The port has 7 deep-water quays, 3 quays for lighterage operations, and 10 buoy berths. Vessels up to 195 meters overall length and 11 meters draft can be accommodated. These include bulk handling facilities for sugar, petroleum products, fertilizer, vegetable oil and cement. Moreover, there is a container terminal which consists of a container control building, deep-water quay, a container park and a yard gantry crane for container operations. A feasibility study on a major port development project for the construction of a wheat flour mill and grain complex is currently being undertaken.

With the coming into operation of the Bulk Sugar Terminal and facilities offered for the handling of containers at the Container Terminal, waiting time for containerized cargo vessels and other bulk cargo vessels have been reduced to nil. Maximum waiting time for unitized cargo vessels amounts to 10 hours. A substantial increase has been registered in port productivity. Unitized cargo vessels are being loaded/unloaded at a rate of 20-30 tons per gang hour, whereas containers are being loaded/discharged at a rate of 4 to 5 units per gang hour. Both are very reasonable rates; containers are off-loaded much faster than by bulk. Once off-loaded, commodities are readily hauled to destination.

E. Commodity Arrival and Disposition

No delays are foreseen with regard to the handling, discharge and clearance of the bulk commodity to be financed under the program. The Customs and Excises Office has an established system for monitoring the arrival of goods in country for which import permits are issued. Import permits must be presented to Customs officials, who note receipt of goods as well as any discrepancies. The investigative branch of the Office follows up on any irregularities.

It is anticipated that the importer of the AID financed goods will promptly clear the items from Customs, satisfying the standard requirements of AID, and sell or utilize the goods within one year after they arrive in Mauritius.

F. Implementation Schedule

1.	- Grant Agreement signed	early May, 1984
2.	- CPs Satisfied	1 June, 1984

3.	- Letter of Credit issued by Citibank	September, 1984
4.	- Importer(s) commences procurement action	September, 1984
5.	- First shipment from US	November - December, 1984
6.	- Terminal date for requesting disbursing authorizations	31 May, 1985
7.	- Grant is fully disbursed	30 November, 1985
8.	- Local currency generations fully disbursed	May, 1986

G. Program Monitoring

AID will monitor the progress of both elements of the program -- drawdowns on the CIP and progress on the use of local currency generations -- through financial reports containing the following information, as will be more specifically described in an implementation letter:

1. CIP

   a) Report of letter(s) of credit opened
   b) Report on disbursements

2. Local Currency Generations:

   a) Quarterly and cumulative disbursements by the Ministry of Finance from the Special Account;
   b) For each program or activity funded from the Special Account, the amount budgeted for the activity, disbursement made during the quarter and cumulative disbursement; and
   c) A general description of activities, goods, services, structures and/or facilities, etc, financed during the quarter.
   d) For any loans funded from the Special Account, a report on the amount and terms of such loans, the repayment schedules, the proposed use for repaid funds and quarterly reports of repayments actually made.

AID will retain the right to audit and inspect activities, including the local currency program, financed under the CIP.

VI. OTHER CONSIDERATIONS

A. Impact on US Balance of Payments

The short-run impact of this program on the US balance of payments position will be minimal, since the commodity that will be procured (edible oil) is already generally imported from the US.

B. Use of US Government Excess Property

Given the nature of the program, use of USG excess property is not appropriate.

C. Relation to Export-Import Bank Credits

The commodity import program as developed does not, nor is it expected to, compete with Export-Import Bank credits.

D. Relation to OPIC Program

The OPIC program is not active in Mauritius, with the exception of its insurance coverage of Citibank Port Louis against inconvertability, expropriation and war. Furthermore, this CIP is highly unlikely to result in any conflict with that program in the future.

E. Environmental Statement

A categorical exclusion determination is attached as Annex E.

VII. NEGOTIATING STATUS

Substantive agreement has been reached on all aspects of the program, including agreement on the commodity to be imported, edible oil, and the proposed uses of local currency generations.

Program negotiations have been extremely productive and cordial. GOM officials in both the Ministry of Finance and the Ministry of Economic Planning and Development have been forthcoming and cooperative in discussing the implementation of local currency-financed activities under the FY 1984 CIP, and in presenting and reviewing options for the current proposal. In addition, useful visits were made to the organizations which will backstop each of the three activities proposed for assistance, as well as site visits to provide the PAAD design team with a better understanding of the context in which assistance is being considered. Furthermore, visits were also made to MOROIL for the purpose of reaching an early understanding on all import-related procedures. Lastly, meetings were held with several private sector representatives to obtain reaction and comment on the proposed program.

No special conditions or covenants are proposed for inclusion in the Grant Agreement. No particular problems in signing or implementing the program Grant Agreement are anticipated.

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AIDAC

NAIROBI FOR REDSO/ESA

AID/W FOR AFR/DP

E.O. 12356: N/A
TAGS: EAID, MP
SUBJECT: MAURITIUS - FY 1984 CIP

REF: (A) NAIROBI 12540 (NOTAL) (B) NAIROBI 11705 (NOTAL)

1. EMBASSY HAS NOW RECEIVED GOM'S LETTER REQUESTING FY 84 CIP $2 MILLION GRANT. THE TEXT OF THE LETTER FOLLOWS:

QUOTE:

EXCELLENCY,

- IN VIEW OF OUR CONTINUED FINANCIAL DIFFICULTIES, THE GOVERNMENT OF MAURITIUS WOULD AGAIN WELCOME ASSISTANCE FROM THE US GOVERNMENT IN THE AMOUNT OF US $2 MILLION.

- I PROPOSE THAT THESE FUNDS BE UTILIZED TO FINANCE COMMERCIAL SECTOR IMPORTS OF PRIORITY COMMODITIES FROM THE UNITED STATES. I FURTHER PROPOSE THAT THE MAURITIAN RUPEES GENERATED BY SUCH IMPORTS BE APPLIED TO FINANCE HIGH PRIORITY DEVELOPMENT PROGRAMMES OF THE GOVERNMENT. THESE INCLUDE INVESTMENT FINANCING, TOURISM PROMOTION, AND INDUSTRIAL INFRASTRUCTURE. I WOULD APPRECIATE YOUR GOVERNMENT'S EARLY AND FAVOURABLE RESPONSE TO THIS REQUEST.

PLEASE ACCEPT, EXCELLENCY, THE ASSURANCES OF MY HIGHEST CONSIDERATION.

- S. LUTCHMEENARAIDOO
- MINISTER OF FINANCE END QUOTE

2. MINIMIZE CONSIDERED. ANDREWS
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#1645

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Annex B. Economic Analysis and Statistical Tables

1. Economic Overview

Mauritius has a small island economy with limited resources for economic development. Its primary resources are agricultural land and a favorablé climate which is marred by occasionally severe cyclones. Because of the recurring cyclones, sugar cane has proven to be the principal viable crop, after 300 years of experimentation and experience. The Mauritian economy is therefore dominated by the sugar industry, which in 1982 accounted for 76 percent of total agricultural production. Sugar also contributed 60 percent of all exports and accounted for about 30 percent of total employment, including both agricultural and factory labor. The status of the sugar industry is fundamental to the economic and social well-being of Mauritius.

Apart from sugar, the agricultural economy produces limited quantities of tea, fruit, vegetables, tobacco, meat, fish and some rice. Agricultural diversification has been promoted during recent years. Most activities are undertaken by 21 sugar estates, which control much of the arable land. The island is self-sufficient in some vegetables, with irregular exports to neighboring islands. It is generally accepted that agricultural diversification will take place in conjunction with sugar, rather than in lieu of sugar. Annual crops such as beans, potatoes, maize and onions can be grown interlined between the time of sugar harvest and the overgrowth of cane. Considerable experimentation is already occurring with agricultural diversification, including the raising of beef and venison, using non-arable forest areas. Since few domestic crops can compete successfully with imports in terms of cost, especially with those from South Africa, the success of agricultural diversification will be gradual and will depend on increasing the efficiency of production technology.

The manufacturing sector has grown significantly during the past decade, principally due to the Manufacturing Export Processing Zone (EPZ). Since the mid-1970's the EPZ has successfully established new export markets for textiles, knitwear, electronic equipment, food processing and metal products. Companies involved in import substitution hold Development Certificate (DC) status, which entitles them to tax and investment incentives and exemption from duties for imported inputs on the same basis as EPZ firms. About 110 firms operate under the DC scheme and about 95 firms under the EPZ classification, primarily in textiles and knitwear. The EPZ sector accounts for over 21,000 jobs, or 60 percent of employment in manufacturing and 11 percent of total employment. Prospects for the expansion of the manufacturing sector have improved since 1979, due to slower cost increases attributable to wage restraint and improved port facilities, and to higher rupee prices for exports resulting from the two devaluations. The government has also introduced additional tax incentives, increased its promotion efforts and encouraged the diversification of products and markets. The number of DC and EPZ applications processed during 1982 increased to over 175, with 68 approvals.

The tourism industry constitutes another growth industry in Mauritius, and it is the third largest foreign exchange earner after agriculture and manufacturing. The main sources of tourists have been Reunion, Madagascar, South Africa, France and other European countries. The average annual growth rate for tourist arrivals was 15 percent between 1975 and 1979, 1979 being the peak year to date. Tourist arrivals since then have averaged about 8 percent below the peak year, although gross earnings have not been similarly affected (with $40.6 million in 1979, $46.7 million in 1981, and $41.1 million in 1982). The number of tourist arrivals in 1983 was up 3 percent, nearly equal the level of 1979.

2. Recent Economic Developments*

a. Sectoral Growth of GDP

The National Income Accounts data presented in Tables 1-6 underscore the critical role of sugar production in the Mauritian economy. As sugar cane production declined in 1980, sugar milling in turn fell off, depressing the manufacturing sector and real GDP, the latter by 10.1 percent. Real GDP rebounded by only 6.4 percent in 1981, but rose another 6.0 percent in 1982. As sugar cane production returned to more normal levels in 1982, the agricultural sector also returned to the average level of the late 1970's. Another drop in sugar cane production of 16 percent in 1983 again depressed overall agricultural output and reduced GDP growth to less than one percent. The primary growth sectors of the economy between 1976 and 1982 were manufacturing (which grew by 29%), trade, restaurants and hotels (22%), government services (23%), communications (31%), and real estate and business-related services (24%). These growth trends reflect the diversification policies of the GOM and the expansion of government services. Since 1976 agriculture has remained relatively stagnant in real terms, and it declined from 22.5 percent of GDP to 13.3 percent in 1983. Sugar milling has declined marginally. Construction has also declined steadily after reaching a peak in 1978.

Although the world market for sugar is not favorable at the present time, Mauritius has traditionally found protected markets for most of its sugar exports. The EEC purchases about 80 percent of its sugar, and the exportable quantity is expected to increase slightly under the new International Sugar Agreement. Thus the GOM officials place a high priority on attaining an average annual production level of 700,000 tons per annum, which was reached only once previously (in 1973/74, see Table 23).

b. Employment and Wages

The slowdown in economic activity has led to a decline in employment since 1979, as evidenced by Table 18. The official estimate of unemployed for mid-1982 was 50,000, or 15 percent of the available labor force--double that of 1978. Registered unemployment increased to 76,000 by October 1982, or 22

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* This section draws heavily from World Bank, "Mauritius, Economic Updating Note, Recent Developments and Prospects," April 18, 1983; World Bank, "Mauritius Economic Memorandum: Recent Developments and Prospects," 1983; IMF, "Mauritius - First Review of the Stand-By Arrangement," October 31, 1983; IMF, "Mauritius - Staff Report for the 1983 Article IV Consultation and Request for Stand-By Arrangement," April 20, 1983; IMF, "Mauritius - Recent Economic Developments," May 4, 1983; GOM, Bi-Annual Digest of Statistics, Central Statistical Office, December 1982; and the first two issues of GOM, "Economic Indicators," Ministry of Economic Planning and Development, Port Louis, January 5 and January 13, 1984.

percent of the labor force. While this figure is thought to be inflated by over-registration, the situation is nevertheless alarming.* Between 1979 and 1983 employment declined by 3.4 percent in absolute terms, according to the Ministry of Finance Bi-Annual Survey of Employment. (See Table 18.)

The employment outlook for the near future looks bleak. Few new domestic industries are expected to be initiated, and new infrastructure activities are not expected to generate additional job opportunities. The best hope for Mauritius lies in its possible attractiveness as a secure location for export-oriented international firms, especially those wishing to take advantage of the country's privileged access to EEC markets. At the same time unemployment is high, there is a general shortage of unskilled labor, as educated youth seek more challenging and remunerative employment. In addition to falling employment, real earnings have declined since 1978--by 13 percent overall and by 20 percent in the manufacturing sector (see Tables 19a, b, and c).

The stagnant employment situation reflects economic adjustment problems within Mauritius and throughout the world economy. The drastic fall in capital formation in Mauritius has reflected this uncertain economic situation and translates directly into reduced growth in employment. Gross Domestic Fixed Capital Formation declined from 31 percent of GDP in 1979 to 18.1 percent in 1982, rising slightly to 18.4 percent in 1983.

Rising unemployment cannot be blamed on an excessive rate of population growth. In Mauritius a successful family planning program, together with a high rate of emigration, has reduced the population growth rate from 2.0 percent between 1963 and 1972 to 1.4 percent between 1972 and 1983 (intercensal rates).**

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* World Bank, "Mauritius Economic Updating Note, Recent Developments and Prospects," April 18, 1983, p. 23; and IMF, "Mauritius - Recent Economic Developments," May 4, 1983, pp. 21-22.

** The Mauritius Family Planning Association (MFPA), a non-governmental organization, has been financed by the International Planned Parenthood Federation (IPPF) since its foundation in 1958. AID is a major contributor to the IPPF. MFPA currently receives an annual cash grant of approximately $200,000 and an additional grant of commodities worth about $75,000 (contraceptives, clinic and office equipment, motor vehicles, etc.) from IPPF. Since 1972 AID has sponsored the training of about 20 MFPA people.

To date a total of about 30 persons from the Ministry of Health Family Planning/Maternal Child Health (FP/MCH) Division have also been trained by USAID/JHPIEGO. JHPIEGO has also donated one set of laparoscopic equipment each to two government hospitals. AID has also proposed, in response to a recent GOM request, to supply the following contraceptives, on a grant basis, to the Ministry of Health: 1.6 million condums, 2000 copper-T I.U.D.'s, 500,000 foaming tablets, and 100,000 oral contraceptives (Femenal). A CDC consultant was scheduled to visit Mauritius in February 1984 to determine how AID could meet FP/MCH's contraceptive requirements for the period 1984-87.

Natural family planning (NFP) services in Mauritius are carried out exclusively by Action Familiale, a non-governmental organization. So far, there has been little AID involvement in NFP activities in Mauritius. The

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c. Government Finances

The government's budget has shown persistent deficits since 1976/77. Beginning in 1979/80, the government improved tax revenue collection and restrained ordinary expenditures; and the overall central government deficit was reduced from 13.9 percent of GDP in 1980/81 to 9.8 percent in 1982/83. The cyclones experienced in 1980/81 required substantial emergency expenditures, while they severely reduced the revenue base in the sugar industry, resulting in a substantial increase in the deficit, despite the stabilization measures already introduced. Budgetary projections for 1983/84 indicate a continuation of the overall deficit of around 10 percent of GDP (9.6% for the consolidated public sector account--see Table 8). The overall deficit reached and surpassed Rs 1.3 billion (over U.S.$100 million) in 1980/81 and 1981/82, and then declined to Rs 1.2 billion in 1983/84.

Subsidies for staple food products, although recently reduced, continue to burden the government budget. In 1981/82 food subsidies cost about 6.3 percent of total central government expenditure, not including the hidden cost of the preferential exchange rate.* The following year these were reduced to 4.7 percent, and the authorities intend to reduce them to around 2.6 percent in the current (1983/84) fiscal year, in keeping with an IMF agreement that they equal no more than Rs 118 million this year, down from Rs 230 million in 1981/82 (see Table 9). The subsidy element declined from about two-thirds the actual cost of rice and wheat flour in 1978/79 to about one-third in 1982/83, and it is expected to decline still further this year, as domestic retail prices are increased. (See Table 10.)

American financed PL 480 imports of rice and wheat flour have become part of the food subsidy issue, since the landed cost of these commodities in Mauritius is apparently considerably more than alternative commercial sources of supply. AID policy supports IMF and World Bank recommendations to reduce fiscal subsidies for basic food commodities, and yet PL 480 requirements force the GOM either 1) to charge a higher retail price for the American products, which are provided on concessionary financial terms, than for competitive commercial imports (politically and economically difficult to do), or 2) to subsidize the domestic consumption of these basic food staples (against IMF Stand-By Arrangement conditions and World Bank recommendations). Part of Nairobi 11285, transmitted to AID/W on 4/11/84, which discussed this issue in some detail, is summarized below:

The GOM was hesitant to begin negotiations on the FY 84 PL 480 loan because of the substantially higher price of U.S. rice than its usual market sources (Thailand and Burma). The price of PL 480 wheat flour is also significantly higher than the traditional commercial sources of that commodity (Australia and France). The State Trading Corporation (STC), Mauritius's

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only major AID-supported activity has been the $84,200, two-year (1983-85), NFP Service Program Evaluation Project started in August 1983 by the International Federation for Family Life Promotion of Washington, in collaboration with Action Familiale.

* Staple food import values were converted to rupees at a preferential exchange rate. Had they been converted at the normal rate of exchange the subsidies would have been still higher.

monopoly wholesale buyer and seller of flour and rice, calculated that taken together last year's PL 480 purchases cost the STC Rs 21,543,570 (US$ 1,752,000 at 12.3 Rs/dollar), or a total of 66 percent more than if it had purchased similar quality commodities from its usual market sources. STC calculations, including differential shipping costs, are as follows:

Rice: The average c.i.f. cost of 7870 MT of PL 480 rice was US$391 per MT. The average c.i.f. cost of Chinese rice was US$218 per MT. The PL 480 rice cost 77 percent more than the Chinese rice.

Wheat flour: The average c.i.f. cost of 3782 MT of PL 480 flour was US$356 per MT. The average c.i.f. cost of French flour was US$253 per MT. The PL 480 flour cost 41 percent more than the French flour.

Furthermore, rice from the Orient, according to STC, is preferred to PL 480 rice by Mauritian consumers, so it is not possible to sell the PL 480 rice on the market at prices higher than the rice imported from normal commercial sources. Therefore, the purchase of PL 480 rice and wheat flour force the GOM to increase its subsidy to the STC for these basic staples at a time when the IMF and World Bank are insisting on a substantial reduction in such subsidies, in order to reduce the fiscal deficit and its consequent expansionary pressures on domestic prices and the balance of payments (the latter by increasing import demand). The only apparent reason for Mauritius to accept PL 480 rice and wheat flour is that the foreign exchange is provided on a concessional loan basis with low interest rates and repayments spread out many years into the future.

d. Balance of Payments

Mauritius's balance of payments deteriorated progressively between 1976/77 and 1980/81, initially in the wake of expansionary fiscal and wage policies carried over from the sugar boom period, and subsequently due to unfavorable weather conditions resulting in poor sugar harvests, coupled with continued fiscal deficits (See Table 11). The current account deficit rose to minus 144 million SDR's, or -15.5 percent of GDP in 1980/81, but has declined to -5.0 percent of GDP in 1982/83 and an estimated -4.5 percent, or -49 million SDR's, in the current year. IMF projections indicate that a slow improvement can be expected during the coming years, if Mauritius receives additional support from the international donor community and does not suffer any additional disasters. (See Table 11.)

Sugar constitutes Mauritius's major export earner, accounting for more than 60 percent of exports in 1982. The EPZ accounts for about one third of exports, while other exports constitute the remainder (See Table 14). Sugar has been declining steadily as a proportion of total exports, even during good harvest years, because of the rapid growth of EPZ exports, which have added about two percentage points to their export share each year since 1975. The steady growth of EPZ production has become critical to Mauritian export performance as well as to the maintenance of domestic employment.

Sugar exports are critical for Mauritius's balance of payments, just as sugar production effects the entire domestic economy. As a traditional sugar producer, Mauritius exports about 500,000 tons of sugar annually to the European Common Market, where it receives a preferential price. The balance of sugar exported is sold on the free market, primarily to the U.S. and Canada.

In addition to exports to the EEC, the International Sugar Agreement allots Mauritius an annual export entitlement of 175,000 tons, provided the world price remains above a floor level of 11 U.S. cents per pound.

In May 1982, a revised sugar import quota system for the U.S. market allotted Mauritius a quota of 30,000 tons (equal to 1.1 percent of U.S. sugar imports). This compares very unfavorably with the 130,000 tons Mauritius had planned to export to the U.S. in 1982. Mauritius was twice disadvantaged by the new quota system: first, by a low ceiling on exports due largely to cyclone losses during the base period during which the quotas were calculated and second, by a requirement that shipments be made quarterly, resulting in inefficient shipping practices. In 1982, Mauritius lost its second quarter quota due to the small size of the shipment, which could not be economically shipped unless coordinated with another exporter. (It is difficult for GOM officials to understand what they perceive as the unfairness of the quota formulas and rules as applied to a small country like Mauritius.)

The world market situation for sugar at the present time is not advantageous for producers. From a peak average of US$ 0.29 per pound on the New York market in 1980, the price fell to an average of $0.08 per pound in 1982 and 1983, although the EEC is holding its import price at about $0.18/pound. These price trends reflect excessive production, with world stocks equalling 35 percent of annual consumption levels in 1982. In view of this situation, export prices are unlikely to increase for Mauritius's excess sugar production in the near future.

Manufactured exports produced in the EPZ rose from 11 percent of export earnings in 1975 to 33 percent in 1981/82. Unfortunately, the introduction of quotas by some industrial countries, including the U.S., have restrained the growth of the EPZ. Mauritian exporters have had to limit production of textiles and to seek other products to manufacture for export. Access to markets is becoming an issue of extreme concern for manufactured exports as well as for sugar exports.

Mauritius's imports include a variety of consumer goods, food products, petroleum products, and intermediate inputs for the EPZ. In 1982 rice and flour accounted for nearly 10 percent of all imports, petroleum 18 percent, EPZ inputs 15 percent, and other imports 56 percent (see Tables 15 and 16).

Total rice imports averaged 80,000 MT annually between 1979 and 1982. Virtually all rice must be imported, since no more than token amounts (100-200 MT) can be grown domestically. Of this annual requirement, 1983/84 PL 480 purchases from U.S. sources of supply amount to less than 10 percent (7870 MT). (See Table 16.)

Wheat flour imports averaged 56,000 MT annually between 1979 and 1982. All wheat requirements are imported, as wheat cannot be economically grown in Mauritius. Of this annual requirement, 1983/84 PL 480 purchases of 3782 MT comprised about 7 percent.

Vegetable oil imports averaged 18,000 MT a year during this same period, again comprising the total consumption requirement. The approximately 3,000 MT of vegetable oil to be financed under this ESF grant will satisfy about 17 percent of the total requirement for 1984/85.

Since none of these basic food commodities can be economically produced in Mauritius, pricing and subsidy issues do not include questions of producer incentives or significant import substitution possibilities. The only possible substitute for the key foodgrain imports is maize, which in Mauritius is considered primarily a feedgrain for livestock, since Mauritians do not eat it as a staple themselves (therefore the price elasticity of substitution of maize for rice or wheat is very low). The GOM has aggressively encouraged the intercropping of maize with sugar cane, and domestic maize production has increased from 1081 MT in 1981 to 3000 MT in 1983. Results so far, however, indicate that domestic production costs are higher than the cost of commercial maize imports from neighboring countries.

In attempting to stimulate import substitution, the GOM has also actively encouraged the intercropping of potatoes and other vegetables with sugar cane, and total foodcrop production has risen from 44,816 MT in 1981 to an estimated 48,393 MT in 1983, despite a decline in potato production from 16,000 MT to 12,000 MT during the same period. The production of potatoes has been pushed as far as the domestic market will absorb them, and the bumper crop of 1981 caused some serious storage problems and resulted in concessional sales to nearby countries to get rid of the surplus, despite a GOM campaign to encourage more domestic potato consumption, which averages between 12,000 and 13,000 MT annually.*

The consumption of potatoes is more heavily subsidized than either rice or wheat flour, with the subsidy element equal to 60 percent of the controlled retail price of potatoes in 1983, as opposed to 34 and 38 percent, respectively, for rice and wheat flour (compared with free market retail prices). Even at the subsidized price levels, potatoes sold for more per kilogram than either rice or wheat flour. (See text table below.) Since in order to obtain the same caloric food value one must purchase more than four kilograms of raw potatoes for every kilo of rice or wheat flour, the potato is clearly not an economically viable food substitute for the staple foodgrains.**

Average (Jan.-Nov.) 1983 Prices
(Rs per kilogram)

Food	Subsidized Retail Price		Free Market Price
Rice	2.39	.82	3.21
Wheat Flour	2.22	.84	3.06
Potatoes	2.50	1.50	4.00

SOURCE: GOM authorities.

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* 1983 production data were provided by Ministry of Agriculture. See also Table 25 and GOM, "White Paper on Rice and Flour," Port Louis, Mauritius, November 1982, p. 27.

** See GOM, op. cit., p. 19.

Foreign exchange reserves stood at about $83 million in December 1982, about 40 percent higher than one year earlier. This amounts to the value of 1.4 months of imports, or less than one month of total foreign exchange requirements. The GOM target has been to increase reserves to the value of about 3 months' of imports, but by the end of 1983/84 they are expected to decline to only 0.7 months of imports (see Table 11).

Significant improvements have been made in reducing the balance of payments current account deficit, but Mauritius still has a tough road ahead due to depressed world market conditions and the protectionist policies of industrial countries providing major markets.

e. Debt Service

The public debt on June 30, 1983, was estimated at Rs 6,022 million (US$ 519 million), or about 48 percent of GDP, of which 69 percent was external. Total debt service payments were expected to be in the neighborhood of Rs 1.2 billion, or about 40 percent of FY 83 revenue.

Over 85 percent of government borrowing over the next few years is expected to derive from external sources. Thus, amortization of the public debt will burden the balance of payments for the foreseeable future. Amortization of the public debt reached a peak of 12.9 percent of GDP in 1980/81, and then it declined slightly to 12.4 percent the following year. It is projected to decline gradually to 5.9 percent by 1985/86.

In 1981/82 external debt service payments on medium and long term debt were still relatively low, requiring only 14.7 percent of export earnings. This ratio is projected to rise to 25.2 percent in 1983/84 and 26.6 percent the following year, before beginning to decline (see Table 12). While this level of debt service is not as high as in many developing countries, it is a matter of concern for Mauritius for three main reasons: 1) Mauritius is an extremely open economy, with exports accounting for nearly 40 percent of GDP; 2) Mauritius depends heavily on one export crop, which suffers from unpredictable price fluctuations and weather variations; and 3) Mauritius has insufficient foreign exchange reserves to weather the effects of another cyclone. Mauritius must therefore intensify its efforts to improve its balance of payments and to reduce its external debt service ratio.

f. Exchange Rate Policy

In a world of varying inflation rates and changing terms of trade, the exchange rate becomes a key tool for regulating the balance of payments. As expansionary wage and fiscal policies resulted in high rates of inflation during the late 1970's, it became necessary to adjust the exchange rate. Mauritius devalued by 23 percent in October 1979. However, the Mauritian rupee remained linked to the SDR, which is strongly influenced by the U.S. dollar. As the dollar rose and the Mauritian economy remained in trouble, it became necessary to adjust the Mauritian rupee again with a 20 percent devaluation in September 1981.

Two key factors determine optimal exchange rates: 1) purchasing power parity, which is based on relative inflation rates, and 2) the terms of trade, which are based on relative price changes and underlying shifts in worldwide supply and demand between imports and exports, irrespective of domestic inflation. In addition to these two factors, it is also necessary to consider special circumstances such as periods of heavy budget deficits resulting in high domestic demand, and poor weather resulting in lower export earnings. Special circumstances may require one-time measures to facilitate adjustment.

An analysis of purchasing power parity for Mauritius vis-a-vis its main trading partners is included as Table and Chart 13. The analysis shows that Mauritius has maintained almost constant purchasing power parity in real terms during the past decade, although the rupee has been devalued by about 10 percent in real terms since the latter mid-1970's. The devaluation of October 1979 was overcome by the 42 percent rate of domestic inflation in 1980, which itself was largely due to the poor sugar harvest, increased government expenditure over reduced levels of income, and the resulting fiscal and balance of payments deficits. The first devaluation was reinforced by a second devaluation in September 1981. The combined effect of the two devaluations restored the real purchasing power parity that prevailed in 1972 and 1975. As noted in Table 13, the analysis was based on Mauritius's trade patterns during the four years between 1978 and 1981. Average, trade-weighted exchange rates were deflated by average, trade-weighted inflation rates for the comparison, with the trade weights derived from the 13 more important trading partners (accounting for 83.4 percent of all trade).

Detailed data on Mauritius's terms of trade are not available. Other relevant data are included as Table 17, including a comparison of unit values for exports and imports. A shortfall of such a comparison lies in its failure to take into account changes in the composition of imports and exports. Thus, it can only be used as a rough proxy for the terms of trade.

The unit value of exports is set forth in line 2 of Table 17. The average dollar value of total exports have fallen more slowly than the favorable EEC sugar import prices, underscoring the importance of the EPZ, which enables Mauritius to export products that maintain their value on the world market to a greater extent than sugar. The increasingly large share of manufactured exports accounts for the consistent and growing gap between the unit value of total exports and the price of sugar. To the extent that EPZ exports constitute an increasingly important component of Mauritius's exports, the unit value of exports will maintain closer parity with imports.

The average unit value of imports for Mauritius has increased 3.5 times since 1972, while export values have gone up by only 2.8 times (see line 3 of Table 17). Line 5 of Table 17 sets forth the unit value of exports divided by the unit value of imports, which is used as a proxy for the terms of trade. This ratio indicates that Mauritius's terms of trade peaked in 1975 during the sugar boom, but that since then they have steadily declined. By 1982 they were 49 percent below the 1975 peak and 19 percent below the 1972 level. This deterioration occurred while purchasing power parity was maintained. There is therefore a case to be made for further devaluation to compensate for the adverse balance of payments effects of the eroding terms of trade.

Apart from purchasing power parity and terms of trade considerations, it is also necessary to consider underlying economic conditions and policies. In the recent past, Mauritius's economy has suffered from expansionary fiscal and wage policies. Beginning with the IMF Stand-by Agreement of 1979, wage policies have gradually reduced real wages. Excessive government budget deficits have been more difficult to control. Although substantial improvements have been made, deficits continue to fuel domestic demand, causing both inflation and balance of payments deficits. These problems have been compounded by three consecutive years of adverse weather conditions characterized by poor harvests.

These additional pressures on the economy could be mitigated by further depreciation of the exchange rate, which would automatically provide more rupees for exports, or alternatively allow competitive price reductions without a loss of revenue in terms of rupees. A devaluation would also inhibit the demand for imports. However, it should be noted that in an economy as open as that of Mauritius, devaluation can stimulate inflation if expansionary pressures on the economy are not effectively curtailed to reduce domestic demand. A devaluation would facilitate the adjustment process by changing the relative incentives to produce for export and to consume imports. Once the adjustment has been made, and such adjustments always hinge on the ability to reduce consumption to correspond with production, then the exchange rate could be allowed to return to levels consistent with purchasing power parity and terms of trade considerations. In an economy that relies on effective demand and duties rather than quotas or foreign exchange allocations to restrain the demand for imports, the failure to compensate for changes in the terms of trade or government-induced excessive demand has made structural adjustment more difficult.

Last year the GOM implemented a change in the exchange rate policy that could result in effective devaluation. On February 28, 1983, the GOM untied the rupee and the SDR, and entered into a "managed float." The official rationale for this step was that the U.S. dollar, which accounts for 45 percent of the SDR's value, had been rising, while the pound sterling had been falling. Since Mauritius's exports are primarily to the EEC, GOM officials sought to prevent further erosion in the local currency value of exports, and to increase the weight of the pound sterling and the European Currency Unit. In short, the GOM sought to "reward exporters and to penalize importers," rather than the other way around. Basically, the formula is consistent with a devaluation or depreciation of the rupee against the currencies of its major trading partners, which can be allowed to occur gradually. Since then the rupee has depreciated by 11 percent against the SDR and by about 15 percent against the U.S. dollar (as of December 1983).

The eventual effects of a downward float, if it is "managed" downward, would be to increase the price of petroleum and food imports, as well as of capital equipment and imported consumer goods. The price of petroleum has already been falling, and the GOM does not intend to pass the decrease on to the consumer. Food prices have also been declining, effectively reducing government subsidies. Depreciation of the rupee would increase the cost of imported food, which could be handled either by an increase in the subsidy or by passing it on to the consumer. The increased cost of capital goods would discourage new investments relying heavily on imported equipment and inputs unless concomitant exports could be expected to offset them, and it would tend to discourage capital intensive investments relatively more than labor-intensive ones. The prices (in rupees) of goods produced for export as well as for imported commodities would increase. At the present time, the refusal of the GOM to assume exchange risks for capital equipment loans probably discourages capital investment more than the possibility of a devaluation. Even for World Bank and other donor loans, the GOM presently passes the exchange risk on to the investor. On the positive side, a downward float of the rupee would increase revenue from sugar taxes and from tourism, and it would increase the cost of consumer imports. It would also enhance rupee-denominated earnings for the troubled sugar industry, as well as for other exporters.

There is a strong case to be made for a freely floating exchange rate, so, long as fluctuations are not excessive. Under such a system, the government would be absolved of responsibility for changes in the exchange rate, since market demand would regulate the rate. During periods of foreign exchange shortage or excessive demand for imports, the exchange rate would automatically depreciate, tempering the demand for imports and conserving foreign exchange. When there is an abundance of foreign exchange relative to the demand for imports, the exchange rate would appreciate. The floating system would automatically take into account special circumstances such as debt servicing requirements. Rather than relying on imperfect analyses of purchasing power parity and terms of trade which represent the total demand and supply situation in an incomplete way, a floating system would automatically assist in the adjustment process of reducing the balance of payments deficit until the external debt has been serviced. The rate would then appreciate as the demand for foreign exchange declined. The danger of such a system, when the level of available foriegn exchange is very low and where rapid adjustments to changing market conditions are not possible, is that in a relatively short period of time the nation can find itself without foreign exchange and in a demand-fed inflationary spiral. Small markets can be strongly affected by relatively small changes (in terms of world market trends) in price structures, and natural adjustments may take some time to effect a new equilibrium.

REDSO/ESA: CSCallison, 5/18/84 (MRTSPAAD.EC2)

Statistical Tables: MAURITIUS

Table	Name
1.	Gross Domestic Product by Industry Group at Current Factor Cost, 1979-83
2.	Percent Contribution to GDP by Industry Group at Current Factor Cost, 1979-83
3.	Real Gross Domestic Product by Industry Group at Constant 1976 Factor Cost, 1979-83
4.	Real Product Indices by Industry Group, 1979-83
5.	Real Growth Rates of GDP by Industry Group, 1979-83
6.	Expenditure on Gross Domestic Product at Current Prices, 1979-83
7.	Percentage Composition of Expenditure on GDP at Current Prices, 1979-83
8.	Central Government Operations, 1979/80-1983/84, and Consolidated Public Sector Account, 1982/83-1983-84
9.	Composition of Central Government Subsidies and Transfers, 1979-80-1983/84
10.	Subsidies and Prices of Rice and Wheat Flour, 1978/79-1982/83
11.	Balance of Payments, 1979/80-1982/83 and IMF Projections through 1986/87
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Table 1. MAURITIUS: Gross Domestic Product by Industry Group at Current Factor Cost, 1979-83 (Rs million)

Industry	1979	1980	1981	1982	Prelim. 1983
Agriculture, hunting, forestry & fishing	1224	914	1257	1510	1415
(of which, sugar)	953	598	899	1140	1010
Mining & quarrying	12	15	16	18	19
Manufacturing	972	1127	1377	1620	1735
(of which, sugar)	276	178	251	313	290
Utilities	161	209	203	255	270
Construction	552	561	588	625	656
Commerce, restaurants & hotels	779	1050	1219	1290	1410
Transport, storage & communications	653	837	997	1112	1210
Financial & business services	1045	1309	1517	1775	1945
Government services	793	952	1104	1280	1375
Other services	349	415	487	565	615
GDP at Factor Cost	6540	7389	8765	10050	10650
Indirect taxes	1100	1308	1444	1700	2025
GDP at market prices	7640	8697	10209	11750	12675

SOURCE: Economic Indicators, Issue No. 2, Ministry of Economic Planning & Development, Port Louis, 1/13/84

AID, REDSO/ESA: CSCallison, 2/18/84

Table 2. MAURITIUS: Percent Contribution to GDP by Industry Group at Current Factor Cost, 1979-83

Industry	1979	1980	1981	1982	Prelim. 1983
Agriculture, hunting, forestry & fishing	18.7	12.4	14.3	15.0	13.3
(of which, sugar)	14.6	8.1	10.3	11.3	9.5
Mining & quarrying	0.2	0.2	0.2	0.2	0.2
Manufacturing	14.9	15.3	15.7	16.1	16.3
(of which, sugar)	4.2	2.4	2.9	3.1	2.7
Utilities	2.5	2.8	2.3	2.5	2.5
Construction	8.4	7.6	6.7	6.2	6.2
Commerce, restaurants & hotels	11.9	14.2	13.9	12.8	13.2
Transport, storage & communications	10.0	11.3	11.4	11.1	11.4
Financial & business services	16.0	17.7	17.3	17.7	18.3
Government services	12.1	12.9	12.6	12.7	12.9
Other services	5.3	5.6	5.6	5.6	5.8
GDP at Factor Cost	100.0	100.0	100.0	100.0	100.0
Indirect taxes	16.8	17.7	16.5	16.9	19.0
GDP at market prices	116.8	117.7	116.5	116.9	119.0

SOURCE: Calculated from Table 1.

AID. REDSO/ESA: CSCallison, 2/18/84

Table 3. MAURITIUS: Real Gross Domestic Product by Industry Group at Constant 1976 Factor Cost, 1979-83 (Rs million)

Industry	1979	1980	1981	1982	Prelim. 1983
Agriculture, hunting, forestry & fishing	977	643	784	939	833
(of which, sugar)	717	416	536	673	566
Mining & quarrying	7	7	7	7	7
Manufacturing	754	701	762	817	824
(of which, sugar)	231	138	167	187	167
Utilities	97	97	97	107	110
Construction	370	307	292	280	283
Commerce, restaurants & hotels	582	558	568	539	557
Transport, storage & communications	437	423	434	448	464
Financial & business services	763	761	794	834	862
Government services	563	569	591	617	642
Other services	252	252	265	280	290
GDP at Factor Cost	4802	4318	4594	4868	4902

NOTE: Preliminary 1983 figures do not add exactly to total GDP due to rounding error in conversion from constant 1982 to 1976 prices.

SOURCE: Economic Indicators, Issue No. 2, Ministry of Economic Planning & Development, Port Louis, 1/13/84

AID, REDSO/ESA: CSCallison, 2/18/84

Table 4. MAURITIUS: Real Product Indices by Industry Group, 1979-83
(1979 = 100.0)

Industry	1979	1980	1981	1982	Prelim. 1983
Agriculture, hunting, forestry & fishing	100.0	65.8	80.2	96.1	85.3
(of which, sugar)	100.0	58.0	74.8	93.9	78.9
Mining & quarrying	100.0	100.0	100.0	100.0	100.0
Manufacturing	100.0	93.0	101.1	108.4	109.3
(of which, sugar)	100.0	59.7	72.3	81.0	72.2
Utilities	100.0	100.0	100.0	110.3	113.3
Construction	100.0	83.0	78.9	75.7	76.4
Commerce, restaurants & hotels	100.0	95.9	97.6	92.6	95.6
Transport, storage & communications	100.0	96.8	99.3	102.5	106.2
Financial & business services	100.0	99.7	104.1	109.3	113.0
Government services	100.0	101.1	105.0	109.6	114.0
Other services	100.0	100.0	105.2	111.1	115.0
GDP at Factor Cost	100.0	89.9	95.7	101.4	102.1

SOURCE: Calculated from Table 3.

AID, REDSO/ESA: CSCallison, 2/18/84

Table 5. MAURITIUS: Real Growth Rates of GDP by Industry Group, 1979-83 (Annual Percent Increase)

Industry	1979	1980	1981	1982	Prelim. 1983
Agriculture, hunting, forestry & fishing	4.0	-34.2	21.9	19.8	-11.3
(of which, sugar)	5.4	-42.0	28.8	25.6	-16.0
Mining & quarrying	0.0	0.0	0.0	0.0	0.0
Manufacturing	5.2	-7.0	8.7	7.2	0.9
(of which, sugar)	3.6	-40.3	21.0	12.0	-10.9
Utilities	9.0	0.0	0.0	10.3	2.7
Construction	-7.5	-17.0	-4.9	-4.1	1.0
Commerce, restaurants & hotels	8.2	-4.1	1.8	-5.1	3.3
Transport, storage & communications	1.4	-3.2	2.6	3.2	3.6
Financial & business services	4.0	-0.3	4.3	5.0	3.4
Government services	2.9	1.1	3.9	4.4	4.0
Other services	9.1	0.0	5.2	5.7	3.5
GDP at Factor Cost	3.6	-10.1	6.4	6.0	0.7

SOURCE: Calculated from Table 3 and World Bank, 'Mauritius Economic Updating Note, Recent Developments and Prospects,' 4/18/83, p. 37

AID, REDSO/ESA: CSCallison, 2/18/84

Table 6. MAURITIUS: Expenditure on Gross Domestic Product at Current Prices, 1979-1983

Category	1979	1980	1981	1982	Prelim. 1983
Private Consumption	5144	6562	7277	8350	8865
Government Consumption	1009	1224	1422	1600	1690
Gross Domestic Capital Formation	2385	1803	2578	2130	2335
--Fixed, Private	1355	1298	1375	1340	1425
--Fixed, Government	610	730	865	760	850
--Stocks	420	-225	338	30	60
Exports	3260	4450	4566	5529	5885
Less Imports	-4158	-5342	-5634	-5859	-6100
GDP at Market Prices	7640	8697	10209	11750	12675

SOURCE: Economic Indicators, Issue No. 2, Ministry of Economic Planning & Development, Port Louis, 1/13/84

AID, REDSO/ESA: CSCallison, 2/18/84

Table 7. MAURITIUS: Percentage Composition of Expenditure on GDP at Current Prices, 1979-1983

Category	1979	1980	1981	1982	Prelim. 1983
Private Consumption	67.3	75.5	71.3	71.1	69.9
Government Consumption	13.2	14.1	13.9	13.6	13.3
Gross Domestic Capital Formation	31.2	20.7	25.3	18.1	18.4
--Fixed, Private	17.7	14.9	13.5	11.4	11.2
--Fixed, Government	8.0	8.4	8.5	6.5	6.7
--Stocks	5.5	-2.6	3.3	0.3	0.5
Exports	42.7	51.2	44.7	47.1	46.4
Less Imports	-54.4	-61.4	-55.2	-49.9	-48.1
GDP at Market Prices	100.0	100.0	100.0	100.0	100.0

SOURCE: Calculated from Table 6.

AID, REDSO/ESA: CSCallison, 2/18/84

Table 8. MAURITIUS: Central Government Operations, 1979/80-1983/84, and Consolidated Public Sector Account, 1982/83-1983/84

In Rs millions:	Central Government Operations: 1979/80	1980/81	1981/82	Prelim. Actual 1982/83	Consolidated** Public Sector Acct. ---Prelim.--- Actual 1982/83	Budget 1983/84
Total Expenditure	2709	3372	3679	4027	4198	4896
Current	1862	2314	2747	3092	2907	3222
Wages & salaries	685	792	936	n/a	1134	1261
Other goods & services	202	228	262	n/a	349	368
Interest payments	324	461	642	781	780	894
Subsidies & transfers	652	832	907	949	644	699
Capital	847	1058	932	935	1291	1674
--of which, net lending	339	418	344	437	388	394
Total Revenue & Grants	1812	2078	2291	2812	3031	3583
--of which, tax revenue	1600	1797	1950	2394	2233	2637
on income & profits	277	363	379		395	431
on property	70	79	75		84	130
on domes.goods & s.	310	360	408		81	180
on imports	640	708	689		984	1198
on exports	287	268	378		416	418
other	16	19	21		273	280
--non-tax revenue*	210	268	273		778	841
--grants	2	14	68		20	105
Overall Deficit	-897	-1294	-1388	-1215	-1167	-1313
Deficit Financing:	897	1294	1388	1215	1167	1313
External (net)	277	566	774	-111	-98	349
Domestic (net)	620	728	614	1326	1265	964
Gross Domestic Product	8427	9290	10843	12390	12390	13629
In percent of GDP:						
Total Expenditure	32.1	36.3	33.9	32.5	33.9	35.9
Current	22.1	24.9	25.3	25.0	23.5	23.6
Capital	10.1	11.4	8.6	7.5	10.4	12.3
Total Revenue & Grants	21.5	22.4	21.1	22.7	24.5	26.3
--of which, tax revenue	19.0	19.3	18.0	19.3	18.0	19.3
--non-tax revenue*	2.5	2.9	2.5		6.3	6.2
--grants	0.0	0.2	0.6		0.2	0.8
Overall Deficit	-10.6	-13.9	-12.8	-9.8	-9.4	-9.6

* Consolidated account includes operating surplus of Public Enterprises
** Includes Central Government, Local Authorities, National Pension Fund, and Public Enterprises

SOURCES: IMF, 'Mauritius - Recent Economic Developments,' 5/4/83, pp. 30, 69, 80-82, and 'Mauritius - First Review of the Stand-By Arrangement,' 10/31/83, p. 9; and GOM, 'Estimates 1983-84,' Port Louis, Nov. 1983, p. 241.
AID, REDSO/ESA: CSCallison, 2/20/84

Table 9. MAURITIUS: Composition of Central Government Subsidies and Transfers, 1979/80-1983/84 (Rs millions)

	1979/80	1980/81	1981/82	1982/83	1983/84*
Local governments	94.4	107.9	119.4	141.3	151.5
Education	127.0	144.3	158.6	161.4	181.1
Rice and wheat**	130.0	203.0	230.0	190.0	118.0
Public pensions	96.6	116.5	142.2	172.2	
Nat'l pension fund	121.1	141.4	170.7	199.3	230.0
Other transfers	82.5	118.5	86.1	96.3	
TOTAL	651.6	831.6	907.0	960.5	
Total Central Government Expenditures	2709	3372	3679	4027	4479
Percent of Total Expenditures:					
Total Subsidies and Transfers	24.1	24.7	24.7	23.9	
Rice and wheat	4.8	6.0	6.3	4.7	2.6

* Budget estimates

**Not including exchange losses borne by the Bank of Mauritius of Rs 57 million and Rs 46.4 million in 1981/82 and 1982/3, respectively.

SOURCE: IMF, 'Mauritius - Recent Economic Developments,' 5/4/83, p.39; updated with data provided by the Central Statistics Office. 1983/84 data is from GOM, 'Estimates 1983-84,' Port Louis, Nov. 1983, p. 238.

AID, REDSO/ESA: CSCallison, 4/12/84

Table 10. Mauritius: Subsidies and Prices of Rice and Wheat Flour, 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83 Est.
Retail prices in rupees per pound					
Rice	0.36	0.64 1/	0.91 2/	0.91	1.14 3/
Wheat flour	0.30	0.53 1/	0.82 2/	0.82	1.09 3/
Subsidy as a percentage of unit cost to Government 4/					
Rice	65	56	48	51	30
Wheat flour	67	60	50	49	35
		(In millions of Mauritian rupees)			
Cost of subsidy					
Budgetary 5/	111	130	203	230	200
Extrabudgetary 6/	74	104	6	57	46
Total	185	234	209	287	246

Sources: Data provided by the Mauritian authorities; and staff estimates.

1/ From October 1979.
2/ From July 21, 1980.
3/ From November 1982.
4/ Including distribution costs.
5/ On the basis of import letters of credit paid rather than on letters of credit opened.
6/ For 1978/79 to 1980/81 this item reflects the differences between letters of credit opened and letters of credit paid; in 1981/82 and 1982/83 it represents exchange losses borne by the Bank of Mauritius.

Reprinted from: IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 40.

Table 11. Mauritius: Balance of Payments, 1979/80-1982/3 and IMF Projections through 19~~66~~86/7 (millions of SDR's)

	1979/80	1980/81	1981/82	Provisional 1982/83	Estimated 1983/84	IMF Projections 1984/85	1985/86	1986/87
Current Account	-97	-144	-54	-51	-49	-47	-46	-49
Merchandise (net)	-67	-137	-35	-39	-44	-41	-39	-43
Exports, f.o.b.	313	288	334	320	334	367	393	420
Imports, f.o.b.	-380	-424	-369	-359	-378	-408	-431	-464
Service (net)	-42	-26	-39	-37	-31	-34	-38	-39
Transfers (net)	13	19	20	25	26	28	31	33
Capital Account	49	80	56	29	30	63	63	54
Public (net) 1/	28	60	75	-7	34	62	62	52
Eurocurrency (net)	9	29	30	-32	-39	-24	-17	-8
Disbursements		(35)	(37)	(--)	(--)	(--)	(--)	(--)
Amortization		(-6)	(-7)	(-32)	(-39)	(-24)	(-17)	(-8)
Existing Concessionary Loans	19	31	45	25	58	53	21	-7
Disbursements		(37)	(54)	(38)	(72)	(71)	(42)	(20)
Amortization		(-6)	(-9)	(-13)	(-14)	(-18)	(-21)	(-27)
Future loans					15	33	56	68
Eurocurrency					(15)	(22)	(15)	(8)
Concessionary					(--)	(11)	(41)	(60)
Private, errors and omissions	21	20	-19	36	-4	2	3	3
SDR Allocation	3	3	--	--	--	--	--	--
Overall Balance	-45	-61	2	-22	-20	17	17	5
Financed by:								
IMF (net)	40	56	20	22	12			
Reserves	5	5	-22	--	8			
Memorandum Items:								
End-year reserves in months of imports	0.9	0.7	1.2	1.0	0.7			
Current Acct./GDP (%)	-10.7	-15.5	-5.7	-5.0	-4.5	-4.2	-3.8	-3.8

1/ Includes parastatals NOTE: Components may not equal totals due to rounding.

SOURCE: IMF, "Mauritius - First Review of the Stand-By Arrangement," EBS/83/234, 10/31/83, p. 8; and "Mauritius - Recent Economic Trends," SM/83/67, 5/4/83, p. 53.

REDSO/ESA: CSCallison, 2/3/84

Table 12 Mauritius: Debt Service Payments on Medium- and Long-Term Debt, 1981/82-1986/87 1/

(In millions of SDRs)

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Eurocurrency 2/	26	51	51	34	28	19
Principal	7	32	39	24	17	8
Interest	19	19	12	11	11	11
Other public (excluding IMF) 3/	19	24	29	39	47	59
Principal	9	13	14	18	21	27
Interest and charges	10	11	16	21	27	32
Private	5	4	4	3	2	2
Principal	4	4	3	2	1	1
Interest	1	1	1	1	1	1
IMF 4/	19	18	35	61	62	44
Repurchases	6	5	21	46	46	30
Charges	13	12	14	15	15	15
Total (including IMF)	68	97	119	137	139	126
Principal and repurchases	26	54	77	90	86	67
Interest and charges	43	44	42	47	54	59
Debt service ratio 5/	14.7	21.6	25.2	26.6	25.0	21.0
Principal service ratio	5.5	11.9	16.3	17.5	15.4	11.2
Interest service ratio	9.2	9.7	8.9	9.2	9.7	9.8

Sources: Data provided by the Mauritian authorities; and staff estimates.

1/ For existing debt as well as debt to be contracted through 1986/87. It is assumed that disbursements would be around the midpoint of the fiscal year.

2/ From 1984/85 the Mauritian authorities assume a LIBOR of 11 percent plus the usual spread of 2 percent. These projections are retained in this table.

3/ On long-term debt to be contracted through 1986/87 an interest rate of 10 percent is assumed.

4/ Including Trust Fund.

5/ In percent of exports of goods and nonfactor services.

Reprinted from: IMF, "Mauritius - First Review of the Stand-By Arrangement," Oct. 31, 1983, p. 15.

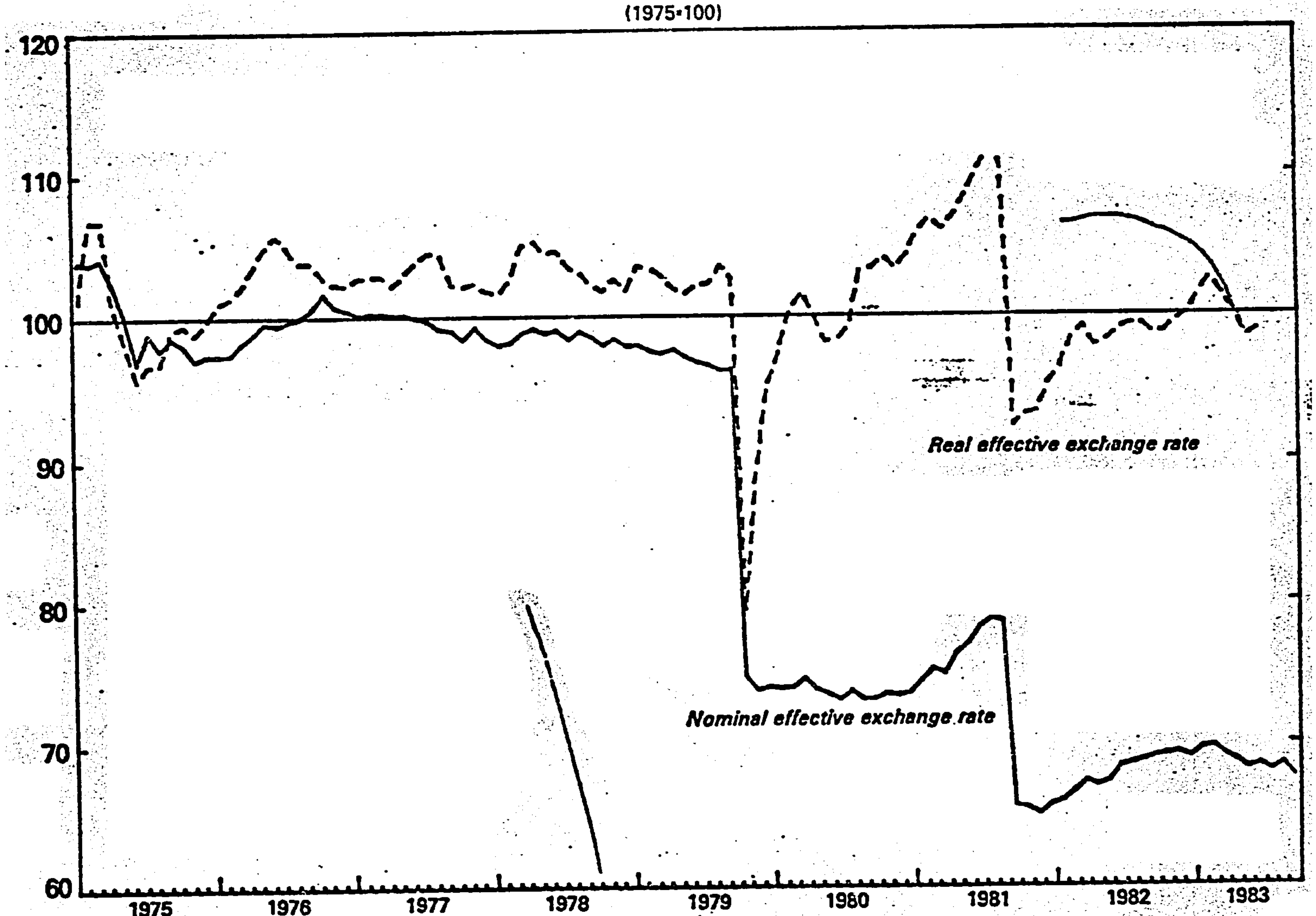
Table 13. Mauritius: Real, Trade-Weighted Foreign Exchange Rate Index, 1972-1982
(1975 = 100.0)

Index	1972	1975	1976	1977	1978	1979	1980	1981	1982
1. Rupee Exchange Rate per US$	5.34	6.03	6.68	6.60	6.14	6.40	7.69	9.09	10.94
2. Rs Exchange Rate Index	88.56	100.00	110.78	109.45	101.82	106.14	127.53	150.75	181.43
3. Trading Partners' Exchange Rate Index (per US$)	97.22	100.00	113.88	115.53	107.15	101.24	96.68	110.40	127.37
4. Nominal Trading Partners'/Rs Rate Index (3)/(2)	109.78	100.00	102.80	105.55	105.23	95.39	75.81	73.24	70.20
5. Mauritius Consumer Price Index (CPI)	59.40	100.00	112.90	123.30	133.80	153.20	218.60	249.00	282.00
6. Ave. Trading Partners' CPI	69.60	100.00	112.20	126.20	137.10	151.40	172.70	193.00	212.20
7. Mauritius CPI/Trading Partners' CPI (5)/(6)	85.34	100.00	100.62	97.70	97.59	101.19	126.58	129.02	132.89
8. Real Foreign Exchange Rate Index (4)x(7)	93.69	100.00	103.44	103.13	102.70	96.52	95.96	94.49	93.30

SOURCES:
1) International Financial Statistics, IMF
2) Derived from line 1
3) Direction of Trade and IFS, IMF. Trade partner weights were based on trade patterns for four years between 1978 and 1981. Trade weighted exchange rates per US$ were calculated on the bases of 13 major trading partners, which accounted for 83.4% of total reported exports and imports.
4) Nominal trading partners'/Rupee index was derived by dividing line 3 by line 2
5) IFS, IMF
6) Trade-weighted CPI based on 13 major trading partners using same trade weights as for line 3
7) Derived by dividing line 5 by line 6
8) Real, trade-weighted foreign exchange rate index for Mauritius, derived by multiplying line 4 by line 7 to deflate nominal figures by respective inflation rates.

REDSO/ESA: HSoos and CSCallison, 4/10/84

CHART 13
MAURITIUS
NOMINAL AND REAL EFFECTIVE EXCHANGE RATES:
TRADE WEIGHTED, 1975-83
(1975=100)



Source: Staff calculations; decline equals depreciation.

Reprinted from: IMF, "Mauritius -
First Review of the Stand-By Arrangement,"
Oct. 31, 1983, p. 16a.

Table 14. MAURITIUS: Commodity Exports, 1979-83
(Rs million, f.o.b.)

Commodity	1979	1980	1981	1982p	1st Sem. 1983p
Sugar	590.0	2168.3	1625.0	2462.5	976.5
Molasses	69.2	104.0	110.3	66.6	11.5
Tea	39.3	42.1	49.2	66.7	54.3
Fish & fish preparations	31.2	42.0	61.0	55.5	39.0
Textile yarn, fabrics,etc	48.4	57.9	73.4	90.7	38.8
Processed diamonds & synthetic stones	36.8	46.0	28.7	51.9	21.7
Clothing	396.1	566.4	802.1	881.4	391.9
Spectacles & frames	17.9	18.9	27.2	29.3	16.0
Watches & clocks	7.9	17.4	21.8	38.1	29.7
Jewellery & related wares	7.0	19.0	19.5	28.4	12.3
Other manufactures	24.3	36.4	52.4	69.5	48.2
Other domestic goods *	114.0	142.8	54.4	57.9	14.2
Re-exports	50.7	80.1	74.2	90.1	40.4
Subtotal: Sugar, molasses tea, fish & fish prep.	1729.7	2356.4	1845.5	2651.3	1081.3
Subtotal: Manufactures	538.4	762	1025.1	1189.3	558.6
TOTAL EXPORTS	2432.8	3341.3	2999.2	3988.6	1694.5
Percentage Composition:					
Sugar	65.4	64.9	54.2	61.7	57.6
Molasses	2.8	3.1	3.7	1.7	0.7
Tea	1.6	1.3	1.6	1.7	3.2
Fish & fish preparations	1.3	1.3	2.0	1.4	2.3
Textile yarn, fabrics,etc	2.0	1.7	2.4	2.3	2.3
Processed diamonds & synthetic stones	1.5	1.4	1.0	1.3	1.3
Clothing	16.3	17.0	26.7	22.1	23.1
Spectacles & frames	0.7	0.6	0.9	0.7	0.9
Watches & clocks	0.3	0.5	0.7	1.0	1.8
Jewellery & related wares	0.3	0.6	0.7	0.7	0.7
Other manufactures	1.0	1.1	1.7	1.7	2.8
Other domestic goods *	4.7	4.3	1.8	1.5	0.8
Re-exports	2.1	2.4	2.5	2.3	2.4
Subtotal: Sugar, molasses tea, fish & fish prep.	71.1	70.5	61.5	66.5	63.8
Subtotal: Manufactures	22.1	22.8	34.2	29.8	33.0
TOTAL EXPORTS	100.0	100.0	100.0	100.0	100.0

* Includes Rs 70.2 and 84.9 million for electronic parts in 1979 and 1980, respectively.

SOURCE: Bi-Annual Digest of Statistics, Central Statistical Office, Dec. 1982, Table 7.4, with 1983 data from CSO.

AID, REDSO/ESA: CSCallison, 2/19/84

Table 15. MAURITIUS: Import Composition by Major Commodity Group, 1979-83
(Rs million, c.i.f.)

Commodity	1979	1980	1981	1982p	1st Sem. 1983p
Food	756.0	1084.4	1197.2	1234.2	546.0
Beverages & tobacco	27.3	25.8	24.8	20.8	13.3
Crude materials, exc.fuel	129.4	211.2	239.0	260.8	116.4
Mineral fuels, lubricants	526.2	667.3	899.0	936.9	522.9
Animal & veg.oils & fats	96.1	129.6	149.1	156.6	72.6
Chemicals	269.4	317.0	354.1	403.5	173.6
Manufactured materials	999.5	1227.8	1091.5	1214.1	584.7
Machinery&transport equip	546.5	738.7	737.3	499.6	278.5
Misc. manufactures	273.7	295.9	275.5	317.1	160.3
Misc., n.e.s.	10.2	23.7	9.3	4.6	3.5
TOTAL IMPORTS	3634.3	4721.4	4976.8	5048.2	2471.8

Percentage Composition:

Commodity	1979	1980	1981	1982p	1st Sem. 1983p
Food	20.8	23.0	24.1	24.4	22.1
Beverages & tobacco	0.8	0.5	0.5	0.4	0.5
Crude materials, exc.fuel	3.6	4.5	4.8	5.2	4.7
Mineral fuels, lubricants	14.5	14.1	18.1	18.6	21.2
Animal & veg.oils & fats	2.6	2.7	3.0	3.1	2.9
Chemicals	7.4	6.7	7.1	8.0	7.0
Manufactured materials	27.5	26.0	21.9	24.1	23.7
Machinery&transport equip	15.0	15.6	14.8	9.9	11.3
Misc. manufactures	7.5	6.3	5.5	6.3	6.5
Misc., n.e.s.	0.3	0.5	0.2	0.1	0.1
TOTAL IMPORTS	100.0	100.0	100.0	100.0	100.0

SOURCE: Central Statistical Office

AID, REDSO/ESA: CSCallison, 2/19/84

Table 16. MAURITIUS: Imports of Selected Commodities, 1979-83
(Rs million, c.i.f.)

Commodity	1979	1980	1981	1982p	1st Sem. 1983p
Rice	147.7	237.3	277.2	297.4	89.1
Wheat flour	85.9	168.8	204.3	215.6	91.9
Alcoholic beverages	12.9	13.5	13.9	13.3	8.3
Petroleum prod., refined	515.0	645.5	384.3	907.4	516.8
Vegetable edible oils	67.0	91.9	120.0	102.9	48.5
Fertilizers, manuf.	35.7	41.2	70.2	55.4	20.2
Cotton fabrics	49.2	43.5	43.5	50.4	32.2
Other textile fabrics	129.9	124.9	151.8	169.9	64.7
Cement	137.6	194.1	136.2	167.5	64.5
Iron & steel	170.4	200.6	130.5	130.2	64.1
Metal manuf., n.e.s.	131.8	136.6	102.6	116.9	52.9
Machinery, non-electric	262.9	238.5	241.1	220.3	125.9
Electric machinery, etc.	151	210	154.1	134.3	63.9
Road vehicles & parts	100.8	138.4	184.6	80.6	33.9
Quantities:					
Rice (1000 MT)	72.3	88.0	80.4	78.4	31.0
Wheat flour (1000 MT)	46.5	57.5	58.4	63.0	29.5
Vegetable oils (1000 MT)	14.2	19.5	20.3	16.7	8.4
Fertilizers (1000 MT)	47.8	33.2	45.3	38.7	17.0
Cotton fab.(million sq.m)	8.6	5.3	5.2	5.2	3.1
Cement (1000 MT)	294.5	292.3	198.1	210.5	88.6
Iron & steel (1000 MT)	57.9	48.5	30.3	26.8	13.3

SOURCE: Central Statistical Office

AID, REDSO/ESA: CSCallison, 2/20/84

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Table 17. Terms of Trade Indices for Mauritius
(1975 = 100.0)

Index	1972	1975	1976	1977	1978	1979	1980	1981	1982
1. Ave.EEC Sugar Import Price (U.S. $)	26.3	100.0	57.5	48.3	61.7	74.8	85.7	73.4	70.3
2. Exports, Ave. Unit Value($)	30.0	100.0	74.0	73.0	80.5	87.1	100.0	91.4	84.5
3. Imports, Ave. Unit Value($)	47.0	100.0	100.0	110.0	126.0	144.9	176.2	174.3	164.4
4. Ave. Terms of Trade (2)/(3)	63.8	100.0	74.0	66.4	63.9	60.1	56.8	52.4	51.4

SOURCE: Calculated from IMF, International Financial Statistics

REDSO/ESA: CSCallison, 4/12/84

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Table 18 Mauritius: Employment in Large Establishments[1/]
(1000's)

Industrial Group	Sept. 1972	Sept. 1973	Sept. 1974	Sept. 1975	Sept. 1976	Sept. 1977	Sept. 1978	Sept. 1979	Sept. 1980	Sept. 1981	Sept. 1982	Sept. 1983[2/]	1983 % of Total
Agriculture and Fishing	61.9	62.1	63.0	64.5	64.2	65.3	60.8	59.4	58.0	57.0	56.7	56.2	29.4
Sugar[3/]	(54.0)	(54.1)	(55.7)	(57.8)	(57.8)	(58.5)	(54.0)	(52.7)	(51.1)	(50.1)	(49.9)	(49.6)	(25.8)
Tea[3/]	(8.4)	(6.2)	(5.7)	(4.7)	(4.7)	(4.9)	(5.1)	(5.1)	(4.7)	(4.6)	(4.7)	(4.4)	(2.3)
Mining & Quarrying	0.1	0.14	0.15	0.16	0.15	0.12	0.20	0.15	0.15	0.15	0.15	0.17	0.09
Manufacturing	11.6	15.7	20.8	22.5	29.3	33.2	33.1	35.6	36.4	37.2	36.9	36.7	19.1
Construction	3.0	4.9	5.4	6.0	7.3	7.7	9.8	9.2	7.4	6.3	5.6	4.4	2.3
Utilities	1.3	2.7	2.9	3.0	3.1	3.2	3.6	4.7	4.5	4.4	4.4	4.2	2.2
Commerce[4/]	5.3	6.2	6.3	6.5	7.8	8.5	9.3	9.5	9.2	9.0	8.9	8.8	4.6
Transport & Communication[5/]	6.9	7.9	9.1	9.4	9.9	11.2	10.5	8.3	7.9	7.9	7.6	7.6	4.0
Commercial Services[6/]	)	2.3	2.6	2.8	3.2	3.7	4.4	4.4	4.5	4.6	4.7	4.6	2.4
Government Services:	)												
Central	)	41.0	40.4	40.9	42.8	42.4	45.4	47.3	49.1	49.4	49.5	49.8	25.9
Local	)	3.4	3.4	3.6	3.7	4.7	5.1	5.4	5.4	5.5	5.6	5.3	2.8
	57.4)												
Other Services	)	5.6	5.9	6.6	6.5	7.6	8.3	8.5	8.3	8.3	8.3	8.2	4.3
Other n.e.s.	)	5.9	7.2	6.9	6.7	7.1	8.1	6.7	6.5	6.4	6.2	6.2	3.2
	147.5	157.8	167.2	172.8	184.5	194.8	198.4	199.1	197.3	196.0	194.5	192.4	100.0

1/For non-agricultural establishments with 10 or more employees, for sugar plantations of 25 arpents or more, for tea plantations of 5 arpents or more; excludes self-employed and unpaid family workers; excludes Rodrigues
2/Provisional
3/Includes factories and, for tea, the Tea Development Authority
4/Wholesale & retail trade, hotels and restaurants
5/Includes storage
6/Financial, insurance, real estate and business services

Sources: Central Statistical Office (CSO), Min. of Economic Planning and Development, "Economic Indicators," Issue #1, Port Louis, 1/5/84, Table II, for 1981-83.
CSO, Bi-Annual Digest of Statistics, Port Louis, Dec. 1982, Table 8.2, P.89, for 1973-80.
IMF, "Mauritius - Recent Economic Developments," SM/83/67, 5/4/83, Table VIII of Appendix III, p. 76, for 1972

REDSO/ESA : CS Callison, 2/3/84

Table 19a. MAURITIUS: Average Monthly Earnings in Large Establishments by Sector, 1976-82
(In current Mauritian rupees, Sept. averages)

Sector	1976	1977	1978	1979	1980	1981	1982	1983p
Agriculture & fishing	554	660	746	817	971	1197	1348	1439
--Sugar*	570	678	767	839	994	1231	1387	1470
--Tea**	391	457	540	606	783	942	1054	1197
--Other	438	610	682	750	834	991	1127	1187
Mining and quarrying	297	432	707	446	583	658	692	775
Manufacturing	414	521	606	631	814	924	977	1062
Electricity and water	945	1185	1467	1504	1820	2136	2277	2480
Construction	662	751	836	960	1193	1436	1485	1574
Wholesale, retail trade, restaurants & hotels	728	1002	1054	1111	1430	1639	1849	1893
Transport, storage & communications	833	1024	1124	1434	1875	2382	2486	2646
Financing, insurance, real estate & business serv.	1400	1607	1673	1879	2419	2598	2806	2971
Community, social and personal services	830	934	1046	1136	1481	1706	1875	1999
--Central government	819	920	1031	1111	1478	1705	1895	2011
--Local government***	852	797	885	1081	1219	1428	1522	1625
--Other	893	1099	1234	1309	1667	1900	2043	2162
Activities n.e.s.	437	537	554	661	742	938	1084	1229
All Sectors	654	775	877	963	1213	1430	1574	1676
Consumer Price Index	100.0	109.2	118.5	135.7	192.6	220.5	245.7	259.2

NOTE: Includes daily rate workers; daily earnings have been converted to a monthly basis assuming 26 working days a month. * Includes factories. ** Includes factories and Tea Development Authority. *** Municipalities and district councils.

SOURCE: 'Economic Indicators,' Issue No. 1, Ministry of Economic Planning & Development, Port Louis, 1/5/84, Table III, and IMF, 'Mauritius - Recent Economic Developments,' 5/4/83, p.77.
AID, REDSO/ESA: CSCallison, 2/20/84

Table 19b. MAURITIUS: Real Average Monthly Earnings in Large Establishments by Sector, 1976-82
(In constant 1976 rupees, Sept. averages)

Sector	1976	1977	1978	1979	1980	1981	1982	1983p
Agriculture & fishing	554	604	630	602	504	543	549	555
--Sugar*	570	621	647	618	516	558	565	567
--Tea**	391	418	456	447	407	427	429	462
--Other	438	559	576	553	433	449	459	458
Mining and quarrying	297	396	597	329	303	298	282	299
Manufacturing	414	477	511	465	423	419	398	410
Electricity and water	945	1085	1238	1108	945	969	927	957
Construction	662	688	705	707	619	651	604	607
Wholesale, retail trade, restaurants & hotels	728	918	889	819	742	743	753	730
Transport, storage & communications	833	938	949	1057	974	1080	1012	1021
Financing, insurance, real estate & business serv.	1400	1472	1412	1385	1256	1178	1142	1146
Community, social and personal services	830	855	883	837	769	774	763	771
--Central government	819	842	870	819	767	773	771	776
--Local government***	852	730	747	797	633	648	619	627
--Other	893	1006	1041	965	866	862	832	834
Activities n.e.s.	437	492	468	487	385	425	441	474
All Sectors	654	710	740	710	630	649	641	647

NOTE: Includes daily rate workers; daily earnings have been converted to a monthly basis assuming 26 working days a month. * Includes factories. ** Includes factories and Tea Development Authority. *** Municipalities and district councils.

SOURCE: Calculated from Table 19a.

AID, REDSO/ESA: CSCallison, 2/20/84

Table 19c. MAURITIUS: Indices of Real Average Monthly Earnings by Sector, 1976-83
(1976 = 100.0, Sept. averages)

Sector	1976	1977	1978	1979	1980	1981	1982	1983p
Agriculture & fishing	100	109.1	113.6	108.7	91.0	98.0	99.0	100.2
--Sugar*	100	108.9	113.6	105.5	90.5	97.9	99.0	99.5
--Tea**	100	107.0	116.5	114.2	104.0	109.3	109.7	118.1
--Other	100	127.5	131.4	126.2	98.9	102.6	104.7	104.6
Mining and quarrying	100	133.2	200.9	110.7	101.9	100.5	94.8	100.7
Manufacturing	100	115.2	123.5	112.3	102.1	101.2	96.0	99.0
Electricity and water	100	114.8	131.0	117.3	100.0	102.5	98.1	101.2
Construction	100	103.9	106.6	106.9	93.6	98.4	91.3	91.7
Wholesale, retail trade, restaurants & hotels	100	126.0	122.2	112.5	102.0	102.1	103.4	100.3
Transport, storage & communications	100	112.6	113.9	126.9	116.9	129.7	121.5	122.5
Financing, insurance, real estate & business serv.	100	105.1	100.8	98.9	89.7	84.2	81.6	81.9
Community, social and personal services	100	103.0	106.3	100.9	92.6	93.2	91.9	92.9
--Central government	100	102.9	106.2	100.0	93.7	94.4	94.2	94.7
--Local government***	100	85.7	87.7	93.5	74.3	76.0	72.7	73.6
--Other	100	112.7	116.6	108.0	96.9	96.5	93.1	93.4
Activities n.e.s.	100	112.5	107.0	111.5	88.2	97.3	101.0	108.5
All Sectors	100	108.[illegible]	113.2	108.5	96.3	99.2	98.0	98.9

NOTE: Includes daily rate workers; daily earnings have been converted to a monthly basis assuming 26 working days a month. * Includes factories. ** Includes factories and Tea Development Authority. *** Municipalities and district councils.

SOURCE: Calculated from Table 19b.

AID, REDSO/ESA: CSCallison, 2/20/84

Table 20. MAURITIUS: Population Trends, 1972-1983

Island	Area (Sq. mi.)	Census Enumeration: 1972	1983	Average Annual Rate of Growth (%)	1983 Population Density per sq.mi.
Mauritius	1865	826199	960228	1.38	515
Rodrigues	104	24769	32963	2.63	317
Agalega	70	238	350		5
St. Brandon	1	128	137		137
Total Mauritius	2040	851334	993678	1.42	487

SOURCE: 'Economic Indicators,' Issue No. 2, Ministry of Economic Planning & Development, Port Louis, 1/13/84.

AID, REDSO/ESA: CSCallison, 2/20/84

Table 21. MAURITIUS: Consumer Price Index, 1974-83
(Jan.-June 1976 = 100)

Month	1974	1975	1976	1977	1978
January	70.6	82.6	97.3	105.3	114.6
February	71.7	88.0	98.3	106.3	116.1
March	72.9	88.4	98.7	107.1	118.7
April	76.9	86.0	100.6	107.8	119.6
May	78.4	86.9	101.8	109.4	119.8
June	79.9	88.2	103.3	111.2	120.6
July	80.3	88.0	102.6	112.7	121.1
August	80.0	89.3	102.1	113.6	120.7
September	79.6	91.5	102.5	112.3	120.8
October	79.9	92.9	101.4	113.4	121.7
November	80.9	94.0	102.5	113.1	122.6
December	82.0	94.8	103.4	113.7	122.9
Averages	77.8	89.2	101.2	110.5	119.9
Annual rates of Increase (%)		14.7	13.4	9.2	8.5

Month	1979	1980	1981	1982	1983
January	125.9	177.5	212.7	241.7	257.6
February	127.0	184.3	214.3	245.7	261.3
March	127.9	186.9	215.5	246.4	262.1
April	127.[illegible]	188.5	215.9	247.0	262.8
May	128.9	187.8	218.6	248.5	261.6
June	131.7	190.4	220.0	248.4	260.6
July	134.4	192.2	224.1	249.7	262.1
August	137.7	202.6	226.4	250.2	262.3
September	137.9	204.7	226.6	249.0	263.5
October	138.6	207.0	230.8	250.0	266.3
November	159.4	207.3	234.3	251.7	265.0
December	170.2	210.1	238.4	254.7	
Averages	137.3	194.9	223.1	248.6	262.3 (11 mo.)
Annual % rates of Increase	14.5	42.0	14.5	11.4	5.5

SOURCES: IMF, 'Mauritius - Recent Economic Developments,' 5/4/83, p. 78, updated by CSO

AID, REDSO/ESA: CSCallison, 2/20/84

Table 22a. - Total area[1] classified by utilization

Acres

	1972
Agriculture	262,500
Sugar cane	242,100
Tea	15,400
Tobacco, vegetable and other crops	5,000
Forests, scrub areas, grasslands and grazing lands	159,300
Forest plantation	16,740
Forest, natural	5,900
Savannahs, grasslands, meadows, etc.	18,400
Scrub and other forest lands	118,260
Reservoirs and ponds	2,900
Swamps and rocks	3,500
Roads (main thoroughfares)	3,300
Built-up areas	29,300
Total island	460,800

1/ based on the findings of the UNDP-FAO Land and Water Resources Survey team working on aerial photographs of the island taken at the end of 1965 and supplemented to some extent by land surveys.

Table 22b.- Effective area under cultivation, 1978 - 1982

Acres

	1978	1979	1980	1981	1982
Sugar cane	214,300	211,800	211,400	209,010	209,010
Tea	14,400	10,220[1]	9,675[1]	9,370[1]	9,000[1]
Tobacco	1,530	1,905	2,160	1,835	954

1/ excluding roads, rivers and waste land as from 1979

Reprinted from: Central Statistical Office, Bi-Annual Digest of Statistics, Mauritius, December 1982, p. 120.

Table 23 Mauritius: Production and Sale of Sugar, 1972/73-1982/83 1/

(In thousands of tons)

	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 Estimate
Production 2/	686.4	718.5	696.8	468.3	689.9	665.4	665.2	688.4	475.5	574.5	688.0
Exports 3/	652.2	685.8	657.0	437.4	652.7	626.0	624.7	644.0	442.6	540.1	650.0
Local sales	34.5	33.3	40.3	31.8	37.3	40.8	40.3	40.0	31.9	34.3	38.0

Sources: Chamber of Agriculture, President's Report, 1981-82; and staff estimates.

1/ Crop years. Harvesting generally extends from June to December.
2/ Production may differ from the sum of exports and local sales because of losses in storage.
3/ Reflecting changes in stocks, production from one crop year may be exported in another, thereby accounting for differences between export figures in this table and those in Table XXVI.

Reprinted from: IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 7.

Table 24 Mauritius: Tea Production, 1972-82 1/

	Area	Production	
		Green leaf processed	Manufactured tea
	(In thousands of acres)	(In thousands of metric tons)	
1972	12.0	23.5	4.7
1973	12.6	20.4	4.1
1974	13.5	19.6	4.0
1975	13.7	15.8	3.1
1976	14.3	21.7	4.3
1977	14.4	23.6	4.7
1978	14.4	25.7	5.1
1979	10.2 2/	27.5	5.1
1980	9.7	22.4	4.4
1981	9.4	24.9	5.1
1982	9.2	26.5	5.4

Source: Central Statistical Office.

1/ Refers to crop year, normally extending from the beginning of April to the end of March.
2/ The area was adjusted since 1979 to exclude the area occupied by roads, rivers, and wastelands.

Reprinted from: IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 12.

Table 25 Mauritius: Production of Food Crops, 1974-82 1/

(In thousands of metric tons)

	1976	1977	1978	1979	1980	1981	1982
Potatoes 2/	12.0	10.9	12.1	8.4	11.9	16.2	14.0
Rice	0.5	0.3	0.2	--	0.2	0.1	--
Tomatoes	5.4	6.9	7.2	8.4	6.1	6.7	9.2
Eggplant	0.7	0.8	0.9	0.5	0.6	0.8	0.8
Creepers, other vegetables, and pulses 3/	14.1	13.5	14.5	13.6	15.7	13.2	13.7
Bananas	7.5	7.6	7.2	6.7	2.6	5.4	5.5
Pineapples	0.7	0.6	0.5	0.5	0.3	0.5	0.5
Groundnuts	1.1	1.0	1.4	1.1	1.1	1.9	1.9
Maize	1.6	1.3	1.1	1.7	0.7	1.1	1.3
Manioc	0.3	0.2	0.2	0.2	0.1	0.03	0.01
Ginger	0.8	1.5	0.6	0.4	--	0.2	0.3
Total production	44.8	43.9	46.2	40.9	39.1	46.1	47.2
Total area (in thousands of arpents) 4/	9.97	9.36	9.82	8.68	9.1	9.7	9.5

Source: Central Statistical Office.

1/ Crop year April to March.
2/ Includes Irish and sweet.
3/ Includes beans and peas, eddoes, cucumbers, pumpkins, squash, beets, cabbage, carrots, cauliflower, garlic, onions, leeks, lettuce, chillies, petsai, sweet peppers, margoze, calabash, patole, pipengaille, voehm, ladies' finger.
4/ One arpent = 1.043 acres, or 0.4221 hectare.

Reprinted from: IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 14.

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Table 20. Mauritius: Principal Interest Rates, 1978-82

(In per cent per annum)

	1978 June	1979 June	1980 June	1981 June	1982 July	1982 Dec.
I. Lending						
1. Bank of Mauritius						
(i) Bank rate	9.0	9.0	10.50	10.5	12.0	12.0
(ii) Rediscount facilities	9.75	9.75	10.75	10.75	12.25	12.25
2. Commercial banks						
(i) Prime rate 1/	10.0	10.25	11.75	12.50	14.0	14.0
(ii) Export finance 2/	10.25	10.25	11.25	11.25	12.75	12.75
(iii) Fine commercial rate 3/	10.25	10.25	12.50	12.50	14.0	14.0
(iv) Commercial rate (applicable to traders and small commercial business)	13.0	16.0	17.50	17.50	19-21	19-20
(v) Rates for development purposes						
(a) Medium term (for periods not less than 12 months and not more than 24 months)	11.50	13.50	14.75	14.75	16.25	16.25
(b) Long term (for periods exceeding 24 months)	12.0	14.0	15.50	15.50	17.0	17.0
(vi) Personal and professional and all other accounts	12.0	14.0	15.50	15.50	17-20	17.5-19
3. Mauritius Cooperative Central Bank 4/						
(i) Crop loan (short term)	7.0	8.0	9.50	9.50	12.0	12.0
(ii) Credit unions, coop. societies	9.5-12	10-16	10.5-17.5	10.5-11.5	16.5-17.5	17.5
(iii) Medium-term loan	11.0	14.0	14.0	14.0	15.0	15.0
(iv) Housing societies	8.5 5/	8.5 5/	8.5 5/	8.5 5/	8.5 5/	8.5 5/
	10.25 6/	10.25 6/	12.0 6/	12.0 6/	15.5 5/	15.5 6/
II. Deposits						
1. Savings 7/	6.50	7.50	9.0 8/	9.0-9.5 8/	10.5-11.5	10.5
2. Fixed deposits 9/						
(i) Up to 3 months	6.75	7.75	9.25	11.0-12.5	11.0-12.5	9.25
(ii) Exceeding 3 months and up to 6 months	7.0	8.0	9.50	9.50	11.5-12.75	11.5-12.75
(iii) Exceeding 6 months and up to 12 months	7.50	8.50	10.0	10.0	12.0-13.0	12.0-13.0
(iv) Exceeding 12 months and up to 18 months	8.50	9.0	10.50	10.5	12.0-13.0	12.0-13.0
(v) Exceeding 18 months and up to 24 months	9.50	9.75	11.25	11.25	12.5-13.5	12.5-13.5
(vi) Exceeding 24 months and up to 36 months	10.25	10.50	12.0	11.25	13.5	13.5
(vii) Exceeding 36 months and up to 48 months	11.0	... 10/	... 10/	... 10/	... 10/	... 10/
(viii) Over 48 months	... 10/	... 10/	... 10/	... 10/	... 10/	... 10/
III. Mortgages						
1. Notaries						
(i) Up to Rs 6,000 (max.)	11.0	13.0	16.0	16.0	16.0	6.0
(ii) Over Rs 6,000 (max.)	9.0	11.0	14.0	14.0	14.0	14.0
2. Mauritius Housing Corporation Loans						
(i) Under Rs 35,000	9.0	10.50	12-14	12.0	12-14	12-14
(ii) Over Rs 35,000	10.0	12.0	14.0	14.0	14.0	14.0

Source: Bank of Mauritius.

1/ Applicable to most favored customers such as the industrial undertakings operating in the Export Processing Zone.
2/ Applicable to bills eligible for rediscount at the Bank of Mauritius.
3/ Applicable to the Mauritius Sugar Syndicate, all primary producers (such as sugar planters, tea and vegetable planters), millers, sugar brokers, industrial undertakings holding a Development Certificate, and Transport.
4/ Applicable to funds on-lent out of borrowings from the Bank of Mauritius.
5/ Old loans.
6/ New loans.
7/ Until October 1979 rates prescribed were different for personal and institutional deposit holders. This differentiation was removed in November 1979.
8/ Maximum rate 9 1/2 per cent.
9/ Until October 1979 maximum rates were prescribed.
10/ Negotiable.

Reprinted from: IMF, "Mauritius - Recent Economic Developments," May 4, 1983, p. 90.

(5) ACTION ECON INFO AMB DCM2 CHRON
IIII DCM PLEASE PASS TO ECON ASST. IF TELEGRAM L.O.U. OR UNCLAS IIII
VZCZCFPL481EHV018
RR RUFHMC
DE RUFHC #9386 0771032
ZNR UUUUU ZZH
R 170753Z MAR 84
FM SECSTATE WASHDC
TO RUEHNR/AMEMBASSY NAIROBI 5748
INFO RUFHMC/AMEMBASSY PORT LOUIS 4507
BT
UNCLAS STATE 079386

LOC: 62-63-64 234
19 MAR 84 0343
CN: 02227
CHRG: PROG
DIST: AID

AIDAC, NAIROBI FOR REDSO/ESA

E.O. 12356: N/A
TAGS:
SUBJECT: GUIDELINES FOR MAURITIUS FY 84 CIP PAAD

REF: NAIROBI 04320

1. SUMMARY: A REVIEW OF THE SUBJECT PAIP NAIROBI 04320; WAS HELD ON FEBRUARY 23, 1984 AND AN ECPR ON MARCH 9. THE PAIP IS APPROVED. THREE ISSUES WERE RAISED DURING THE REVIEW OF THE PAIP, PARTICULARLY WITH RESPECT TO THE USE OF LOCAL CURRENCY GENERATIONS. DISCUSSION OF THESE ISSUES BETWEEN PPC AND AFR/PA AND WITH STU CALLISON ON TDY FROM REDSO/ESA HAS RESULTED IN AGREEMENT ON THE FOLLOWING GUIDELINES FOR DEVELOPMENT OF THE PAAD. REDSO/ESA IS TO INCORPORATE THE GUIDANCE CONTAINED IN THIS CABLE IN THE PAAD BEING PREPARED. END SUMMARY.

2. ISSUE ONE. CONCERN HAS BEEN EXPRESSED OVER THE CONTINUING ABILITY OF MAURITIUS TO EXPAND ITS EXPORT OF TRADITIONAL MANUFACTURED GOODS IN A MARKET ENVIRONMENT OF CONTINUED RESTRICTIONS BY IMPORTING COUNTRIES AND GENERAL EXPANSION OF COMPETITIONFROMOTHER EXPORTING

COUNTRIES. WHILE WE RECOGNIZE THAT THE RELATIVELY SOPHISTICATED ENTREPRENEURIAL CLIMATIN MAURITIUS HAS ALREADY LED TO PRIVATE SECTOR INITIATIVE TO EXAMINE ADDITIONAL EXPORT MARKET OPPORTUNITIES, WE FEEL THAT A DISCUSSION OF THESE OPPORTUNITIES AND A DETERMINATION OF HOW OUR CIP MIGHT SUPPORT THEM IS WARRANTED. IT IS REQUESTED THAT THE PAIP FOR THE FY 1985 PROGRAM INCLUDE AN ANALYSIS OF POTENTIAL FOR DIVERSIFICATION OF MANUFACTURING EXPORTS AND THAT, IF APPROPRIATE, LOCAL CURRENCIES FROM THIS YEAR'S PROGRAM BE USED TO CARRY OUT ANY RESEARCH REQUIRED TO EXAMINE ADDITIONAL EXPORT OPPORTUNITIES.

3. ISSUE TWO. AID/W IS CONERNED THAT AS DESCRIBED, THE PROPOSED EQUITY LOAN FUND PROVIDES AN OPPORTUNITY FOR GOVERNMENT PARTICIPATION IN OWNERSHIP OF INDUSTRIAL ENTERPRISES AND, THEREFORE, DOES NOT CONCUR IN THE INCLUSION OF THIS COMPONENT IN THE LOCAL CURRENCY FINANCED ACTIVITIES. WE NOTE, HOWEVER, THAT LAST YEAR

THIS PART OF THE PROGRAM WAS DESCRIBED IN DIFFERENT TERMS, THAT IS, THERE WOULD BE TRUE LOANS TO UNDERCAPITILIZED FIRMS WITHOUT EQUITY PARTICIPATION BY THE GOVERNMENT. IF THE ACTIVITIY IS MISDESCRIBED AND MISNAMED IN THIS YEAR'S SUBMISSION, AID/W CONCURS, BUT REDSO/ESA IS REMINDED OF OUR CONCERN OVER THE SUBSIDIZATION OF INTEREST RATES. SHOULD IT BE DEEMED APPROPRIATE TO PROVIDE LOANS AT LESS THAN A MARKET RATE OF INTEREST, THERE WOULD HAVE TO BE JUSTIFICATION PRESENTED IN THE PAAD DEFENDING THE NEED FOR SUBSIDIZED INTEREST RATES IN ORDER TO STIMULATE DEMAND. IF THE LOAN FUND IS ESTABLISHED IN AN ENVIRONMENT WHERE THERE IS SIMPLY A SCARCITY OF INVESTMENT CAPITAL AND THE FUNDS EXPAND CAPITAL AVAILABILITY, THEN MARKET RATES SHOULD APPLY.

4. ISSUE THREE THE NEED FOR GOM CONSTRUCTION OF BUILDING SPACE, GIVEN THE APPARENT DEMAND FOR THESE FACILITIES FROM THE PRIVATE SECTOR, HAS BEEN QUESTIONED. WE BELIEVE THAT CIP LOCAL CURRENCY FUNDS CAN BE BEST UTILIZED AS A CATALYST FOR FURTHER PRIVATE INVESTMENT THROUGH DEVELOPMENT OF SITES AND SERVICES REQUIRED FOR THE CONSTRUCTION OF BUILDINGS. WHILE AID/W WILL NOT PROHIBIT SUCH CONSTRUCTION ACTIVITIES UNDER THE LOCAL CURRENCY FINANCING, WE SUGGEST THAT THEY BE GIVEN LOW PRIORITY AND BE UNDERTAKEN ONLY WHEN PRIVATE

BUSINESS CANNOT ITSELF FINANCE CONSTRUCTION. IT IS FURTHER SUGGESTED THAT PROVISION BE MADE FOR EVENTUAL LEASE/SALE OF BUILDINGS FUNDED. SHULTZ
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Annex D

MAURITIUS COMMODITY IMPORT PROGRAM
642-K-603

02/27/84 Version

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 481; FY 84 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in in the schedules in Section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country to United States Government personnel or their dependents or from entering the United states unlawfully? — No

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? — No

3. FAA Sec. 602(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control or property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligation toward such citizens or entities? — No

4. FAA Sec. 620(f); FY 82 App. Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen Will assistance be provided to Afghanista or Mozambique without a waiver?

The GOM is not a communist country and no assistance will be in provided the countries listed.

5. FAA Sec. 602(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action of U.S. property?

No

6. FAA Sec. 620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?

The GOM has an investment guaranty program.

7. FAA Sec. 620(o): Fishermen's Protective Act, Sec. 5 If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,

a. has any deduction required by Fishermen's Protective Act been made?

N/A

b. has complete denial of assistance been considered by AID Administrator?

N/A

8. FAA Sec. 620(q): FY 82 App. Act Sec. 517. (a) Is the recipient country in default for more than six months on interest or principal of any AID loan to that country? (b) Is country more than one year in default on interest or principal on any U.S. loan made pursuant to program for which the appropriation bill appropriates funds?

(a) No
(b) No

9.	FAA Sec. 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? Has the Administrator taken into consideration the amount of foreign exchange or other resources which the country has spent on military equipment?	3.5 percent Nil No
10.	FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?	
11.	FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?	Mauritius has always made its payments to U.N.; it is not in arrears.
12.	FAA Sec. 620A; FY 82 App. Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?	No No
13.	FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	No
14.	FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received	No

nuclear enrichment or reprocessing equipment, materials, or techology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977?

No

15. ISDCA of 1981, Sec. 720. Was the country represented at the meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account?

Representative from Mauritius attended this Session at the General Assembly. Their actions have been recorded by USUN and these have been taken into account by the Administration in evaluating Mauritius eligibility for foreign assistance.

16. FY 84 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States.

No

B. FUNDING CRITERIA FOR COUNTRY

1. Economic Support Fund Assistance Country Criteria.

a. FAA Sec. 502B. Has the Department of State made findings which indicate that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, is program in accordance with policy of this Section?

No

b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country,

Yes

organization, or body eligible to receive assistance?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Yes, a special account will be established for the local currency generations.

2. Development Assistance Country Criteria

a. FAA Sec. 102(c), (d). Have criteria been established, and taken into account, to assess commitment and progress of country in effectively involving the poor in development, on such indexes as: (1) small-farm labor intensive agriculture, (2) reduced infant mortality, (3) population growth, (4) equality of income distribution, and (5) unemployment.

N/A

b. FAA Sec. 116. Has the Department of State made findings which indicate that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that the contemplated assistance will directly benefit the needy?

N/A

NONPROJECT ASSISTANCE CHECKLIST

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 82 Approp. Act Sec. 523, FAA Sec. 634A, Sec. 653(b); Second CR FY 83, Sec. 101(b)(1)

a. Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the nonproject assistance;	Set forth in Congressional Presentation 1984, Annex I, Africa, pp.184
b. Is assistance within (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than $1 million over that amount)?	Yes, the funds are within the AID allocation made to Mauritius.
c. If the proposed assistance is a new country program or will exceed or cause the total assistance level for the country to exceed amounts provided to such country in FY 83, has notification been provided to Congress?	The $2.0 million was included in the FY 1984 CP
d. If proposed assistance is from the $85 million in ESF funds transferred to A.I.D. under the second CR for FY 83, for "economic development assistance projects", has the notification required by Sec. 101(b)(1) of the Second CR for FY 83 been made?	N/A

2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N/A
3. FAA Sec. 209, 619. Is assistance more efficiently and effectively given through regional or multilateral	No

organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral plans to the maximum extent appropriate?

4. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce, and (f) strengthen free labor unions.

(a) Yes, through US imports of edible oil.
(b) Yes, through local currency programs for business development.
(d)&(e) The private sector activities of the local currency program will encourage competition and efficiency.
(c)&(f) The program will have no direct impact on labor unions, cooperatives, credit unions or S&L Associations.

5. FAA Sec. 601(b). Information and conclusion on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The CIP will encourage the purchase of US edible oil through the private sector.

6. FAA Sec. 612(b), Sec. 636(h); FY 82. Approp. Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other

The US owns no foreign currencies in Mauritius and to the maximum extent possible Mauritius services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services in lieu of dollars. — is contributing to the CIP.

7. FAA Sec. 612(d). Does the United States own excess foreign currency of the recipient country and, if so, what arrangements have been made for its release? — **No**

8. Faa Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — **Yes**

9. FY 82 Approp. Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative and is such assistance likely to cause substantial injury to U.S. producers of the same or similar competing commodity? — **N/A**

10. FAA 118(c) and (d). Does the program comply with the environmental procedures set forth in AID Regulation 16? — **Yes** Does the program take into consideration the problem of the destruction of tropical rain forests? — **N/A**

11. FAA Sec. 128, Second CR FY 83, Sec. 101(b)(2) Has an attempt been made to finance productive facilities, goods and services which will expeditiously and directly benefit those living in absolute poverty under the standards adopted by the World Bank? — **Yes**

12. FY 84 Continuing Resolution. Is comparable American private enterprise funding available for the proposed project. — **No**

13. FY 84 Continuing Resolution. Has full consideration been given at each stage of design to the involvement of small minority

(including women-owned businesses) enterprises, historically black colleges and universities, and minority PVO's? Yes

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Funds.

a. FAA Sec. 531(a). Will this assistance support and promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Yes Yes

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No

c. "AA Sec. 534. Will ESF funds be used to finance the construction or the operation of maintanance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? No N/A

d. Second CR FY 83, Sec. 101(b)(1). If ESF funds to be utilized are part of the \$85 million transferred to A.I.D. under the Second CR for FY 83 for "economic development assistance projects", will such funds be used for such projects and not for non-development activities including balance of payments support, commodity imports, sector loans, and program loans? N/A

STANDARD ITEM CHECKLIST

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to partici-

pate equitably in the furnishing of goods and services financed? Yes

2. FAA Sec. 604(a). Will all commodity procurement financed be from the United States except as otherwise determined by the President or under delegation from him? Yes

3. FAA Sec. 604(b). Will all commodities in bulk be purchased at prices no higher than the market price prevailing in the United States at time of purchase? Yes

4. FAA Sec. 604(c). Will all agricultural commodities available for disposition under the Agricultural Trade Development & Assistance Act of 1954, as amended, be procured in the United States unless they are not available in the United States in sufficient quantities to supply emergency requirements of recipients? Yes

5. FAA Sec. 604(d). If the cooperating country discriminates against U.S marine insurance companies, will agreement require that marine insurance be placed in the United States on commodities financed? Yes

6. FAA Sec. 604(e) ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? No

7. FAA Sec. 604(f). Are there arrangements whereby a supplier will not receive payment under the commodity import program unless he/she has Yes

certified to such information as the Agency by regulation has prescribed?

8. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?

N/A

9. MMA Sec. 901(b). Sec. 603, FAA. Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

A determination of non-availability of U.S. flag carriers will be requested.

10. International Air Transport and Fair Competitive Practices Act, 1974.

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes

11. FY 82 Approp. Act, Sec. 504. If the U.S. Government is a party to a contract for procurement, will the contract contain a provision authorizing termination of such contract for the convenience of the United States?.

Yes

12. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of

N/A

other federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

B. OTHER RESTRICTIONS

1. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of communist-bloc countries contrary to the best interests of the United States?	There will be no arrangements to assist the projects or activities of communist-bloc countries.
2. FAA Sec. 636(i). Is financing prohibited from use, without waiver, for purchase, long-term lease, exchange, or guaranty of sale of motor vehicle manufactured outside the United States?	Yes
3. FAA Sec. 122(b). If development loan funds, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?	N/A
4. Will arrangements preclude use of financing:	
a. FAA Sec. 114, 104(f), FY 82 Approp Act Sec. 525. to pay for performance of abortions or involuntary sterilization or to motivate or coerce persons to practice abortions? to pay for performance of involuntary sterilizations as method of family planning or to coerce or provide any financial incentive to any person to practice sterilizations? or to lobby for abortions?	Yes to all questions.

b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property? Yes

c. FAA Sec. 660. to finance police training or other law enfocement assistance, except for narcotics programs? Yes

d. FAA Sec. 662. for CIA activities? Yes

e. FY 82 Approp. Act. Sec. 503. to pay pensions, etc., for military personnel? Yes

f. FY 82 Approp. Act. Sec. 505. to pay U.N. assessments? Yes

g. FY 82 Approp. Act Sec. 506. to carry out povisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). Yes

h. FY 82 Approp. Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes

i. FY 82 Approp. Act Sec. 511. To aid the efforts of the government to suppress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes

k. FY 82 Approp. Act. Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

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Annex E

CATEGORICAL EXCLUSION DETERMINATION
(Under AID Reg. 16)

Project Country:	Mauritius
Project Title:	Commodity Import Grant (642-0005)
Funding:	Two Million Dollars
Period of Funding:	FY 84
IEE Prepared by:	Erna Kerst, AFR/PD/EAP and Lily Willens, AFR/EA/IOS
Action Recommended:	Categorical Exclusion under Regulation 216.2 (c)(2)(ix)
Determining Officer:	Philip Birnbaum, DAA/AFR

Date: March 9, 1984

Bureau Environmental Officer:

Concur: B. Boyd 3/9/84
Bessie Boyd, AFR/TR/SDP

Clearance: GC/AFR, DRobertson
AFR/PD/EAP, JHeard
AFR/EA, BKline
AFR/EA, ESpriggs

Examination of Nature, Scope and Magnitude of Environmental Impacts

I. Description of the Project

The project proposes to provide a commodity import grant of $2 million to the Government of Mauritius from Economic Support Funds on standard A.I.D. terms. The primary purpose of the grant is to provide balance of payments assistance by financing commodities which contribute to import reduction, and to supporting the government's programs in private sector development, export-led industrialization and employment generation.

Commodities will be selected from the list of eligible commodities (Handbook 15, Appendix B). No pesticides will be imported under the proposed project and the Mission will inform the Government of Mauritius of any potentially hazardous materials or uses once these become known.

II. Recommended Environmental Action

In accordance with A.I.D. Regulation 16 Section 216.2 (c)(2)(ix), assistance under a Commodity Import Program is eligible for categorical exclusion from environmental procedures when, "prior to approval, AID does not have knowledge of the specific commodities to be financed and when the objective in furnishing such assistance requires neither knowledge, at the time the assistance is authorized, nor control, during implementation, of the commodities or their use in the host country." Further, Section 216.2 (c)(1)(i) states that environmental procedures are not required if "the action does not have an effect on the natural or physical environment."

As the subject assistance fulfills the qualifications cited above, it should be granted a categorical exclusion.

Draft: AFR/PD/EAP, EKerst
Doc 0691L

Large Manufacturing Establishments, March 1983 1/ Annex F

Manufacturing

Code	Type of Establish.	No. of Establish.	No. Employed M	F	Total	Average employ Establish.
311/312	Food Products	71	2065	775	2840	40
313	Beverages & Tobacco	13	1725	335	2060	158
321	Textiles	11	937	1019	1956	178
322	Wearing Apparel	111	2733	16042	18775	169
323	Leather Products	5	97	240	337	67
324	Footwear	11	340	179	519	47
331/332	Wood & Furniture	27	916	160	1076	40
341	Paper Products	5	242	233	475	95
342	Printing & Publishing	29	859	201	1060	37
351/52/53/54	Chemical Products	18	823	265	1088	60
355	Rubber Products	9	281	88	369	41
356	Plastic Products	10	201	66	267	27
361/362	Non Metallic Mineral Products	31	1181	81	1262	41
370	Iron and Steel Basic Industries	5	307	18	325	65
381	Metal Products	25	600	33	633	25
382	Non Electrical Machinery	12	723	30	753	63
383	Electrical Machinery	14	376	101	477	34
384	Transport Equipment	8	316	7	323	40
385	Watches and Clocks	7	126	334	460	66
390	Jewelry, related Articles and Misc. Industries	22	685	1087	1772	81
	TOTAL	444	15,533	21,294	36,827	83

1/. Source: Bi annual Survey of Employment and Earnings.