642-0009 PD-BBF 944

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ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

From: James Dempsey - Project Development Officer, REDSO/ESA

Subject: Authorization of the Mauritius FY 1987 Commodity Import Program (CIP) Grant

Problem: Your approval is required to authorize a $1,000,000 CIP grant of FY 1987 Economic Support Funds to the Government of Mauritius.

Background and Summary: The purpose of the program is to provide balance of payment assistance and local currency budgetary support to the Government of Mauritius (GOM) to assist in its economic adjustment program. Based on an analysis of the structure of trade and assistance in Mauritius and a recently completed evaluation of the 1982-1986 CIPs (Summary in PAAD Annex F), the design team and Embassy have concluded that the most appropriate form of assistance is direct balance of payments support for goods imported from the United States. An ESF grant of $1.0 million will be made available to finance the dollar costs of commercial imports from the U.S. using the CIP mechanism. We anticipate that this will entail financing the importation of approximately 2,600 tons of degummed vegetable oil by the private firm, Mauritius Oil Refineries (Moroil). Secondly, Moroil will deposit in a Special Account in a private commercial bank the rupee equivalent of its dollar purchase, an estimated Rs 13 million. This local currency will be available to support mutually agreed upon development activities. It is expected that the local currency generations will be used to finance land reclamation in the Port Louis Harbor.

The PAIP was approved by you, under an ad hoc delegation of authority (1986 State 348843), on March 9, 1987. Two special conditions, included in the grant in 1986, will be part of the grant again this year. These covenants are: (1) that withdrawals from the FY 1987 CIP Special Account require the joint written approval of the MOF and REDSO/ESA; and (2) that, to the extent that local currency deposits in the Special Account by private importers are less than the local currency equivalent of the dollar financing made available under the grant, the GOM will deposit the difference into the Special Account. The agreement shall further provide, as required by Section 609, that if funds from the Special Account are used by the GOM to make loans, all funds received in repayment of such loans will be reused only for such purposes as shall have been agreed to between the GOM and AID.

The International Security and Development Cooperation Act of 1985 Section 801 criteria for CIP's and Program Grants in Africa were considered in the development of the PAAD and were judged to be addressed adequately. The recent evaluation of the 1982-1986 CIP concluded that these CIPs, which are essentially the same as this one, met the objectives set out in Section 801.

In general, the evaluation recommended that: "the CIPs continue as support to the GOM in their efforts to strengthen their financial and economic condition. Continued support is justifiable on at least two grounds: First, the GOM has made significant progress toward reform, but work remains and will require continued donor support. Secondly, growth in the manufacturing sector has contributed greatly to the stronger economic position, but continued growth is not assured in the absence of diversification from textile industries which dominate (in terms of growth) the recent additions to that sector. Mauritius will require continued support as it attempts to diversify."

The evaluation further states that "without the CIP's, the net deficit on the balance of payments could have been Rs 219.8 million for the period under review, as against an actual figure of Rs 84 million. Thus, the programs have had a significant positive effect on the balance of payments."

The REDSO/ESA Project Review Committee found no major issues in reviewing the PAAD. However, some minor changes were made in the PAAD to resolve the few concerns that did exist. The PRC recommended authorization.

No problems are foreseen in the negotiation of the Agreement. The GOM has sent the Embassy a formal request for U.S. assistance to finance commercial sector imports of development related commodities from the U.S. and to use the local currencies generated under the program to support agreed upon programs.

Environmental Analysis: A negative determination has been approved for the IEE and is attached to the PAAD as Annex E.

Congressional Notification Status: The announcement of this Program was made in the Congressional Presentation, Fiscal Year 1987 - Annex I, Africa, page 295. No further notification is required.

Program Implementation: The proposed program will be implemented by the Ministry of Finance in co-ordination with the Ministry of Economic Planning and Development. Individual activities financed with local currency generations will be implemented by the 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 officers will be Monica Sinding, Project Officer, and Bruce Stader, Commodity Management Officer. At the Embassy in Port Louis, Shariff Jathoonia, the Economic/Commercial Assistant, will handle the day-to-day matters.

Recommendation: Pursuant to the Africa Bureau Delegation of Authority 551, it is recommended that you sign the attached PAAD face sheet, thus authorizing the FY 1987 Mauritius Commodity Import Program.

PAAD Facesheet signed: _____ Date: 20 MAR 1987

Attachment: Program Assistance Approval Document.

Clearances:
B. Barrington - REDSO/RLA: Draft
L. Dunn - REDSO:RCMO: Draft
R. Mahoney - REDSO:Analysis Draft
H. Collamer - RFMC: _____
S. Shah: REDSO - D/DIR _____
M. Sinding. REDSO - PRJ: Draft

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AIDAC, NAIROBI FOR RFMC AND REDSO/EA

E.O. 12356: N/A
TAGS:
SUBJECT: ESF ALLOWANCE

1. APPROPRIATION 72-117/81037, BUDGET PLAN CODE GES7-87-31642-KG32 (ALLOWANCE 770-61-642-00-59-71) ESTABLISHED FOR DOLS 1,000,000 FOR PROJECT 642-0009, COMMODITY IMPORT PROGRAM VI. NON-PROJECT AGREEMENT NO. 642-K-607 APPLIES.

2. FUNDS CANNOT BE OBLIGATED UNTIL REDSO/EA AUTHORIZES PAAD AND AID/W, M/FM/PAD IS NOTIFIED. WHITEHEAD
BT
#3958

NNNN

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9/30/75 (TM 4:1)

CLASSIFICATION:

AID 1120-1 (8-66)

PAAD

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE
APPROVAL DOCUMENT

1. PAAD NO. 642-K-607

2. COUNTRY MAURITIUS

3. CATEGORY COMMODITY FINANCING

4. DATE MARCH, 1987

5. TO: ARTHUR M. FELL
DIRECTOR, REDSO/ESA

6. OYB CHANGE NO. N/A

7. FROM: JAMES DEMPSEY
REDSO/ESA - PROJECTS DIVISION

8. OYB INCREASE NONE

TO BE TAKEN FROM: N/A

9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 1,000,000

10. APPROPRIATION - ALLOTMENT 72-117/81037 GES7-87-31642-K632

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

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

13. ESTIMATED DELIVERY PERIOD: JUNE 87 - MARCH 88

14. TRANSACTION ELIGIBILITY DATE: GRANT SIGNATURE DATE

15. COMMODITIES FINANCED

All items listed in the AID Commodity Eligibility Listing - 1984 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

U.S. only:	$1,000,000
Limited F.W.:	-
Free World:	-
Cash:	-

17. ESTIMATED SOURCE

U.S.:	$1,000,000
Industrialized Countries:	-
Local:	-
Other:	-

18. SUMMARY DESCRIPTION

The grant program will support U.S. political, strategic and economic objectives 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 to Mauritius and given the successful implementation of the past five Commodity Import Programs (CIP), the design team and the Embassy have concluded that the most appropriate mode of assistance is another CIP to import necessary commodities from the United States. It is anticipated that the procurement will consist entirely of the bulk importation of degummed vegetable oil. Local currency generations will be placed in a Special Account at a commercial bank and used to support priority development activities. Funding of local currency activities is subject to final agreement by AID and the GOM. Two special grant covenants will be included in the grant to require: (1) that withdrawals from the FY 1987 CIP Special Account require the joint written approval of the MOF and AID; and (2) that, to the extent that local currency deposits in the Special Account by private importers are less than the local currency equivalent of the dollar financing made available under the grant, the GOM will deposit the difference into the Special Account.

19. CLEARANCES

		DATE
PRJ: M. Sinding	(DRAFT)	3/13/87
RLA: B. Barrington	(DRAFT)	3/13/87
RCMO: L. Dunn	(DRAFT)	3/13/87
ECON: R. Mahoney	(DRAFT)	3/13/87
RFMC: H. Collamer		
D/DIR: S. Shah		3/20/87

20. ACTION

☒ APPROVED / ☐ DISAPPROVED

AUTHORIZED SIGNATURE — DATE: 20 MAR 1987

Director, REDSO/ESA
TITLE

CLASSIFICATION:

5

Mauritius FY 1987 Commodity Import Program (CIP VI)
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I. SUMMARY AND RECOMMENDATIONS

The following are the principal features of the proposed Commodity Import Program (CIP) for Mauritius:

Activity: Mauritius FY 1987 CIP 642-K-607 (CIP VI)

Terms and Conditions: ESF grant funding for $1,000,000

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 evaluation of the structure of trade and assistance in Mauritius, and given the successful implementation of the 1982 through 1986 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 commodities from the United States.

The recent evaluation of all the CIPs in Mauritius (1982 through 1986) has recommended that:

> The CIPs continue as support to the GOM in their efforts to strengthen their financial and economic condition. Continued support is justifiable on at least two grounds: First, the GOM has made significant progress toward reform, but work remains and will require continued donor support. Secondly, growth in the manufacturing sector has contributed greatly to the stronger economic position, but continued growth is not assured in the absence of diversification from textile industries which dominate (in terms of growth) the recent additions to that sector. Mauritius will require continued support as it attempts to diversify.

Program Description: A two-phased assistance program is proposed, drawing upon the positive experience of similar programs from the previous five years. First, $1.0 million of CIP grant funds will finance edible oil procurements by the private firm, Mauritius Oil Refineries (Moroil), the only edible oil refinery on the island. Since there are no oilseed crops grown on the island that produce edible oil, there are no production disincentives issues related to the importation. We anticipate financing the commercial importation of approximately 2,600 tons of degummed vegetable oil from the US. Second, the estimated Rs 13 million in local currency that will be generated under this program will be deposited in an interest bearing account in a private bank and will be available to support mutually agreed upon development activities. The planned use of the funds is for reclamation in the Port Louis Harbor.

PAAD Issues and Recommendations of the Evaluation of the 1982 - 1986 CIPs in Mauritius

An issue at the time of the preparation of the 1986 CIP PAAD was the inadequacy of reporting on counterpart financed projects. Since then the financial reporting has improved greatly. The Accountant General took over responsibility and has been producing the standard financial reports required for local currency control and accounting on a quarterly basis. However, the Evaluation of the Mauritius CIPs which was completed in December, 1986 found that the progress reports required by REDSO/ESA to monitor LC project implementation have been poorly prepared or not submitted at all. This weakness was consequently discussed with GOM officials during the PAAD design. Agreement was reached by REDSO with the the Ministry of Finance and the Ministry of Economic Planning and Development (MEPD) to move responsibility for the progress reports from the Accountant General to MEPD. Responsibility now rests with the Monitoring and Evaluation Division of the MEPD which just recently has been strengthened and expanded. It is providing similar reports for other international donors. The design team believes that this change should lead to greatly improved progress reports.

A second area of CIP weakness identified in the evaluation was confusion over the local currency goals and objectives. To overcome this concern, REDSO/ESA and the GOM are establishing detailed procedures for the selection, review and approval of counterpart financed project. Detailed proposals that include project objectives and goals will be obtained for all projects.

Finally, the evaluation noted that the GOM had not identified the counterpart activities that are being funded on a loan basis. AID is responsible under Section 609 of the FAA to agree with the GOM on the use of the reflows from counterpart loans. The Ministry of Finance has promised to set out formal agreements for counterpart loans and provide copies to REDSO/ESA. We will then negotiate agreement on the use of the reflows.

Because of the success in resolving these issues, no new grant conditions are required. Further, the requirement for completion of the local currency financial reports prior to release of the grant funds which was included in the 1986 agreement is not required for this year's CIP. However, two special conditions added to the grant last year will be included again this year. These are (1) that withdrawals from the FY 1987 CIP Special Account require the joint written approval of the MOF and REDSO/ESA; and (2) that, to the extent that local currency deposits in the Special Account by private importers are less than the local currency equivalent of the dollar financing made available under the grant, the GOM will deposit the difference into the Special Account.

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.

REDSO/ESA, with the support of the American Embassy in Mauritius, will be responsible for program monitoring. The principal REDSO backstop officers are Monica Sinding, Project Development Officer, and Bruce Stader, Commodity Management Officer. Additional assistance will be provided by a REDSO program implementation committee. At the Embassy, Shariff Jathoonia, Commercial/Economic Assistant, will handle the day to day matters. An AID financed Secretary/Administrative Assistant works in the Embassy to help with the administrative details.

Disbursement Period: The PAAD team recommends that the terminal date for commitment be March 31, 1988 to ensure that Moroil has sufficient time to procure the edible oil. All disbursements would be completed prior to June 30, 1988. 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 1987, Annex 1, Africa, page 295. No further notification is required.

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

Negotiating Status and Conditions: The PAAD design team has held numerous discussions with participating 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 general use of the CIP local currency proceeds.

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. A request for assistance from the GOM is included as Annex A.

Given our experience under the previous CIPs and the familiarity of the parties with AID procurement procedures and regulations, and barring unforeseen mishaps, we are confident that the implementation of CIP VI (642-K-607) will proceed smoothly.

PAAD Committee:

The PAAD Design Team consisted of:

-James Dempsey and Monica Sinding Project Officers, REDSO/ESA
-Roberta Mahoney, Economist, REDSO/ESA
-Lyn Dunn, Commodity Mgmt. Officer, REDSO/ESA
-Shariff Jathoonia, Economic/Commercial Specialist, US Embassy, Mauritius

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 colonization, 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; Creoles, descending from African slaves mixed with other racial strains, make up 29 percent, whereas Chinese represent 3 percent of the population, and 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 is the prevailing language of communication for Mauritians.

While the population density is very high, at 1,333 inhabitants per square mile, the population growth is a modest 1.2 percent per annum, down from approximately 3.0 percent in the late 1960s, largely as the result of a successful family planning program. With an estimated per capita income of approximately $1,100 in 1986, 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 growth of a new industrial class. While poverty is found in both rural and urban areas on the island of Mauritius, it is particularly prevalent on the other islands, the most important of which is Rodrigues.

B. Political Overview

The Mauritian political system is a multi-party parliamentary democracy within the British Commonwealth, with the Queen of England presiding as titular head of state. The country has a governor-general representing the Queen and a prime minister who is the head of the government. Since Independence in 1968, Mauritius has been governed by coalitions which have generally espoused non-alignment, with a pro-Western bias in foreign

policy and a mixed economy domestically. In 1982, general elections brought to power the Movement Militant Mauricien (MMM) in alliance with the Parti Socialiste Mauricien (PSM), a breakaway from the Labor Party. The current Prime Minister, Mr. Aneerood Jugnauth, assumed his position at that time. Within nine months the alliance broke down, and Mr. Paul Berenger, MMM leader, moved his party out of the government and into opposition. Mr. Jugnauth remained Prime Minister by creating a new party, the Movement Socialiste Militant (MSM) which joined forces with the Labor Party and PMSD.

Since the August 1983 elections, which brought in the current government, the GOM has maintained its membership and credibility in the Non-Aligned Movement, but with a distinctly pro-Western bias. The current government has a record of voting favorably to US interests in the UN. While Mauritius 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 is permitting Mauritian laborers to work on operations/maintenance contracts for US military facilities at Diego Garcia. The Mauritian government also has expressed the desire to sell fresh fruits and vegetables to the US fleet and it provides for the storage of fuel for U.S. ships and other equipment.

During the December 1986 to January 1987 period, a series of events increased Mauritius' political uncertainty. Among the more significant was a heroin scandal which came to light when four alliance ministers were arrested in Amsterdam. In addition, four other ministers resigned in an apparently unrelated move. These recent events may result in early elections prior to the end of the current term in 1988. For the next elections, both Berenger's opposition MMM and the Prime Minister's MSM are optimistic they will be able to form coalition sufficiently strong to enable them to form a government.

C. GOM Development Strategy

The government in Mauritius has set out a development strategy which has as its goal economic self-reliance. The GOM realizes that, as a small, isolated country, it does not have the resources or markets to develop without substantial foreign trade with its major trading partners, the EEC, the US and Japan. A recent government White Paper, "Towards Increasing Self-Reliance," acknowledges the crucial roles 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 threats to self-reliance and sustained economic growth have been the recurrent balance of payments deficits and the heavy external borrowing required to finance development. As part of its strategy, the GOM therefore instituted a series of macroeconomic policies and programs to bring the national economy into a balance for sustained economic growth. These policies and programs are discussed in the Macroeconomic Background and Analysis (Section III), but it is important to note here that the government's efforts to cut government fiscal deficits, improve the balance of payments, control external borrowing and finance debt repayment are meeting with success. After years of recorded deficits in the balance of payments situation, the current account was in a moderate surplus situation for 1985/86. Surpluses resulting from Mauritius' trade balance, increasing tourism receipts, and public and private transfers from abroad have financed the continued deficit in the services account. Despite these positive developments, the GOM continues to rely on World Bank Structural Adjustment Loans, as well as other donor assistance, including AID's CIPs and Economic Policy Reform Program Grant.

The government continues to take a pragmatic approach to structural adjustment and economic development, recognizing that historically the economic success which Mauritius has experienced has been based on a free market approach. Therefore, the Government emphasizes and depends upon private productive sector development to keep the economy moving. Further, achievement of the longer term goal of self-reliance will require diversification and development of agriculture, export processing and light industries, all of which are dominated by the private sector.

The most important social and economic problem in Mauritius continues to be high unemployment. The government is very conscious of the role that a vigorous private sector is playing in job creation. In fact, the increase in employment is the result of the increased number and production levels of EPZ firms. (The number increased by more than three-fold between the early and mid 1980s.)

The industrial sector is composed of both firms supplying the domestic market and export-only firms operating under the Export Processing Zone (EPZ) Scheme. The main objectives of the EPZ program are: (1) to expand and diversify the economy; (2) to lessen Mauritius' dependence on its monoculture, sugar; and (3) to create employment. A number of incentives and facilities are available to participating industries including, inter alia, exemption from import duties and excises on the importation of machinery and raw materials, tax holidays, free

repatriation of capital, preferential electric power rates, and the availability of factory buildings for rent within serviced industrial estates. EPZ participation is not limited to any geographical area, and in fact approximately 400 EPZ firms operate throughout the main island.

The EPZ subsector has been and is the main engine of growth of the Mauritian economy and now accounts for 70% of GDP, mostly in textiles and garments, jewelry, electronics, diamond cutting, watches, toys and plastic goods. The incentive scheme has been extremely effective in employment generation. Roughly 50,000 jobs were created over the past four years at a relatively low investment cost of Rs 2,500 each, leading to a substantial decline in the unemployment rate. EPZ exports grew from less than 4% of total exports in 1971 to 50% in 1986, with a corresponding drop in Mauritius' dependence on sugar exports which were reduced from 87% of exports to about 45% during the same period. Thus, the program is contributing to diversifying the Mauritian economy, creating new employment and upgrading the skills of many workers.

For Mauritius, export-oriented manufacturing continues to offer the highest potential for fostering economic growth and expanding foreign exchange earnings. There is scope for expanding the program, particularly as Mauritius continues to improve its policy framework. AID support is provided through the EPRP to encourage the GOM to reduce tariffs and extend export incentives to all manufacturing firms. Within the EPZ, the GOM is embarked on an effort to get away from over-reliance on textiles by promoting the suitability of the country and its workforce for a more diversified, export-oriented industrial base.

Beyond expanding industrialization to achieve economic growth, Mauritius must make its fertile land, 90 percent of which is now in sugar cane, more productive. 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 a 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 reducing sugar production. In fact, 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. As part of its economic structural adjustment, the GOM called a Consultative Group type of meeting in Paris in mid-February to seek donor assistance for the modernization of the sugar sector. Increased productivity, factory rationalization, agricultural diversification and energy production from waste are specific objectives being supported by the overall GOM program.

Tourism, as the third largest foreign exchange earner for Mauritius, has the potential to continue to add substantially to the economic development of Mauritius. Therefore, tourism development is another objective of the GOM's economic structural adjustment program. To tap new markets and diversify away from traditional ones, expenditures on tourism promotion campaigns have been increased.

Although the focus of the economic adjustment program is on the revitalization of the productive sectors, the GOM has continued to finance social programs at approximately the same level as previous years (25-30% of recurrent budget). Expenditures for health, education and other social services are being examined closely with a view to ensuring that they are cost-effective and that they do not prejudice future growth. Fiscal discipline will continue to be required throughout the economic adjustment period.

D. U.S. Assistance Strategy

The rationale for assisting Mauritius development is based upon the economic need and development opportunities as well as 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 since the elections in August 1983. On the contrary, the necessity of maintaining good relations has become more urgent as the GOM has become more supportive.

Mauritius has received bilateral US assistance since its independence in 1968. In the late sixties and early seventies, 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 have been implemented. In 1980, a HIG program was approved and is now being drawn down for housing construction.

Due to economic difficulties, the US provided a $2 million Economic Support Fund grant in FY 1982 and the same amount in FY 1983 and FY 1985. Because of the availability of fall-out money late in FY 1984, the 1984 ESF grant to Mauritius was increased to $4.0 million. The FY 1985 and FY 1986 ESF grants returned to the $2.0 million level. All of the grant funds have been used to import U.S. edible oil under a CIP.

In addition to the CIP for 1985, AID granted the GOM $5.0 million in ESF money as part of the African Economic Policy Reform Program (AEPRP). The AEPRP grant, which is awarded as cash, provides foreign exchange and budgetary assistance in support of a package of economic reforms, specifically an income tax reduction, an industrial investment and incentive program and initial changes in the tariff structure. Two million dollars of AEPRP funds were released in FY 1985.

Although the industrial incentive reforms implemented to date by the GOM have been more significant than those set out as benchmarks in the EPRP, release of the balance, $3,000,000, has been delayed pending tariff reductions now anticipated in FY 1987.

Finally, in both FY 1986 and FY 1987, Mauritius' sugar export quotas to the United States were reduced substantially. To compensate for this loss in export earnings, Mauritius was awarded a Section 416 Sugar Quota Adjustment of $2.5 m in FY 1986 and another of $6.8 m in FY 1987. Under this program, wheat and rice are imported for sale through normal marketing channels.

The CIPs, AEPRP, and Section 416 Sugar Quota Adjustment programs generate local currencies. They are available for programming in support of the government's development program. The strategy for the present AID program is to support the economic structural adjustment and to promote development by using local currency generations for GOM activities aimed at:

1. agricultural diversification and sustainable food production;

2. supporting the role of the private sector in key development areas such as agriculture, export processing, manufacturing, tourism promotion and export services; and

3. expanding essential services (e.g. water supply) to the poor in Mauritius.

III. MACROECONOMIC BACKGROUND AND ANALYSIS

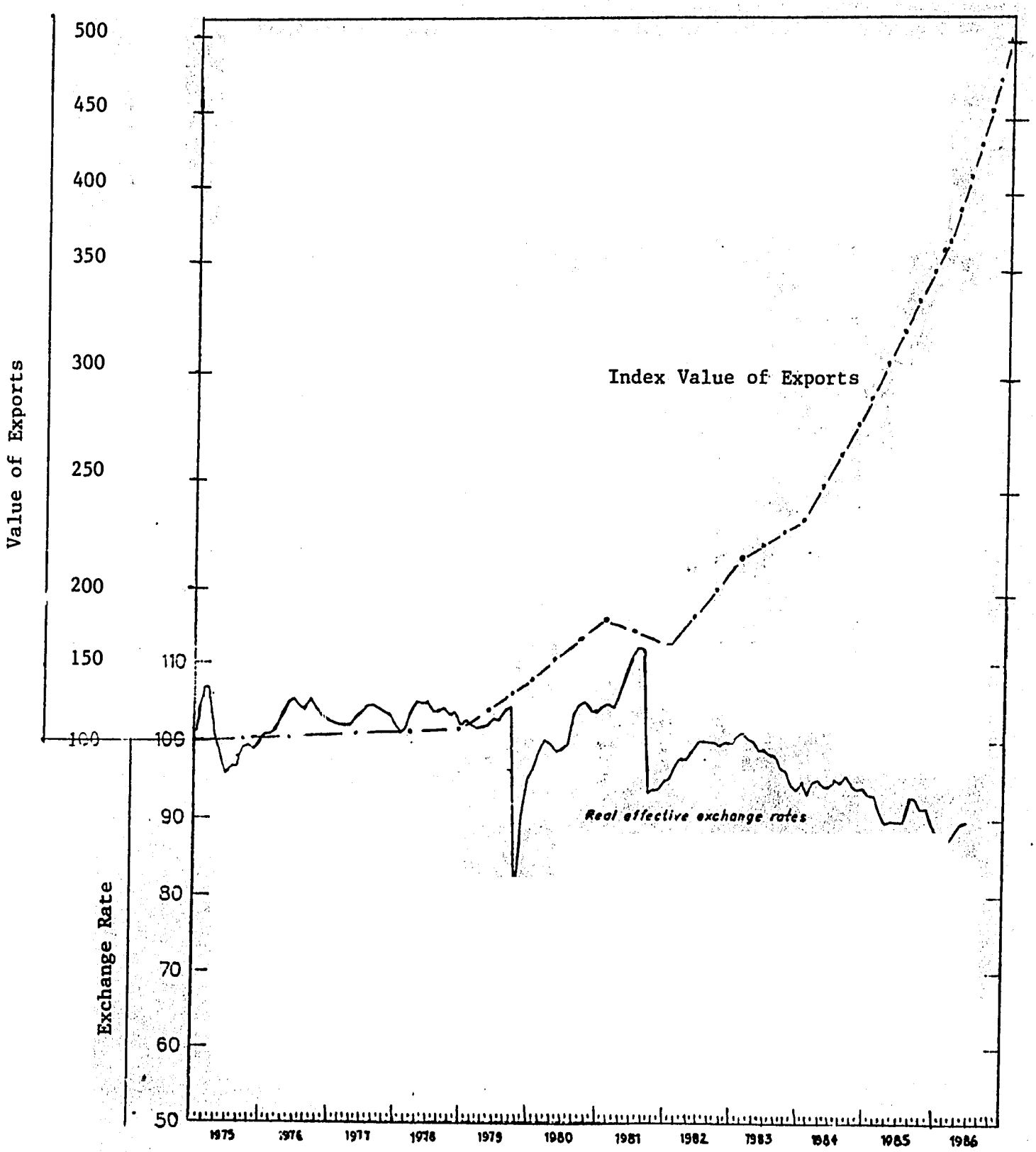
A. Economic Background

The Mauritian economy grew rapidly in the early 1970s, principally as a result of high sugar prices and rapid growth in the manufacturing sector. This manufacturing sector performance followed from the generous incentive schemes designed to enhance manufacturing output. In the late 1970s, however, falling sugar prices and rapidly rising petroleum prices combined to produce a deficit on the current account. Further damage was created by expansionist fiscal policies, generous wage increases, and increased external borrowings. The growth rate of GDP decelerated appreciably, and, by 1980, actually fell by 10 percent compared with the previous year. The Government of Mauritius responded to this situation by undertaking a series of reforms designed to reform the economy and reestablish its former levels of domestic and international competitiveness. As a result of these reforms, the Mauritian economy is enjoying sustained growth and rapid expansion in the number of jobs created. The real value of manufactured exports has been growing rapidly, as illustrated in Chart 1 and in this year's positive trade balance. This growth results from the

CHART 1

MAURITIUS: Index Values of Effective Exchange Rates and Value of Exports

(1975-1986; 1975=100)



Sources: IMF, International Financial Statistics and Staff Estimates
GOM, Min Ec Development and Planning, current indicators

implementation of sectoral incentives and exchange rate reform, starting in the early 1980s. With the increase in manufactured export, came an even greater increase in employment. Indeed, nearly as many new jobs were created in the last year alone as had been created in the entire prior decade. The growth over the last two years has been equally dramatic, with nearly 35,000 new jobs created. This growth has caused the unemployment rate to fall by more than eight percentage points during the last four years, from 22 percent in 1982 to less than 14 percent in 1986. The increase in employment has come as a result of falling real wages and the increased number and production levels of the export processing zone (EPZ) firms. The number of these firms has increased by nearly four fold between the early and mid 1980s.

B. Economic Policy Reforms

In 1979, the Government of Mauritius initiated stabilization and structural adjustment programs with the IMF and World Bank. Since then, five consecutive IMF Stand-by agreements have been successfully implemented. These have supported policies to adjust the exchange rate, reduce consumer subsidies, reduce the overall fiscal deficit, restrain wage increases, restrict the growth of credit and the money supply, and maintain a liberal system of trade and payments.

The first World Bank structural adjustment loan (SAL), for $15 million, addressed supply-side reform measures. Under that program, energy planning capacity was strengthened, the medium-term public investment program was reduced and rationalized, and policy reforms in the agricultural and industrial sectors were initiated. The second SAL, for $40 million, began in 1983 and had four principal objectives: 1) restructuring of the sugar industry combined with agricultural diversification; 2) further promotion of export-oriented industrialization; 3) tourism development; and 4) improved public resource management. The third IBRD activity, a restructuring program for the sugar industry, was announced in 1984 and followed by specific plans released in 1985. The Sugar Action Plan aims to: 1) monitor the long term viability of large estates; 2) rationalize milling operations and rehabilitate equipment; 3) raise productivity of small planters; 4) improve utilization of by-products; and 5) diversify agricultural activities. The most recent program with the World Bank is the Industrial Sector Adjustment Loan.

Agreement between the Government of Mauritius and the World Bank has been reached regarding the terms of the Industrial Sector Adjustment Loan (ISAL). A formal statement announcing the new program is expected by the end of June, 1987. The new program is expected to address four major areas: 1) reform of the trade regime; 2) virtual discontinuation of the Development Certificate scheme (import substitution incentives); 3) improvements in the duty rebate (drawback) system; and 4) additional deregulation of industrial prices. Reform of the

trade regime is an area which has generated much discussion, debate, and procrastination.

The ISAL agreement will require that the Government of Mauritius accomplish three tasks by June, 1988. These tasks are: 1) by June, 1987, a ceiling of 127 percent will be imposed on the rate of duty applicable to imports from preferential sources (inclusive of fiscal duty, surcharges, and stamp duty); 2) by June, 1988, the ceiling on the rate of duty applicable to imports from preferential sources will be reduced to 107 percent (inclusive), with corresponding reductions made in those imports from general sources; and 3) by June, 1988, the structure of the tariff schedule will be simplified. These reforms will be supported by a $25 million loan from the World Bank, and $33 million from the African Development Bank (AfDB). Release of the second tranche of AID's AEPRP Grant has as a benchmark the reduction of these tariffs as the first step in the reform of the trade regime. It directly complements the two Bank loans and reflects the strong cooperation among these banks, AID and the GOM.

As a result of the successful implementation of these reform programs, the Government of Mauritius can see a diversification of their exports from the earlier dependence on sugar, growing employment levels, and a positive balance on the current account for the first time in a decade.

C. Balance of Payments Situation

The balance of payments situation for Mauritius has improved considerably since 1979/80. In fact, after eleven years of recorded deficits, the current account is expected to be in a moderate surplus situation for FY 1985/86, as can be seen in Chart 2. Further analysis of the current account shows that the surplus has been achieved as a result of the following factors:

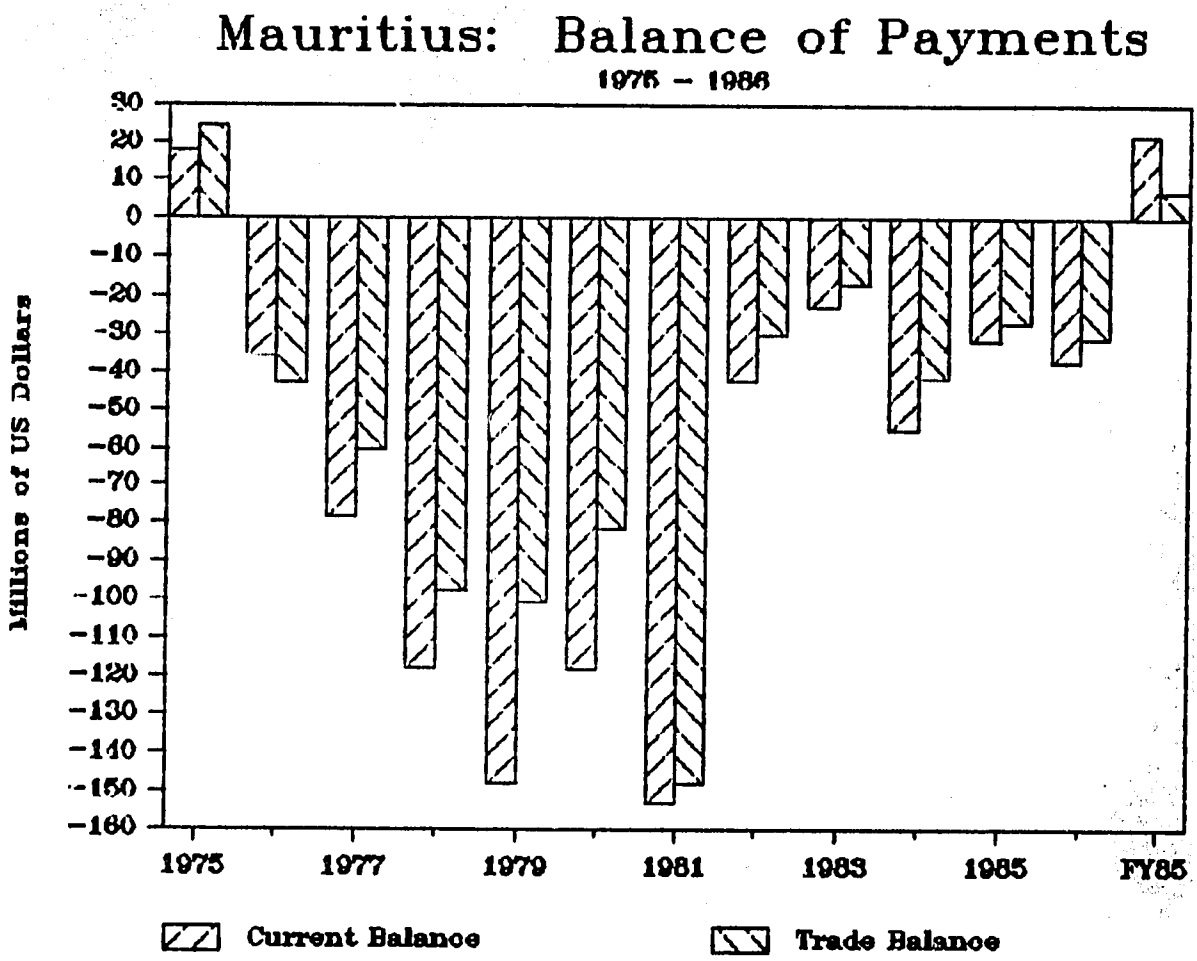
1) slight surplus on the trade balance between the fob value of imports and exports;

2) increasing tourism receipts; and

3) steady surplus on public and private transfers from abroad.

Surpluses in the first three areas have financed the continued deficit on the services account. It should be noted that the deficit in the services account was smaller than originally anticipated due to the unusually low oil prices which prevailed during the year. If the oil prices return to their previous high level, it is not certain that the modest surpluses in the current account will be maintained. Finally, the reserve situation in Mauritius has been improving over the past few years. From a record low of only a few days' worth of imports, reserves have now increased to 1.1 months, as estimated by the IMF, for 1985/86.

CHART 2


Mauritius: Balance of Payments
1975 - 1986
Millions of US Dollars
30
20
10
0
-10
-20
-30
-40
-50
-60
-70
-80
-90
-100
-110
-120
-130
-140
-150
-160
1975
1977
1979
1981
1983
1985
FY85
Current Balance
Trade Balance

Local currencies have been imaginatively programmed to facilitate diversification of the economy from its sugar dependence by supporting the EPZ and tourism sectors. Continued similar support will help ensure that diversification, from both sugar and now from textiles, also continues. In addition, the Moroil financed local currency contributions represent a real resource which is utilized by the Government of Mauritius to finance budgeted activities. As such, the local currency contributions help offset capital budget expenditures. This offset, in turn, helps reduce public sector indebtedness.

As a result of Mauritius' eight years of policy reform, a balance of payments deficit is no longer the principal argument for ESF support to Mauritius. Rather, the country's success in confronting and reforming its dysfunctional policies stand as reasons to continue ESF support to complete the Mauritian reform process. This is exactly the performance which AID seeks to encourage and support through ESF programs. Indeed, the Mauritian experience has been so successful that it is being used as an example to Eastern and Southern African nations of the positive implications of undertaking seemingly difficult reforms.

D. Employment

As noted earlier, the growth in employment in Mauritius over the last few years has been outstanding. This has been the result of two principal policy reforms. One is the incentive system developed to support expansion of the Export Processing Zone firms. These reforms have resulted in the rapid expansion of the number of EPZ companies over the 1980s (from approximately 100 firms in 1980 to nearly 400 by the end of 1986). The second important factor has been the Government's willingness to resist real wage increases over the same time period. A review of the statistics shows that while the real wage index was increasing slightly during the early 1980s, employment remained stagnant. As real wages fell after 1983, levels of employment increased. Thus, the combination of falling real wages and incentives to new export firms has resulted in an increasing number of labor intensive firms. This, in turn, services well Mauritius' labor surplus economy. The recent changes are summarized in Charts 3 and 4 on the following page.

A more detailed analysis of the employment statistics reveals the following information. As expected, formal sector agricultural employment has continued its steady decline since the late 1970s. The growth in manufacturing employment, particularly in the manufacture of wearing apparel, has experienced continued exceptional growth. The wholesale, retail trade, restaurants, and hotels sector has also shown high levels of employment increases over the last two years. In addition, the financial and business sector has registered consistent gains in employment over the last few years.

CHART 3

Mauritius: Employment and Wage Indices

1976 = 100

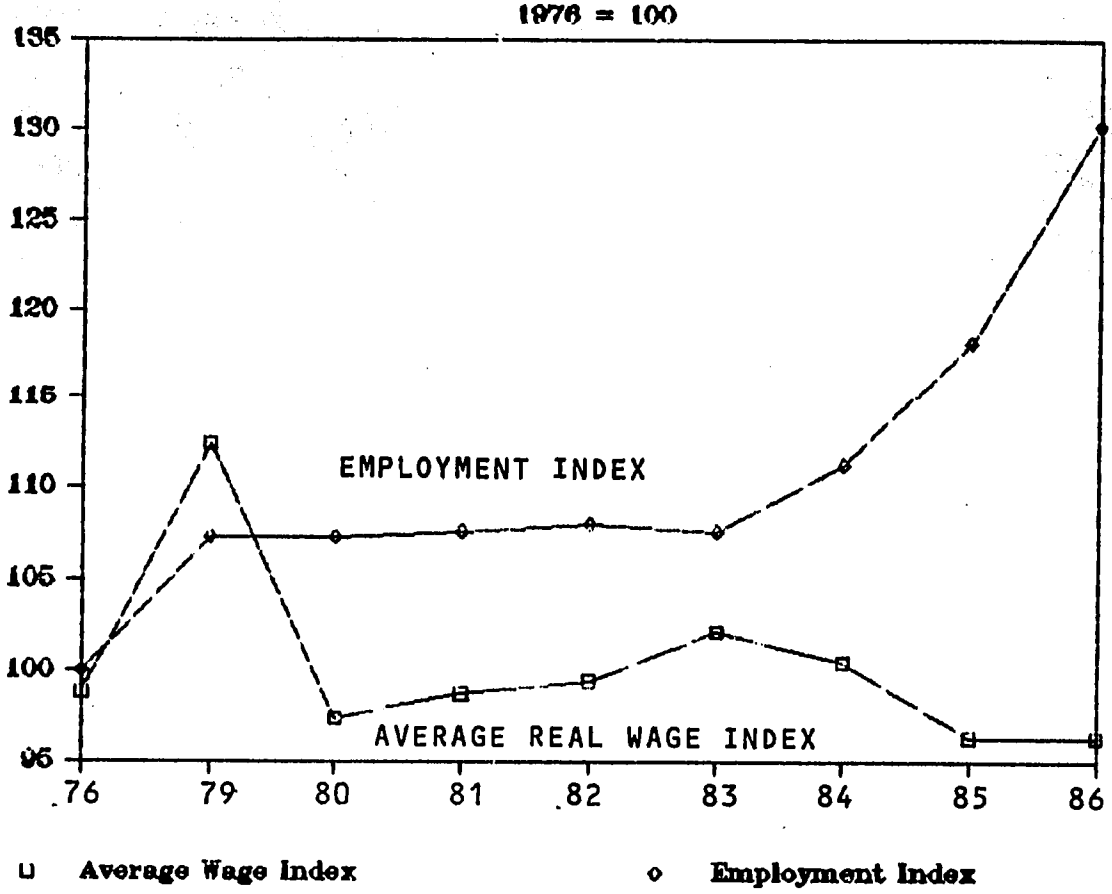
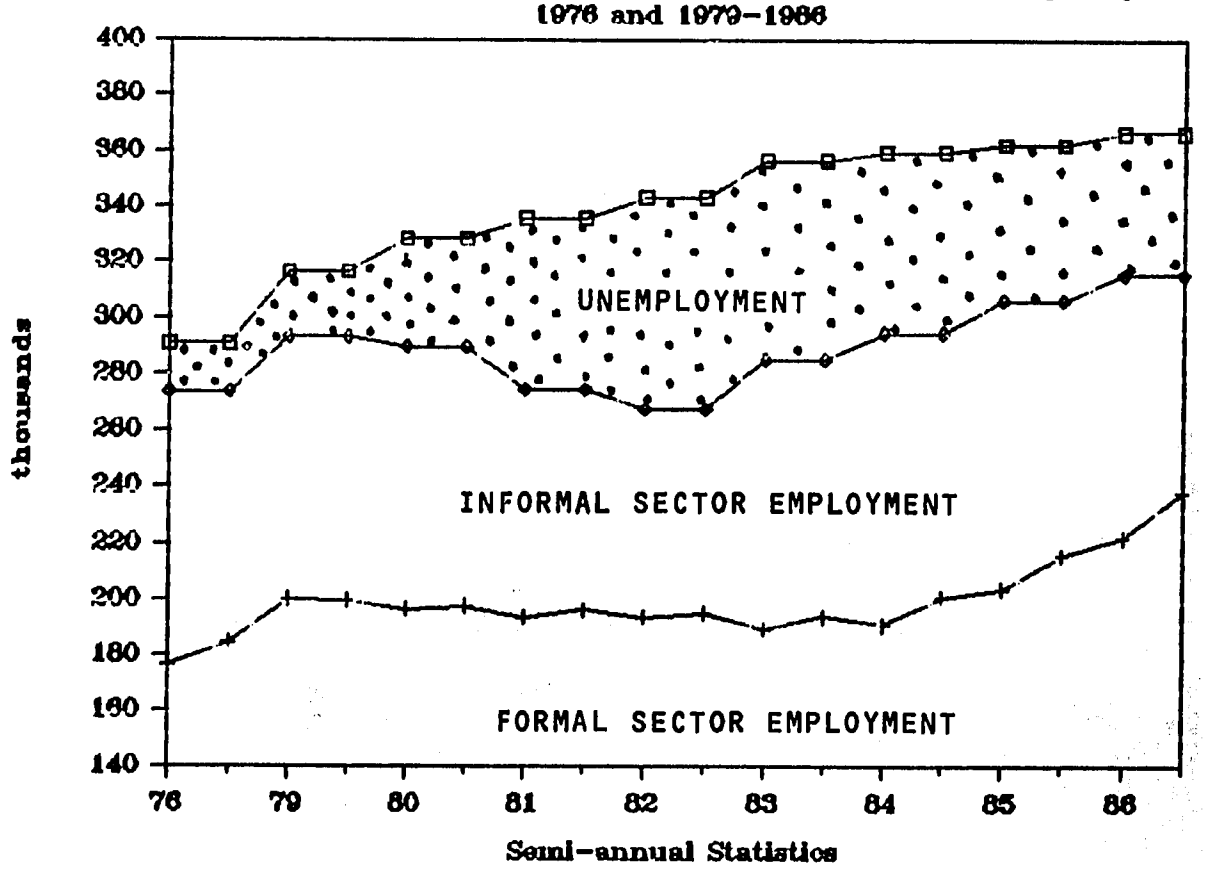


CHART 4

Mauritius: Employment and Unemployment

1976 and 1979-1986



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Finally, although central government services employment has been reduced, and that of local governments nearly stagnant, increases in community, social, and personal services employment has increased as a result of private sector activities in these areas. In order to continue the expansion of productive employment, industrial employment outside the wearing apparel subsector must continue to expand. As this sector continues to grow, so too can the related services sectors be expected to expand.

E. Remaining Concerns

The Government has undertaken a series of reforms during the course of the 1980s which have effected investment incentives, exchange rate determination, and tax reform. The recent agreement with the World Bank and the African Development Bank goes a long way toward reducing distorted investment incentives to inefficient domestic producers. In addition, the Government has undertaken other actions to further reduce the number of items subject to price controls from 18 to 8, has improved incentives to export by making uniform the corporate taxes applied to profits on all exports, and has reduced personal income taxes. These reforms have been far reaching, as have been the improvements to the Mauritian economy over the same time period. To be fair, not all the economic improvements are attributable to the reforms since Mauritius' open economy is dependent on the relative health and prosperity of the larger industrial countries with which it trades and from which its tourists arrive. Nonetheless, it is fair to say that the reforms measures undertaken enhanced Mauritius' capacity to respond to the improved international climate and to reap significant domestic advantages. Although many changes have been undertaken, however, a number of additional changes are required in order to reduce distortions introduced through earlier policies.

1. Unemployment and Population Growth

The population growth rate in Mauritius is continuing to fall: the 1990 goal of 1.0 percent population growth, therefore, seems to be in reach. Estimated natural increase in population for the island of Mauritius was 1.2 percent for 1985, and 1.85 for the small population of Rodrigues for the same year. Combined, the statistics show an annual natural rate of increase for the nation of 1.2 percent, down from a high of approximately 3.0 percent in the late 1960s. As the statistics show, however, progress in reducing the rate of natural increase is not even. Few employment opportunities exist on the island of Rodrigues, and the consequence is increasing migration from that island to the island of Mauritius.

Unemployment, though markedly reduced over the last four years, remains unacceptably high. An analysis of employment growth since 1980 shows that during the period 1980 through 1983, growth was either negative or marginally positive. During this

period the labor force continued to grow and the labor force participation rate continued to increase. The result was rapidly rising unemployment, to a record high of 22 percent in 1982. This trend was reversed between 1984 and 1986 when dramatic and sustained increases in employment were recorded. The rate at which new jobs are being created is accelerating, with the result that the unemployment rate is falling. By 1986, the unemployment rate was estimated at less than 14 percent. While this achievement is noteworthy, the level of unemployment remains higher than was experienced before 1981, and the number of unemployed is now estimated to be near 50,000 people. The government remains concerned about the rate of population growth in terms of the number of new jobs which must be created as well as in terms of the provision of health, education, and other social services.

2. Vulnerability to External Shocks

As a small, open economy, Mauritius is particularly susceptible to external shocks such as protectionism facing its exports, recessions which reduce tourist arrivals, and external price increases, especially those affecting transportation costs. In an effort to reduce the nation's vulnerability to external factors, the economy has been successfully diversified from its sugar dependency through growth in the EPZ and tourism sectors. Continued diversification is necessary, however, in order to reduce dependence on any one commodity. Textiles illustrate this concern.

Between 1980 and 1985, the ratio of the value of EPZ clothing exports to the total value of EPZ exports increased from 63 percent to 77 percent. In terms of employment, the ratio increased from 47 percent of total EPZ employment in 1980, to 88 percent by September, 1986. Thus, although Mauritius has made real gains in its effort to diversify its economy from its sugar dependency, the manufacturing export earnings and employment statistics show that the manufacturing sector is highly concentrated in wearing apparel. Mauritius has been extremely successful, however, with its garment exports. Although only a small island nation, Mauritius is now estimated to be the world's third largest exporter of knitted woolen garments. This success generates concern since Mauritius currently exports these products to highly protected markets. Like its Asian predecessors, though, Mauritius is expected to continue to diversify export markets and, eventually, export products. It is the Government's responsibility to sustain an investment environment conducive to the growth and evolution of the export sector. The evolution of this sector will reduce the economy's vulnerability to specific external shocks.

3. Tariff Reform

As mentioned previously, the Government of Mauritius has recently concluded an agreement with the World Bank and African Development Bank regarding the Industrial Sector Adjustment

Loan. Under the conditions of this agreement, the Government of Mauritius is expected to reduce the ceiling on tariff rates from preference countries to 127 percent, inclusive of stamp duty and charges, by June, 1987, and further reduce these tariffs to 107 percent by June, 1988. Similar reductions are envisaged for general tariff countries, though levels have yet to be specified. In addition, the Development Certificate scheme is to be virtually abandoned.

In small, open economies, such as Mauritius, tariffs have been utilized traditionally as a principal source of Government revenue. In administrative terms, this is often a very efficient method of collecting revenue. However, high tariff levels also offer protection to inefficient domestic producers. Mauritius, through the use of these protective tariffs and the Development Certificate scheme, has encouraged import substitution firms which are inefficient and which, therefore, distort the rational allocation of scarce natural and financial resources within the country. An earlier review by the Ministry of Industry analyzed the extent to which inefficiencies were encouraged by the protective tariffs and Development Certificate scheme. It was shown that these distortions provided incentives for industrialists to favor capital intensive production methodologies rather than labor intensive processes. This undermines the nation's interest in creating productive employment for its population. In an effort to provide increased incentives to employment generation and to rationalize the use of scarce capital resources, the Government of Mauritius has, finally, agreed to a tariff reform schedule. However, the reforms proposed have not yet been announced. Certainly, those firms which currently enjoy tariff protection are not anxious to lose that protection. However, the long term interests of the country are better served by a more rational tariff regime towards both preferential and general tariff countries.

Another reform area still to be explicitly addressed, however, are the high tariffs facing imports from "general", as opposed to preferential, countries. While reforms have been specified for the preferential countries, discussion of the general tariff countries has so far only mentioned that similar reductions are also required in that case. In some areas, the general tariffs are more protective of inefficient domestic industry since Japan and other Asian countries, which are classified as general tariff countries, are the sources of many inexpensive items which would otherwise compete with Mauritian manufacturers.

4. Central Government Finance

The financial position of the central Government has improved significantly since the early 1980s. Though still in a deficit situation, revenues have been increasing and expenditure growth has been managed. The result is that the ratio of the Government deficit to GDP has remained fairly constant at an

estimated five percent for the two most recent budget cycles, reduced from a high 14 percent in the 1980/81 fiscal year. External borrowings have been reduced as Government expects to finance the majority of the two recent deficits through domestic borrowings. Thus, the ratio of debt service payments to export earnings has also improved as foreign borrowings have been reduced and exports have increased. From a high of approximately 27 percent in the 1984/85 budget year, due primarily to the large Euro-currency loan of that year, the debt service ratio dropped to approximately 19.6 percent in 1985/86.

F. Other Donor Assistance

Mauritius continues to receive grant and loan assistance from a variety of multilateral and bilateral donors. Bilateral donors to Mauritius include the OECD countries (UK, France, USA, Federal Republic of Germany, Canada, Australia, and Japan), oil exporting countries (Saudi Arabia, Kuwait, and Abu Dhabi), communist countries (USSR and People's Republic of China), and some large developing countries (principally India).

Multilateral donors include the IMF and World Bank, which have provided the greatest amounts of external financing to Mauritius in the recent past, the African Development Bank, European Development Fund, European Investment Bank, UNDP, IFAD, Arab Bank for International Development, and the OECD Fund. The range of donors remains diverse. In nominal terms, the value of grants which Mauritius receives has nearly doubled between 1984/85 and 1986/87, while the value of loans has more than quadrupled during the same period. The ratio of grants to loans has also increased, reflecting the move away from externally financed budget deficits over the most recent budget cycles. The ratio of grants has increased to just over 50 percent of total loans.

The US, UK and Japan have been the greatest source of grant financing to Mauritius over the last three budget cycles. These grants have financed a variety of activities with the largest individual activity grants being the UK's part financing of the Airport Development Program (1986/87) and the Japanese Marine Shrimp Culture Project (1986/87). The IBRD's First Highway Project and Sugar Action Program are the largest specific activity loans for the current budget cycle. These activities are closely followed by the French loan which finances new Electronic Switching Equipment. The last pair of large loans come from the People's Republic of China and from the UK for supplemental financing of the Airport Development Program.

IV. IMPLEMENTATION OF PREVIOUS CIPS (1982-1986)

In relation to the importation of the edible oil and management of the CIPs in general, the recent evaluation drew the following conclusions.

The choice of a single commodity and single private sector importer is particularly well suited to the realities of the administration of the CIP in Mauritius. AID has no professional staff based in Mauritius, and must rely on program management by REDSO/ESA with assistance from the U.S. Embassy/Mauritius Economic/Commercial Assistant and a PSC secretary. Simplification of CIP management has been essential, and has resulted in the successful implementation of CIP's in the absence of in-country AID staff. A second notable feature of the CIP's is that AID regulations have proved to be sufficiently flexible to allow Moroil, which procures edible oil on a commodity market characterized by transactions on very short notice, to follow standard commercial procedures, with the exception that procurement must be of edible oil from the U.S.

The local currency projects funded from generations under the 1982 through 1985 CIPs were reviewed as part of this same evaluation (No local currency projects have begun using 1986 CIP generations). The conclusions of the study are as follows:

In general, implementation of the local currency projects has progressed well. The projects chosen have supported the GOM's development strategy as well as AID's overall program for Mauritius. The major set of projects, those involving the construction of industrial buildings, has promoted employment generation and manufacturing for export, and thus has stimulated both income generation and foreign exchange earnings. The second major set of projects, those involving the provision of water for both household use and irrigation, is providing important economic and social services to the population. In sum, the projects have been designed to meet the needs of Mauritius, have been implemented in a highly professional manner, and have generally succeeded in meeting, or at least moving toward, their respective objectives.

Details on each of projects are presented in the evaluation which is attached to the PAAD as Annex F.

V. PROGRAM DESCRIPTION

A. Program Activity

The purpose of the $1.0 million ESF grant is to provide balance of payments and budgetary support to the Government of Mauritius through a Commodity Import Program.

A two-phased assistance program is proposed, drawing upon the positive experience of similar programs from the previous four years. First, $1.0 million of CIP grant funds will finance edible oil procurements by the private firm, Mauritius Oil Refiners (Moroil), the only edible oil refinery on the island. We anticipate that this will entail financing the commercial importation of approximately 2,600 tons of degummed vegetable oil from the US. Second, the estimated Rs 13.0 million in local currency that will be generated under this program will be deposited in a separate government account available to support mutually agreed upon development activities. The planned use of the funds is for a land fill in the Mer Rouge area of Port Louis Harbor.

B. Commodity Import Component

1. Import Market Analysis

a) U.S. Trade with Mauritius

Trade between Mauritius and the U.S. is growing rapidly but mostly in favor of Mauritius whose exports to the U.S. went up from $77.6 million in 1985 to $129.0 million in 1986, representing a 66 percent increase. On the other hand, Mauritius' imports from the U.S. dropped slightly, from $11.1 million in 1985 to $10 million in 1986. It should be noted, however, that only half of the vegetable oil ordered under FY 1986 CIP arrived Mauritius during CY 1986. Mauritian imports from the U.S. are expected to increase substantially in 1987, not only because the second half of the FY 86 CIP vegetable oil is scheduled to arrive Port Louis during March 1987, but also because the $2.5 million worth of wheat flour brought in under the FY 86 Section 416 Sugar Quota Adjustment program was delivered in Jan/Feb. 1987. Moreover, the major part of the FY 1987 Section 416 grains (total value $6.8 million) is planned to arrive Port Louis before December, 1987.

Imports from the U.S. represented only 1.5 percent of total Mauritian imports in 1986. U.S. exports to Mauritius are hindered by a number of factors: (a) the great distance between the two countries (10,000 miles), aggravated by infrequent direct shipping services which results in high shipping costs

and long delivery periods; (b) long-established economic and commercial ties between Mauritius and Europe, particularly England and France, as a result of Mauritius' colonial past; (c) the small size of the Mauritian market; and (d) the fact that Mauritius remains relatively unknown to American businesses.

It is significant to note, moreover, that an estimated 40% of total U.S. imports do not come directly from the United States, but are shipped from U.S. affiliated companies or from representatives in Europe and South Africa. This indirect trade pattern is attributable to the small volume of trade and the great distance separating the countries.

b) Composition of Import Market

The largest category of imports from the United States during the first nine months of 1986 was machinery and transport equipment, which accounted for nearly 29% of all imports. This included 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 second largest category was food (16.5%), including mainly rice, milk/cream, and almonds. Most of the milk came in under the World Food Program. Food is expected to climb to first place in 1987 in view of the Section 416 food donation to Mauritius. The other major import items were miscellaneous manufactured goods (16%), animal and vegetable oil (14.7%), and chemicals (12.9%).

The private sector is the largest user of imported materials and equipment. But there is also a strong demand for vegetable oil which is used by all households in everyday cooking. Mauritius has one of the highest per capita consumption of edible oil in the world. 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 and equipment. Based on the above, U.S. goods are reasonably assured of a stable market in Mauritius.

c) Absorptive Capacity

The major import items from the US are essential goods - basic food, capital goods, raw materials for industry, and agricultural inputs - and are, therefore, given priority in the foreign exchange allocations. The proposed CIP will help

to sustain imports from the U.S. Based on the past records of regular importers of U.S. goods and purchase plans for the coming year, Mauritian capacity to absorb the full amount of the proposed program is assured. For example, Mauritius Oil Refineries, alone imports an average of 12,500 tons of crude soybean oil annually, in addition to palm oil and sunflower oil. If U.S. prices were competitive, the company's entire soybean oil requirement could be imported from the U.S. Imports of this level would represent approximately ten times the value of the proposed CIP Grant.

2. Commodity Procurement

One 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. Although several commodities have been examined since the program's inception in 1982, edible oils have continued to be selected over any other eligible single commodity or category of commodities. Therefore, the FY 87 design team and the Embassy recommend that CIP funds be allocated to Moroil to import edible oils rather than adding or substituting new commodity to the CIP. However, a variety of commercial imports including irrigation equipment, agricultural equipment, textile processing equipment, machinery spare parts, and agricultural chemicals will remain eligible items for importation.

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 logistical burden on the Embassy and REDSO/ESA. Only one consignment will be required to utilize fully the $1.0 million.

b) Because of the high demand for edible oil and the efficiency and financial strengths of the Moroil, local currency repayments will be made immediately upon shipment of oil and presentation of shipping documents.

c) Moroil has considerable 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 purchase operations.

d) There is a strong ongoing demand for high quality edible oil from the U.S.; before the start of the CIP in 1982, Moroil imported an average of $5-7 million worth of vegetable oil from U.S. annually (U.S. prices at that time were more copetitive than the last three years).

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

There were no implementation problems experienced during the FY 86 program. Approximately 5,307 tons of degummed vegetable oils valued at $1,914,000 were purchased from the United States for delivery in October 1986 and February 1987. Moroil anticipates that the full value of the Letter of Commitment will have been used by the end of the second shipment.

By mid 1986, when Moroil purchased FY 86 CIP-funded oil, the world market price of edible oil had moved downward from the $400-500/ton range found in 1985 to a range of $280-305/ton. Although U.S. oil prices continued to float well above world prices in 1986 ($340 -380), the GOM interceded on Moroil's behalf by depositing the rupee equivalent of the differential in cost into the Special Account, as was done in FY 85 when the price of U.S. oils first rose above world market prices. The GOM's intercession allowed Moroil to participate in the Commodity Import Program, which required Moroil to purchase U.S. oils, without penalizing Moroil for the higher U.S. prices.

Moroil now feels very positive about future operations and expressed open willingness to absorb an additional $1.0 million in FY 87 for continued U.S. oil imports. Moroil anticipates that U.S. oil prices will continue to remain slightly above the world market but without the volatility seen in certain previous years.

Local currency will be generated by importing approximately 2,600 tons of vegetable oil ($1,000,000 at $360/ton cost estimate). Shipping of the oil will be financed by the refinery itself and will take place in one consignment in October 1987.

C. Use of Local Currencies

MOROIL will pay approximately Rs 13.0 million, the equivalent of $1.0 million, into the special interest bearing account held by the GOM at Mauritius Commercial Bank (MCB), Port Louis. The local currency generated under the CIP will be used by the GOM to support activities mutually agreed upon by the GOM and AID.

Local currency activities have been supportive of the GOM development priorities and, at the same time, in line with AID's strategy for Mauritius, namely, agricultural diversification, basic services to the poor, and private sector development. Since funds are not expected to be generated until the second half of 1987, this year's proposed project is not included in the GOM's FY 1986 budget (July, 1986 - June, 1987) but it will appear in the next year's budget.

The GOM has proposed that the entire Rs 13 million to be generated by the FY 1987 CIP be used to fund a portion of the local costs of completing the 100 acre Mer Rouge Reclamation of Port Louis Harbor which has been estimated to cost between Rs 35-40 million, including expatriate technical assistance and actual costs of dredging and fill work. Under a previous dredging contract, financed by ODA, approximately 1,250,000 cubic meters of bottom fill was transferred to the Mer Rouge area to raise the land to 1-2 meters above datum line (see map which follows). An additional 750,000 cubic meters is needed to bring the area to the required 3 meters level.

In 1973, after several port development studies, the ODA contract was let for the dredging in Port Louis Harbor and Roche Bois and for reclamation of the new Quay Area, the Bulk Sugar Terminal Area and the Mer Rouge. Unfortunately, in August 1974 the dredger "Nassau Bay" sank at the entrance to the Terre Rouge River leaving the dredging of Roche Bois Harbor and the Reclamation of Mer Rouge incomplete.

Several offers were made by private companies to complete the work but these were so expensive, particularly the costs of bringing a dredger to Mauritius, that GOM decided to construct a small cutter suction dredger in Mauritius. It was found that the capital investment required to build a small dredger was less than the cost of mobilizing a suitable privately owned dredger, and the decision was made to proceed with the procurement of a vessel. It was considered advisable to encourage a Mauritian firm to participate in the activity and a contract was awarded in 1978 to Taylor Smith & Co to design and construct a cutter suction dredger. The vessel, named the M.V. 'Mer Rouge', was commissioned at a cost of approximately Rs 13.0 million in 1983.

Using the 'Mer Rouge', the 750,000 cubic meters of material required to reclaim the whole of Mer Rouge can be dredged from the Terre Rouge River Estuary to form the Roche Bois Harbor. A preliminary study conducted by an international engineering consulting firm estimates that using the Mer Rouge and foreign technical operators is feasible and would be only half the cost of bringing a large dredger to Mauritius. The drawback is that it will take more than two years to complete the task, in contrast to 3-6 months with a larger dredger.

Before approving this approach, a detailed feasibility study will be financed by the Mauritius Marine Authority (MMA), the proposed implementing agency. This feasibility study will include both the engineering and environmental details needed for REDSO/ESA evaluation of the reclamation. Engineering, environmental and other technical officer in REDSO/ESA will

review this study and make appropriate field visits to ensure that the project is technically and environmentally sound. Although Regulation 16 does not apply to counterpart project, REDSO wants to ensure environmental safety and protection.

The MMA plans to propose that the French Caisse Centrale finance the cost of technical assistance, while a portion of local costs are financed out of FY 1987 CIP generations. A final commitment by AID to program local currencies for this purpose will be linked to this study. The long lead time for the work matches with the generation of the local currency.

The most immediate beneficiary of the reclamation will be the Mauritius Marine Authority which will have a new, although relatively shallow, harbor. The new land will also provide sites for additional warehouses for the MMA. The second major beneficiary will be an industrial estate to be developed for those private industries that require, or would greatly benefit from, proximity to the port. Finally, the GOM may decide to build a coal-fired electricity generating plant on the site sometime in the future.

VI. PROGRAM IMPLEMENTATION

A. Implementation Responsibilities

1. Government of Mauritius

Primary responsibility for implementing 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.

An interest-bearing special account, opened in favor of the Ministry of Finance, will be established in the Port Louis branch of Mauritius Commercial Bank (MCB). 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. The MOF will prepare quarterly financial reports that identify allocations of the local currency; MEPD's Monitoring and Evaluation Division will prepare semi-annual reports on project implementation progress. For the GOM, MCB will provide monthly statements on the Special Account.

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 officers will be Monica Sinding, Project Development Officer and Lyn Dunn, Commodity Management Officer. At the Embassy, the Economic Commercial Assistant, S. Jathoonia, will have day to day responsibility and will be assisted by an AID financed Administrative Assistant working in Port Louis.

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 process it and sell it on the open market. Moroil will pay into the special account the rupee equivalent of the world market value of payment documents presented by the U.S. 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 MCB, Port Louis, that said documents have been presented. (The GOM

will add to the account the difference between world market value of the oil and the actual U.S. price paid, if any.).

B. Applicable US and AID Regulations and Procedures

1. AID Regulation 1

AID's standard financing procedures, applying 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. For previous CIPs, AID Regulation 1 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 - 1984 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 B (Animal and Vegetable Products). Transportation and marine insurance will also be eligible for financing. We expect that the entire $1.0 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 (U.S. only).

4. Non-Availability of U.S. Shipping

Becaus no U.S.-registered bulk oil vessels call on Port Louis and freight charges for special routings are excessive, a determination of non-availability of U.S. flag carriers will be requested to exclude shipments under the grant from 50-50 cargo preference requirements. The determination of non-availability will be 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 transaction is expected. Should there be any change in this plan, however, the procurement procedures to

be followed will be subject to further negotiation. It is proposed that AID 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 U.S. commercial bank with Moroil as the approved applicant. Although Moroil 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. If purchases other than oil are made, bank letters of credit are expected to be used.

7. Disbursement Period

Based on previous experience, we do not anticipate any significant delay in the disbursement of funds under this program. The terminal date for requesting disbursement will be March 31, 1988. Complete disbursement of AID funds is expected by June 30, 1988. Utilization of all local currency generations is anticipated within a two year period following their generation.

C. Government of Mauritius Import Procedures

Under current Government regulations, before an importer can place an order, he must have an import license and an import permit, as well as pay a levy of 17.0% of the CIF value of the goods to be imported. In addition, once the above requirements have been fulfilled, the participating commercial bank must obtain prior approval from the Bank of Mauritius (central bank) before foreign exchange can be released. It should be noted, however, that in December 1986, the GOM took the first step in a time-phased foreign exchange control liberalization program which stipulated, inter alia, that no Central Bank approval is needed for commercial transactions not exceeding Rs 200,000 (US Dols. 15,400). EPZ firms, however, are exempt from all import duties. The GOM has completely eliminated all quantitative restrictions on imports.

All these functions are being carried out under established procedures and in a relatively timely manner. 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 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 port which provides facilities and services to shipping. The port has 1319 meters of aligned deep water quays with depths ranging from 5.5 meters to 11 meters for both containerized and conventional ships up to 195 meters in length. This includes 6 deep-water berths, 3 quays for handling cargo from lighters, and 5 buoy berths to accommodate vessels for lighterage operation. There are also bulk handling facilities for sugar, petroleum products, fertilizer, vegetable oil and cement. Moreover, there is a container terminal which consists of a container park and a yard gantry crane for container operations. A recently constructed fishing port, comprising one deep-water quay of 160 meters and associated infrastructure started operation in May 1985. A multi-purpose tractor tug just acquired by the Mauritius Marine Authority will be delivered in May 1987. Regarding future port development, a Port Master Plan has been prepared to assess the potential for port improvement needed to accommodate port traffic up to the year 2000.

The total area of covered space currently available for storage purposes is approximately 425,000 sq. ft. In addition, the container park is capable of accommodating up to 14,500 TEUS (with 2 high stacking) and 22,800 TEUS (with 3 high stacking). There are also 32 reefer points to accommodate reefer containers.

The number of ships (including bunkers, fishing vessels, etc.) entering Port Louis harbor during the year 1985/86 (July-June) totaled 1074, while the net registered tonnage available on ships (cargo vessels only) was approximately 2.6 million tons. The volume of imports and exports handled in 1985/86 were 1.0 million tons and 0.82 million tons, respectively. In recent years there has also been a growing demand for containerized shipment. In 1985/86, a total of 31,976 containers were handled at the port.

Average waiting time for container ships and bulk cargo vessels are 7.3 hours and 3 hours, respectively. Maximum waiting time for unitized cargo vessels amounts to 13.8 hours. Unitized cargo vessels are being loaded/unloaded at a rate of 23.5 tons per gang hour, while containers are being loaded/discharged at a rate of 4 standard units per gang hour. Both are acceptable rates. Once off-loaded, commodities are readily hauled to final destinations.

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. In addition, Moroil checks to see that it has received the correct contract purchase amount. Adjustments have been made in accord with normal commercial practices. No arrival and diposition problems have arisen with any of the previous CIP shipments.

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..... 31 March, 1987

2. CPs Satisfied..... 31 March, 1987

3. Letter of Commitment issued to a U.S. Bank..... 30 April, 1987

4. Importer(s) commences procurement action..... 1 May, 1987

5. First shipment from U.S..... 1 October, 1987

6. Internal AID evaluation..... 1 February, 1988

7. Terminal date for requesting disbursing authorizations..... 30 March, 1988

8. Grant is fully disbursed..... 30 June, 1988

9. Local currency generations fully disbursed..... 30 June, 1989

G. Program Monitoring, Reporting and Evaluations

AID will monitor the progress of both elements of the program -- draw-downs on the CIP and progress on the use of local currency generations -- through periodic visits to Mauritius and progress and financial reports from the GOM, AID will receive:

For the CIP,

a) Reports of letter(s) of credit opened
b) Descriptions of the competitive procurement process, and
c) Report on disbursements.

For the 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;

c) A general description of project activities, goods, services, structures and/or facilities financed during the period (semi-annual progress reports), and

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 reports of repayments actually made.

For the GOM, the Accountant General is responsible for the preparation of the quarterly financial reports, while the MEPD's Monitoring and Evaluation Section will ensure that adequate semi-annual progress reports are prepared for submission to AID.

To meet the requirements of Section 801 of the FAA for CIPs in Africa, an AID evaluation of this program will be conducted by REDSO/ESA in early 1988 as part of the process of preparing a PAAD for the 1988 CIP. AID will retain the right to audit and inspect activities, including the local currency program, financed under the CIP.

VII. SPECIAL CONSIDERATIONS

A. Criteria for CIP's in Africa (Section 801 Criteria)

For the design of ESF commodity import and sector programs for Africa, Section 801 of the ISDCA of 1985 sets out criteria to encourage long term development through the program. The criteria, and their relation to this CIP, are presented in the checklists (Annex D). The design of the Mauritius CIP has adequately taken into account these criteria.

B. Other Considerations

1. Impact on US Balance of payments

The short-run impact of this program on the US balance of payments position will be minimal, since all of the grant funds will be spent in the U.S. to purchase soybean or other edible oil.

2. Use of US Government Excess Property

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

3. Relation to Export-Import Bank Credits

The commodity import program does not, nor does it expect to, compete with Export-Import Bank credits. The CIP will complement the Bank's activity by strengthening the Mauritian economy so it can better use the Bank's credits.

4. Relation to OPIC Program

The CIP will complement the new OPIC loan for tuna fish development. Local currency generations are likely to be used to promote private sector development of ancillary activities to the large tuna fishing and canning operation. Small entrepreneur development and employment generation would be important objectives.

5. Environmental Statement

A negative determination is attached as Annex E.

VIII. 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 use 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 previous CIPs, and in presenting and reviewing options for the use of local currency generations under this program. In addition, useful visits have been made to the Marine Authority (reclamation of Mer Rouge), and a meeting was held with Moroil for the purpose of reaching an understanding on all import-related procedures. 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.

ANNEX A

MINISTRY OF FINANCE

PORT LOUIS - MAURITIUS

In reply please quote...CF/G/8/67/A/1..II

Date.6th March..1987.....

H.E. Mr. R.D. Palmer
Ambassador Extraordinary & Plenipotentiary
of the U.S.A.
Rogers House,
Port Louis.

Rec'd
3/19/87
Carrol

Excellency,

I wish to express my deep appreciation for the active participation of the United States representatives of the recent Consultative Group Meeting for Mauritius and for their valuable contribution.

The meeting provided an opportunity for your delegation to review the economic performance of Mauritius and assess our need for further resources to support our development programme. The Government of Mauritius would welcome further assistance from the U.S. Government under your current Commodity Import Programme. This aid will, as in the past be used to import edible oil from the United States and the rupees generation will be applied for financing high priority development programmes of the Government.

I suggest that the FY 87 CIP Agreement be negotiated and signed as soon as possible at a mutually convenient time.

Please accept, Excellency, the assurance of my highest consideration.

SLutchmeenaraidoo

(S. Lutchmeenaraidoo)
Deputy Prime Minister an
Minister of Finance

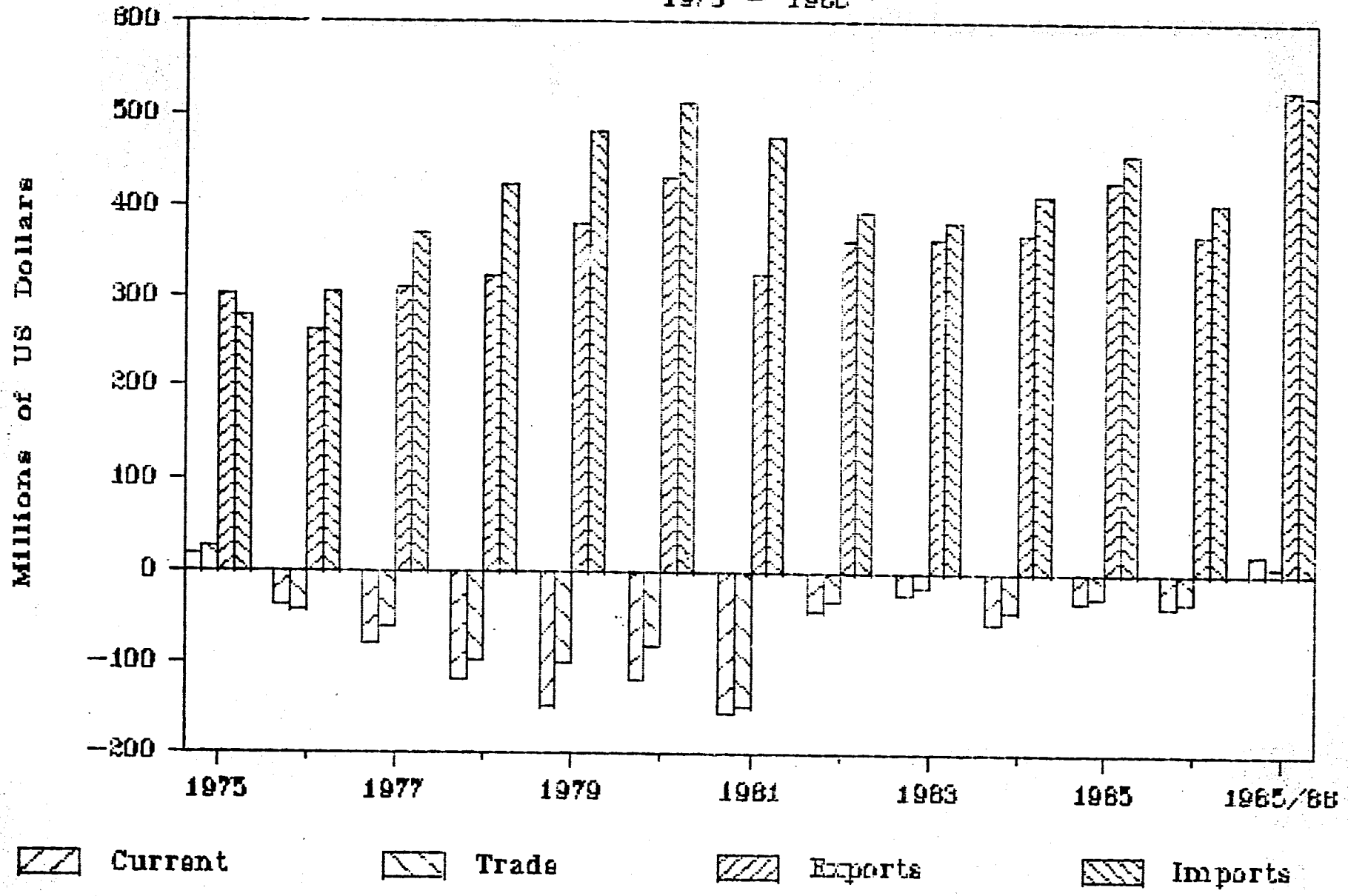
ANNEX B

MAURITIUS FY 1987
COMMODITY IMPORT PROGRAM
MACROECONOMIC ANALYSIS SUPPORT TABLES

1. Balance of Payments Graph
2. Balance of Payments Trend Table
3. Balance of Payments Details
4. Principal Exports
5. Current Economic Indicators
6. Real Growth of GDP
7. Summary of GOM Operations
8. Employment
9. Wages
10. Firms Protected by Tariffs

Mauritius: Balance of Payments

1975 – 1988



Mauritius: Balance of Payments, in millions of US Dollars
1975 - 1986

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1984/85	1985/86
Current Account Balance	17.7	-35.9	-78.5	-117.5	-147.8	-117.9	-153.1	-42.2	-22.9	-55.1	-31.8	-37.0	22.0
Merchandise													
Trade Balance	24.6	-42.6	-60.2	-97.7	-100.6	-81.7	-147.9	-30.4	-17.2	-41.4	-26.9	-31.0	7.0
Exports (fob)	303.4	264.1	310.2	324.6	381.0	430.1	326.5	363.8	367.3	372.1	429.7	372.0	528.0
Imports (fob)	-278.8	-306.7	-370.4	-422.3	-481.6	-511.8	-474.5	-394.2	-384.5	-413.5	-456.7	-404.0	-522.0

Sources:
1975 - 85: IMF, International Financial Statistics Yearbook, 1986.
1984/85 and 1985/86: IMF, Recent Economic Developments, 1986.

Mauritius: Balance of Payments, 1981/82 - 1985/86
(in millions of Dollars)

	1981/82	1982/83	1983/84	1984/85	1985/86
Conversion factor (SDRs to Dollars)	0.85914	0.90653	0.95515	1.02019	0.9104
Current Account**********	-63	-58	-28	-37	22
Trade	-41	-47	-19	-31	7
Exports, fob	390	351	378	372	528
Sugar	234	216	209	176	215
EPZ	127	110	131	164	279
Other	29	24	38	31	35
Imports, fob	-431	-398	-397	-404	-522
Imports, cif	-503	-461	-456	-462	-594
Rice, Flour	-49	-40	-34	-33	-32
Petroleum	-97	-89	-74	-73	-57
EPZ	-73	-68	-96	-132	-214
Other	-284	-263	-251	-224	-291
Services (net)	-45	-39	-35	-39	-21
Freight, insurance	-65	-57	-54	-55	-67
Credit	3	3	3	1	3
Debit	-69	-61	-58	-56	-70
Other transportation	23	33	28	29	35
Credit	57	61	55	57	67
Debit	-35	-29	-27	-27	-33
Travel	26	23	26	29	51
Credit	45	43	45	46	71
Debit	-20	-20	-19	-17	-22
Investmet Income	-48	-45	-40	-46	-43
Credit	5	3	2	3	2
Debit	-52	-49	-43	-49	-45
Other	20	9	6	2	4
Transfers	23	28	25	32	36
Public	10	14	7	13	13
Private	13	13	18	20	23
Capital Account	81	-11	5	32	-1
Public	86	-6	-2	46	0
Disbursements	105	43	57	87	41
Government	95	36	49	80	29
Other	9	7	7	7	12
Amortization	-19	-49	-59	-41	-41
Government	-14	-44	-54	-37	-35
Other	-5	-4	-4	-4	-5
Commercial Banks	-6	-7	4	-20	-10
Private Direct Invest	1	1	3	6	9
Errors and Omissions	-28	39	-6	29	24
Overall Balance	-10	-31	-29	25	45
Financed by:					
Use of Fund Credit	23	24	14	-19	-18
Reserves (increase-)	-13	7	16	-6	-27
Memorandum items:					
End of year reserves	41	34	19	25	50
End of year reserves in months imports, cif	1.1	1	0.5	0.7	1.1
Current Account/GDP (percent)	-5.8	-5.2	-2.5	-3.9	1.8

Sources: Bank of Mauritius; Ministry of Finance; IMF estimates.

Notes:
Individual components may not add due to rounding.
Errors and omissions includes valuation adjustments.
Gross reserves are net of short-term borrowing by Bank of Mauritius.

MAURITIUS: Current Economic Indicators

Indicator	Unit	1980	1981	1982	1983	1984	1985	1986e
Annual Real Growth Rates								
GDP at factor cost		-10.1	6.4	5.8	0.4	4.7	6.5	5.5
Agriculture, hunting forestry, fishing		-34.2	21.9	19.4	-13.1	0.7	11.2	3.2
Manufacturing		-0.7	8.7	5.2	1.0	12.2	13.9	12.4
EPZ		13.0	11.1	-2.8	8.9	32.9	30.0	25.0
GDFCF		-18.7	-7.1	-14.0	3.2	6.1	10.1	11.5
Rest and Hotels		-13.5	10.4	-6.1	6.5	14.5	7.9	12.0
As Percent of GDP at Market Prices								
Aggregate Consumption		89.5	89.2	84.6	82.9	81.7	79.2	76.1
Gross Domestic Savings		10.0	14.0	15.4	17.1	18.3	20.8	23.9
GDFCF		23.0	21.9	17.9	18.0	18.0	19.0	20.3
Other Indicators								
Exports (fob)	Rs m	3616	3278	4363	4637	5491	7009	9200
Imports (cif)	Rs m	4721	4977	5048	5175	6494	8119	9800
Tourist Arr'ls	'000	115.0	121.6	118.0	123.8	139.7	148.9	165.0
Inflation Rate	%	42.0	14.5	11.4	5.6	7.3	6.7	1.8
Employment	'000	197.3	196.0	195.1	193.8	200.6	215.4	237.9
BOP, Overall	Rs m	-161	-922	-643	-510	-250	500	696
Debt Service Ratio	%	8.0	13.9	16.6	24.3	26.1	24.4	<20
EPZ firms (a)	No.	100	107	118	145	195	290	377
Unemployment Rate	%	11.7	18.2	22.0	20.0	18.0	15.5	<14
Overall Budget	Rs m	-897	-1293	-1388	-1160	-857	-824	-896
EPZ Employment	'000	na	22.4	22.5	23.4	33.8	48.1	68.7
EPZ Exports	Rs m	894	1087	1235	1307	2151	3283	4985
EPZ Imports	Rs m	658	682	745	847	1650	2530	3808
EPZ Net Exports	Rs m	236	405	490	460	501	753	1177
Sugar Exports								
Volume	'000 MT	617	433	596	608	531	540	na
Value	LS m	2168	1625	2462	2679	2523	2867	3350

Sources and Notes:

e = estimate
exports include reexports and ships' stores and bunkers
employment as of September, 1986, for large establishments
BOP begins with 1979/80 fiscal year, 1985/86 is revised
(a) 1986 equals firm registrations to third quarter only.

Source: Ministries of Economic Development and Finance, Bank of Mauritius, and the Central Statistical Office

Date: 10 February 1987

Mauritius: Real Growth of GDP, Total and Per Capita
1979 - 1986e

	at 1976 prices				at 1982 prices				
	1979	1980	1981	1982	1982	1983	1984	1985	1986e
Market Price GDP (Mns)	5387	4845	5130	5412	11725	11770	12311	13113	13834
Population(000)	950	966	981	993	993	1002	1011	1020	1032
Per Capita GDP	5671	5016	5229	5450	11808	11747	12177	12856	13405
Real Growth GDP		-10.1	5.9	5.5		0.4	4.6	6.5	5.5
Real Growth GDP per capita		-11.6	4.3	4.2		-0.5	3.7	5.6	4.3

Sources:

(1) IMF, Mauritius-Recent Economic Developments, 1985.
(2) Central Statistics Office, Annual Digest of Statistics, 1985.
(3) Based on Ministry of Economic Planning and Development estimates.

Mauritius: Summary of Central Government Operations, 1981/82-1986/87 1/

	Actual 1981/82	Actual 1982/83	Actual 1983/84	Actual 1984/85	Budget 1985/86	Revised Program 1985/86	Prov. 2/ Actual 1985/86	Budget 1986/87
	(In millions of Mauritian rupees)							
Total revenue and grants	2,292	2,826	3,122	3,562	3,924	3,985	3,981	4,550
Revenue	2,224	2,803	3,070	3,396	3,648	3,769	3,781	4,245
Tax revenue	(1,956)	(2,437)	(2,803)	(2,993)	(3,269)	(3,383)	(3,401)	(3,592)
Nontax revenue	(268)	(366)	(267)	(403)	(379)	(386)	(380)	(653)
Grants	68	23	52	166	276	216	200	305
Total expenditure and net lending	3,677	3,985	3,980	4,386	4,821	4,835	4,830	5,489
Current expenditure	2,892	3,223	3,394	3,691	4,061	4,061	4,006	4,439
Capital expenditure	444	360	349	585	626	614	592	923
Net lending	341	402	237	110	134	160	232	127
Overall balance								
Including grants	-1,385	-1,159	-858	-824	-897	-850	-849	-939
Excluding grants	-1,453	-1,182	-910	-990	-1,173	-1,066	-1,048	-1,243
Financing	1,385	1,159	858	824	897	850	849	939
External (net)	797	-175	-141	717	198	138	-69	212
Disbursements	(947)	(314)	(521)	(1,266)	(718)	(628)	(410)	(600)
Amortization	(-150)	(-489)	(-662)	(-549)	(-520)	(-490)	(-479)	(-388)
Domestic (net)	591	1,335	998	106	699	712	917	727
Banking system	(438)	(875)	(620)	(-32[illegible])	(205)	(218)	(241)	(130)
Nonbank	(153)	(460)	(378)	(432)	(494)	(494)	(541)	(597)
Discrepancy	(--)	(--)	(--)	(--)	(--)	(--)	(135) 3/	(--)
	(As percent of GDP)							
Total revenue and grants	21.2	23.1	23.2	23.4	23.2	23.6	23.3	24.3
Tax revenue	18.1	19.9	20.8	19.7	19.3	20.0	19.9	19.2
Nontax revenue	2.5	3.0	2.0	2.7	2.2	2.3	2.2	3.5
Grants	0.6	0.2	0.4	1.1	1.6	1.3	1.2	1.6
Total expenditure and net lending	34.0	32.6	29.6	28.8	28.5	28.6	28.2	29.3
Current expenditure	26.7	26.3	25.2	24.3	24.0	24.0	23.4	23.7
Capital expenditure	4.1	2.9	2.6	3.8	3.7	3.6	3.5	4.9
Net lending	3.2	3.3	1.8	0.7	0.8	0.9	1.4	0.7
Overall balance								
Including grants	-12.8	-9.5	-6.4	-5.4	-5.3	-5.0	-5.0	-5.0
Excluding grants	-13.4	-9.7	-6.8	-6.5	-6.9	-6.3	-6.1	-6.6
Financing (net)	12.8	9.5	6.4	5.4	5.3	5.0	5.0	5.0
External	7.4	-1.4	-1.0	4.7	1.2	0.8	-0.4	1.1
Domestic	5.5	10.9	7.4	0.7	4.1	4.2	5.4	3.9
Banking system	(4.0)	(7.1)	(4.6)	(-2.1)	(1.2)	(1.3)	(1.4)	(0.7)

Source: IMF, Recent Economic Developments, October, 1986, p.26.

1/ Data may not add up due to rounding.
2/ Provisional actuals through May, and official estimates for June 1986.
3/ Due to timing differences in recording and use of estimated data for June 1986.

Mauritius: Principal Exports, 1978-March 1986

	1978	1979	1980	1981	1982	1983	1984	1985	January-March 1985	January-March 1986 1/
	(In millions of Mauritian rupees)									
Total exports, f.o.b.	1,987	2,432	3,341	2,999	3,985	4,311	5,179	6,636	1,400	1,851
Sugar	1,305	1,590	2,168	1,625	2,463	2,679	2,523	2,867	769	845
Molasses	34	69	104	110	67	63	62	71	9	3
Tea	55	39	43	49	67	97	249	178	76	44
Export Processing Zone	485	620	895	1,087	1,236	1,307	2,151	3,283	505	875
Other	73	63	52	54	65	77	83	127	20	54
Re-exports	34	51	80	74	87	88	113	110	22	30
	(In percent of total)									
Sugar	66	65	65	54	62	62	49	43	55	46
Export Processing Zone	24	25	27	36	31	30	42	49	36	47

Source: Central Statistical Office.

1/ Provisional.

MAURITIUS: Employment by Economic Activity, 1976 and 1979-1986, in thousands, (1)

	1976		1979		1980		1981		1982		1983		1984		1985		1986	
	March	Sept.	March	Sept.	March	Sept.	March	Sept.	March	Sept.	March	Sept.	March(2)	Sept.(2)	March(2)	Sept.(2)	March(3)	Sept.(3)
Agriculture and Fishing	59.5	64.2	55.6	59.4	54.0	58.0	53.5	57.0	52.5	56.7	52.1	55.8	49.8	53.5	48.3	52.7	47.3	52.5
Sugar (4)	(52.6)	(57.8)	(48.7)	(52.7)	(47.5)	(51.1)	(47.3)	(50.1)	(46.5)	(49.9)	(46.1)	(49.1)	(44.6)	(47.6)	(42.9)	(46.6)	(42.3)	(46.7)
Tea (4)	(4.7)	(4.7)	(5.2)	(5.1)	(5.0)	(4.7)	(4.6)	(4.7)	(4.7)	(4.7)	(4.9)	(4.4)	(3.6)	(3.4)	(3.5)	(3.4)	(3.1)	(2.9)
Other	(2.1)	(1.7)	(1.7)	(1.6)	(1.6)	(2.2)	(1.6)	(2.3)	(1.3)	(2.1)	1.5	(2.4)	(1.5)	(2.5)	(1.9)	(2.7)	(1.9)	(2.7)
Mining and Quarrying	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Manufacturing	26.4	29.3	35.1	35.6	36.2	36.4	36.9	37.2	38.3	36.9	36.9	38.3	42.2	48.6	56.1	62.9	74.9	64.4
Electricity and Water	3.1	3.1	3.9	4.7	4.6	4.5	4.4	4.4	4.5	4.4	4.2	4.1	4.1	3.9	3.9	3.8	3.6	3.7
Construction	7.8	7.3	9.2	9.2	8.1	7.4	7.3	6.3	5.7	5.6	4.5	4.4	4.0	4.1	4.8	5.0	4.7	5.1
Wholesale and retail trade, restaurants and hotels	7.6	7.8	9.4	9.5	9.3	9.2	9.1	9.0	9.1	9.0	9.1	8.9	8.9	8.9	9.2	9.2	9.4	10.2
Transport, storage, and communications	9.0	9.9	0.3	8.7	9.0	8.1	7.8	8.2	8.1	7.9	8.0	8.0	8.2	8.5	8.4	8.7	8.5	9.0
Financing, insurance, real estate, and business services	3.0	3.2	4.3	4.4	4.4	4.5	4.6	4.6	4.7	4.7	4.7	4.6	4.8	4.9	5.0	5.2	5.2	5.3
Government services	46.2	46.4	53.1	52.7	54.1	54.5	54.5	54.9	55.7	55.0	55.1	54.9	54.7	55.2	55.0	55.1	55.1	54.9
Central Government (1)	(42.6)	(42.8)	(47.8)	(47.3)	(48.7)	(49.1)	(49.0)	(49.4)	(50.2)	(49.5)	(49.8)	(49.6)	(49.5)	(50.0)	(49.9)	(50.0)	(50.0)	(49.7)
Local Government	(3.6)	(3.7)	(5.3)	(5.4)	(5.4)	(5.4)	(5.5)	(5.5)	(5.5)	(5.6)	(5.3)	(5.3)	(5.2)	(5.2)	(5.1)	(5.1)	(5.1)	(5.2)
Other community, social, and personal services	6.3	6.5	8.6	8.5	8.6	8.3	8.3	8.3	8.3	8.4	8.3	8.3	8.1	8.0	8.0	8.1	8.1	8.3
Activities not elsewhere specified (6)	7.8	6.7	10.3	6.7	8.1	6.5	6.9	6.4	6.4	6.2	6.2	6.2	5.9	4.9	4.7	4.5	4.5	4.4
TOTAL Formal Employment	176.7	184.5	200.0	199.4	196.6	197.6	193.5	196.3	193.4	195.1	189.3	193.8	190.8	200.6	203.6	215.4	221.6	237.9
Total Population (7)	879	879	923	923	938	938	951	951	961	961	969	969	977	977	985	985	996.82	996.82
Labor Force (8)	290.9	290.9	316.6	316.6	328.3	328.3	335.7	335.7	343.1	343.1	356.6	356.6	359.5	359.5	362.5	362.5	366.8	366.8
Unemployed-registered (9)	17.2	17.2	23.1	23.1	38.4	38.4	61.1	61.1	75.5	75.5	71.3	71.3	64.7	64.7	56.2	56.2	51.4	51.4
Formal & Informal Emp (10)	273.8	273.8	293.5	293.5	289.9	289.9	274.6	274.6	267.6	267.6	285.3	285.3	294.8	294.8	306.3	306.3	315.5	315.5
Informal Sector Employment	76.8	76.8	88.0	88.0	93.2	93.2	96.0	96.0	96.1	96.1	103.4	103.4	104.3	104.3	105.1	105.1	106.4	106.4
Formal & Informal Emp (11)	253.5	261.3	288.0	287.4	289.8	290.8	289.5	292.3	289.5	291.2	292.7	297.2	295.1	304.9	308.7	320.5	328.0	344.3
Unemployed-residual	37.4	29.6	28.6	29.2	38.5	37.5	46.2	43.4	53.6	51.9	63.9	59.4	64.5	54.7	53.8	42.0	38.8	22.5
Year:	76	76	79	79	80	80	81	81	82	82	83	83	84	84	85	85	86	86

Notes and Sources:

(1) Covers nonagricultural establishments with 10 or more employees, all government, sugar plantations of 25 arpents or more, tea plantations of 5 arpents or more, all flue-cured tobacco, and other agricultural units with 10 or more employees; excludes self-employed, piece-rate employees working at home, and unpaid family workers.
Excl Rodr. Because of variations in response rates/coverage, some short-term fluctuations are not significant. 1979-84 data revised, 85-6 provisional.

(2) Revised.

(3) Provisional.

(4) Covers plantatons and factories.

(5) Reflects conversion of Tea Development Authority employees to smallholders.

(6) Includes relief workers.

(7) Central Statistical Office, Annual Digest of Statistics. 1985.

(8) Labor force participation rates from: World Bank, "Mauritius:From Austerity to Growth, Country Economic Memorandum",March, 1985. LFPR assumed constant since 1983 at 36.8%.

(9) Calculated from unemployment rate statistics provided by Ministry of Economic Planning and Development.

(10) Labor force less registered unemployed.

(11) Formal sector employment plus informal sector employment.

Sources: Central Statistics Office, Bi-annual Surveys of Employment and Earnings; and MEP&D current data and Occassional Paper No. 45, Survey of Employment and Earnings, Sept, 1986.
Other sources as specified in Notes, above.

Mauritius: Average Nominal and Real Wages, All Sectors
1976 and 1979 - 1986

	1976	1979	1980	1981	1982	1983	1984	1985	1986
Nominal Wage (1)									
March	546	882	1065	1217	1390	1531	1636	1672	1703
September	653	961	1205	1421	1565	1671	1741	1785	1815
Wage Index (2)									
March	100.0	161.5	195.1	222.9	254.6	280.4	299.6	306.2	311.9
September	100.0	147.2	184.5	217.6	239.7	255.9	266.6	273.4	277.9
CPI (3)	101.2	137.3	194.9	223.1	248.6	262.5	281.8	300.8	306.2
Real Wage Index									
March	98.8	117.7	100.1	99.9	102.4	106.8	106.3	101.8	101.9
September	98.8	107.2	94.7	97.5	96.4	97.5	94.6	90.9	90.8
Real Real Wage Growth									
March		19.1	-14.9	-0.2	2.5	4.3	-0.5	-4.3	0.1
September		8.5	-11.7	3.0	-1.2	1.1	-2.9	-3.9	-0.1
Employment Index (4)	100.0	107.3	107.3	107.6	108.0	107.6	111.3	118.2	130.2
Employment Growth		7.3	0.0	0.3	0.4	-0.4	3.4	6.2	10.2

Notes:
(1) Average for all sectors.
(2) Wages are surveyed semi-annually; 1976 = 100.
(3) Ministry of Economic Planning and Development estimates; 1976 = 100.
(4) Calculated form semi-annual employment survey; 1976 = 100.

Sources:
Ministry of Economic Planning and Development, Economic Indicators Occasional Paper No. 46, Consumer Price Indeces, 1987.
Ministry of Economic Planning and Development, Economic Indicators Occasional Paper No. 45, Survey of Employment, 1986.
Central Statistics Office, Annual Digest of Statistics, 1985.

Mauritius: Firm Protected by Tariffs, by Firm Category and Tariff Level
(Firms affected by tariff changes to 100-127 percent only)

Category	Current Duty	Combined Fiscal & Prefr'tl Duties 82.5	67.5	62.3	Local Firm
cut flowers & foliage	100	x	x	x	yes
alcoholic beverages	150-450	x	x	x	yes
cigars and cigarettes	220-350	x	x	x	yes
motor and aviation fuels	150	x	x	x	no
Incense and joss sticks	75	-	x	x	?
other medicinal perfumes	100	x	x	x	?
shoe, floor, metal polishes	75	-	x	x	?
explosives	100	x	x	x	?
tires	100/65	-	-	x	retread
luggage & handbags	75	-	x	x	?
cigarette papers	200	x	x	x	yes
carpets & backing	100	x	x	x	one
footwear	75	-	x	x	?
wigs and feathers	100	x	x	x	no
artificial flowers	100	x	x	x	artisin
ceramic statuettes	100	x	x	x	artisin
mirrors	75	-	x	x	?
glassbeads & faux pearls	100	x	x	x	no
real pearls & diamonds	100-150	x	x	x	no
real & faux jewellry	150	x	x	x	yes
metal structures: roofs	75	-	x	x	?
armoured safes	100	x	x	x	?
metal statuettes	100	x	x	x	?
air conditioners	75	-	x	x	?
refrigerators	75	-	x	x	?
waterheaters	75	-	x	x	?
liquid & gas filters	75	-	x	x	?
washing machines	75	-	x	x	?
lawnmowers	100	x	x	x	?
clothes dryers	75	-	x	x	?
vending machines	100	x	x	x	?
electric accumulators	75	-	x	x	?
household appliances	75	-	x	x	?
radios & TVs	75	-	x	x	yes
passenger vehicles	revised	x	x	x	no
**motorcycles	revised	x	x	x	no
trailers	revised	x	x	x	no
aircraft	200	x	x	x	no
yachts	100	x	x	x	no
juke boxes	100	x	x	x	no
arms, munitions, bombs	100	x	x	x	no
furniture & matresses	100	x	x	x	yes
worked tortoise shell & mother of pearl	100	x	x	x	?
gambling equipment	200	x	x	x	?
playing cards	100	x	x	x	?
mechanical lighters	75	-	x	x	?
fine arts & antiques	100	x	x	x	yes,but

Source: The Government Gazette of Mauritius, No. 77, July, 1979; news reports for August, 1986, changes.

ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

FROM: Jim Dempsey, Project Development Officer

SUBJECT: Mauritius - Approval of PAIP for FY 1987 Commodity Import Program (642-K-607)

Problem: Your approval of the Program Assistance Initial Proposal (PAIP) for the FY 1987 Mauritius Commodity Import Program is required to permit development of the authorizing document for the program, the Program Assistance Approval Document (PAAD). The planning level for the PAAD is $1.0 million of Economic Support Funds (ESF).

Discussion: The purpose of the program is to provide balance of payments assistance and budgetary support to the Government of Mauritius (GOM). A two-phased initial assistance program is planned drawing upon the positive experience of the previous Commodity Import Programs. First, $1.0 million of ESF grant funds will be made available to finance the dollar costs of commercial imports from the U.S. for private sector procurement of commodities using the CIP mechanism. Second, the estimated Rs 13 million in local currency which will be generated under this program will be deposited in a government account in a private bank to be used to support mutually agreed upon development activities.

Commodity Import Programs have been successfully used to provide assistance to the Government of Mauritius for the past five years. The basic problems addressed by these programs have been the GOM's difficult balance of payments position, low foreign exchange reserves and budgetary deficits. Further, the CIP's support the GOM's comprehensive structural adjustment program which has introduced reforms that are strengthening market forces and the private sector in the economy.

The five CIP's have provided $11,914,000 for the purchase of edible oil by the private sector firm, Mauritius Oil Refineries (Moroil). The rupee equivalent of the dollar value of the oil has been deposited in a special account and used for the three main development objectives of AID:

1. to support agricultural diversification and sustainable food policies;

2. to promote private sector activities in areas such as export processing, manufacturing, services and tourism; and

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

A recent evaluation of all the CIPs in Mauritius (1982 through 1986) has recommended that:

> the CIPs continue as support to the GOM in their efforts to strengthen its financial and economic condition. Continued support is justifiable on at least two grounds. First, the GOM has made significant progress toward reform, but work remains and will require continued donor support.

Second, growth in the manufacturing sector has contributed greatly to the stronger economic position, but continued growth is not assured in the absence of diversification from textile industries which dominate (in terms of growth) the recent additions to that sector. Mauritius will require continued support as it attempts to diverisfy.

Additionally, the process of restructuring the sugar industry is far from complete. The significant and continuing low price of sugar is hurting the country's terms of trade and economy in general.

Finally, the CIP evaluation states that "without the CIP's, the net deficit on the balance of payments could have been Rs 219.8 million for the period under review, as against an actual figure of Rs. 84 million. Thus, the programs have had a significant positive effect on the balance of payments."

The same approach and implementation procedures as used in the previous CIPs are planned for the FY 1987 program. The proposed activities are described in detail in the attached PAIP for the CIP. Also attached is the Africa Bureau Environmental Officer's approval of the Initial Environmental Examination. No further environmental review is required.

The Initial Environmental Examination proposing a categorical exclusion, has been approved by the Africa Bureau Environmental Officer. Authority for REDSO/ESA to approve the PAIP was given by the Africa Bureau Assistant Administrator (State 348843).

Recommendation: That, in accordance with the authority provided in 1986 State 348843, you sign this Action Memorandum and approve the Mauritius FY 87 CIP PAIP (642-K-607), thus approving the PAIP and permitting the development of the Program Assistance Approval Document.

APPROVED: _____

DISAPPROVED: _____

DATE: - 9 MAR 1987

Attachments:

FY 1986 CIP PAIP
Initial Environmental Examination
Ad Hoc Delegation (1986 State 348843)

Clearances:

RLA: K. Hansen Draft
RCMO: L. Dunn Draft
PROJ: D. McCloud Draft
ANAL: S. Callison Draft
RFMC: H. Collamer (Draft)
D/DIR: S. Shah _____

MAURITIUS CIP (642-K-607)
FY 1987 PROJECT STATUTORY CHECKLISTS

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481(h)(1); FY 1987 Continuing Resolution Sec. 526. 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 psycho- tropic drugs or other controlled substances (as listed 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, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? — No

2. FAA Sec. 481(h)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers?

   (a) No

   (b) No

   (c) No

3. 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) the debt is not denied or contested by such government?

(a) No

(b) No

4. FAA Sec. 620(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 of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

5. FAA Sec. 620(a), 620(f), 620(D); FY 1987 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance or reparations be provided to Angola, Cambodia, Cuba, Iraq, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan without a certification?

No

No

No

6. FAA Sec. 620(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
7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?	Agreement has been reached with OPIC.
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?	(a) No (b) N/A
9. FAA Sec. 620(q); FY 1987 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds?	(a) No (b) No
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment?	Yes, taken into account by the Administrator at the time of approval of the OYB for Mauritius.

11. 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?	No
12. 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? (Reference may be made to the Taking into Consideration memo.)	It has paid its obligations.
13. FAA Sec. 620A. Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism?	No
14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?	No

15. 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**

16. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? **No**
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? **No**
(FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan).

17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device? **No**

18. 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 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? (Reference may be made to the Taking into Consideration memo.)	The President has taken into account the actions of the GOM.
19. FY 1987 Continuing Resolution, Sec. 540.	
Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?	No
Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilization?	No
Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
20. FY 1987 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined as supporting or participating in the management of a program of coercive abortion or involuntary sterilization?	No

If assistance is from the population functional account, are any of the funds to be made available to family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? N/A

21. FY 1987 Continuing Resolution, Sec. 528. 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

22. FY 1987 Continuing Resolution, Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? No

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest? No

FY 87 NON-PROJECT ASSISTANCE CHECKLISTS

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 87 Continuing Resolution, Sec. 523; FAA Sec. 634A. Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the non-project assistance.	Congress was notified in the FY 1987 CP, Annex I, p. 295.
2. FAA Sec. 611(a)(2). If further legislative action is required within the recipient country, what is the basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?	N/A
3. FAA Sec. 209. Is assistance more efficiently and effectively given through regional or multilateral organizations? If so, why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs.	No, a bilateral CIP is the most efficient and effective approach.
4. FAA Sec. 601(a). Information and conclusions whether the assistance will encourage efforts of the country to: (a) increase	(a) Yes, the CIP will bring U.S. edible oil to Mauritius. Additionally the rupee generation could be used to expand manufacturing exports.

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.	(b) Yes, the CIP will use competitive procedures. (c) No, CIP money will be used for cooperatives. (d) No impact. (e) No impact. (f) No impact.
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 procurement will be from the U.S. private sector.
6. FAA Sec. 612(b), Sec. 636(h); FY1987 Continuing Resolution, 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 services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services in lieu of dollars.	The local currency equivalent of the dollar procurement is made available by the GOM for joint programming. The U.S. owns no rupees.
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 assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes

9.	FY 1987 Continuing Resolution, Secs. 521, 522. If assistance is for the production of a 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.	FY 1987 Continuing Resolution, Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?	No
11.	FY 1987 Continuing Resolution, Sec. 559. Will the proposed project involve the obligation or expenditure of funds to procure directly feasibility studies or prefeasibility studies for, or project profiles of potential investment in the manufacture for export to the U.S. or to third country markets in direct competition with U.S. exports, of textiles, apparel, footware, handbags, luggage, flat wear, work gloves or leather wearing apparel? or to assist directly the establishment of facilities for the manufacture and export of such items to the U.S. or third countries in direct competition with U.S. exports?	No grant funds will be used for such purposes.

12. FAA Sec. 118(c) and (d). Does the program comply with the environ- mental procedures set forth in AID Regulation 16? Does the program take into consideration the problem of the destruction of tropical rain forests?	Yes. IEE approved.
13. FAA Sec. 128. 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?	By financing edible oil, AID is helping to provide a staple food for the poor in Mauritius. Local currency may be used to finance productive facilities.
14. ISDCA of 1985, Sec. 310; FY 1987 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?	Yes
To the maximum extent feasible, does it reflect the policy directions of Part 1 of the FAA?	Yes

b.	FAA Sec. 531(d). Will funds be used to the maximum extent feasible, to generate local currencies, not less than 50 percent of which will be used to support FAA Section 103-106-type activities?	Yes
c.	FAA Sec. 531(e). Will assistance under this chapter be used for military, or paramilitary activities?	No
d.	ISDCA of 1985, Sec. 205. Will not less than 18% of the funds made available for commodity import programs be used for the purchase of agricultural commodities of United States origin?	Yes, all of the funds will be used to purchase edible oil.
e.	International Security and Development Cooperation Act of 1985, Sec. 207. 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
f.	International Security and Development Cooperation Act of 1985, Sec. 801. For Commodity Import and sector programs in Africa, will there be a requirement that imports be used to meet long-term development needs in accordance with the	

1) are spare parts and other imports allocated based on evaluation of the ability of likely recipients to use such imports in a maximally productive, employment generating and cost effective way;	Yes
2) imports coordinated with host country's economic development plan which effectively promotes economic development;	The current GOM Development Plan has a broad range of objectives into which the CIP and LC generations fit.
3) emphasis on imports for expansion of agricultural production;	Although the PAAD team considered the importation of fertilizer, primarily for sugar production, it determined that adequate foreign exchange was available for the procurement because of the high priority of sugar in the economy. For the fertilizer for which the U.S. is competitieve, U.S. purchases are likely without CIP financing. Reduction of Mauritian dependence on imported edible oil is not feasible given the land and agronomic constraints on the island.
4) emphasis on imports with broad development impact;	The imported edible oil will be distributed throughout the island. For the poor, it is essential for the cooking of their staple food.
5) insure imports are in addition to historical patterns of foreign exchange uses;	U.S. edible oil imports can be considered additional because historically when they are higher priced, they are not imported.

6)	at least 75% of local currency generations are deposited into a special account and used for agreed-upon economic development purposes consistent with FAA Sections 102-106;	All funds go into a special account for use on activities consistent with FAA Section 102-106.
7)	arrangements in place to obtain local currencies necessary for requirements of USG.	Yes
g.	<u>FAA Sec. 609</u>. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account(counterpart) arrangements been made for such proceeds?	Yes
h.	<u>FY 1987 Continuing Resolution</u>. If, after February 1, 1987, the recipient will receive a cash transfer in excess of $5.0 million, will such funds be maintained in a separate account and not commingled with other funds? Will any local currencies generated with funds provided as such a cash transfer be deposited in a special account and used in accordance with FAA Section 609?	N/A

ANNEX E

ACTION: AID-4 INFO: ECON - 5

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ZNR UUUUU ZZH DIST: AID
O R 0923412 MAR 87
FM SECSTATE WASHDC
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INFO RUFHMC/AMEMBASSY PORT LOUIS 8870
BT
UNCLAS STATE 068570

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AIDAC NAIROBI FOR REDSO/ESA

E.O. 12356: N/A

SUBJECT: MAURITIUS - FY 1987 CIP (IEE)

REF: (A) NAIROBI 01398 (B) NAIROBI (06921) (C NAIROBI 08425

REGRET DELAY IN RESPONSE; DOCUMENT RE-WRITTEN AND APPROVED BY BEO AND GC/AFR. COPIES POUCHED. SHULTZ
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UNCLASSIFIED STATE 068570

EVALUATION OF COMMODITY IMPORT PROGRAMS

For the
MAURITIUS
FY 1982 — FY 1986
PROGRAMS

UNITED STATES OF AMERICA

NOTE: Only the evaluation recommendations and summary are included in this Annex. A complete copy of the evaluation report is available from REDSO/ESA or AFR/PD.

United States Agency for International Development
Regional Economic Development Service Office
January 1987
Nairobi.

UNCLASSIFIED
CLASSIFICATION

App 12A-1, Chp 12, HB 3
(TM 3:43) 9-30-82

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
MAURITIUS COMMODITY IMPORT PROGRAMS	642-K-601/604,606	REDSO/ESA

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) #1 FY

☐ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 82	A. Total $11,914,000	From (month/yr.)
B. Final Obligation Expected FY 86	B. U.S. $11,914,000	To (month/yr.) DECEMBER 1986
C. Final Input Delivery FY 87		Date of Evaluation Review FEBRUARY 1987

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Commodity Import Programs should continue as support to the Government of Mauritius (GOM) efforts to strengthen its financial and economic condition, and should plan to import U.S. edible oils because of the simplicity of procurement and low management requirement.	REDSO/ESA DIRECTOR	4/30/87
2. For all ongoing and future local currency projects, implementation progress reporting and monitoring should be improved, perhaps by the assignment of a GOM staff member to participate in project selection and design, to liaise with participating implementation agencies ministries and to supervise the reporting and monitoring process on behalf of the GOM.	AID-GOM PROJECT MANAGERS	3/31/87
3. While the selection and implementation of local currency projects generally have been good, there have been instances where project objectives have not been clearly stated and the sustainability of projects not fully considered in the PAAD's. Future PAAD's should include specific objectives for local currency projects, and should identify issues which concern the sustainability of those projects.	AID PROJECT MANAGER	4/30/87

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☐ Financial Plan
- ☐ Logical Framework
- ☐ Project Agreement
- ☐ Implementation Plan, e.g., CPI Network
- ☐ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- [X] Other (Specify) FY 1987 CIP PAIP
- [X] Other (Specify) FY 1987 CIP PAAD

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. [X] Continue Project Without Change
- B. ☐ Change Project Design and/or ☐ Change Implementation Plan
- C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

David McCloud, REDSO/ESA Project Officer
Pushkar Brahmbhatt, REDSO/ESA Engineer
Edward Wright, Human Resources Specialist
Pierre Dinan, Economist
Robin Harel, Private Sector Specialist

12. Mission/AID/W Office Director Approval

Signature: Arthur M. Fell

Typed Name: Arthur M. Fell, Director

Date: 23 FEB 1987

AID 1330-16 (3-78)

UNCLASSIFIED
CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

Report Symbol U-4

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
MAURITIUS COMMODITY IMPORT PROGRAMS	642-K-601/604.606	REDSO/ESA

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) #1 FY

☐ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY___ B. Final Obligation Expected FY___ C. Final Input Delivery FY___	A. Total $ ___ B. U.S. $ ___	From (month/yr.) ___ To (month/yr.) ___ Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
(CONTINUED)		
4. No loan agreement exists between the GOM and the Development Bank of Mauritius (DBM) for the local currency allocation from the FY 1985 CIP for the development of the Vacoas-Phoenix Industrial Estate, nor did the GOM appear to be aware that all funds received in repayment are to be used only for purposes agreed to by the GOM and AID. A loan agreement and a plan for use of loan repayments should be established per the requirements of the grant agreement.	AID PROJECT MANAGER, DBM AND MOF	4/30/87

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

☐ Project Paper ☐ Implementation Plan, e.g., CPI Network ☐ Other (Specify)
☐ Financial Plan ☐ PIO/T ___
☐ Logical Framework ☐ PIO/C ☐ Other (Specify)
☐ Project Agreement ☐ PID/P ___

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. ☐ Continue Project Without Change
B. ☐ Change Project Design and/or ☐ Change Implementation Plan
C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

12. Mission/AID/W Office Director Approval
Signature
Typed Name
Date

AID 1330-18 (3-78)

MAURITIUS COMMODITY IMPORT PROGRAM EVALUATION

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I. Preface

This evaluation report is organized as follows: Section I is an executive summary which includes a review of the purpose and history of the CIP's, the evaluation methodology, and a summary of findings with respect to both CIP management and content as well as design and implementation of the local currency projects. Section II covers in detail the evaluation of the CIP's themselves. It includes subsections on the background to the programs , relationship between the CIP's and the economy, the development impact, management of the programs, and lessons learned. As part of the subsection on background to the programs, compliance to Section 801 of the International Security and Development Cooperation Act of 1985 is discussed. Section III presents an evaluation of each of the local currency projects identified. These evaluations are presented in more detail in a project evaluation summary format in the annexes. The set of annexes completes the report.

Note: Exchange rates are presented in Annex Table VI.

I. Executive Summary

A. Significant Findings

1. The successful implementation of the Mauritius CIP's since FY 1982 has proven that AID can operate a single commodity/single importer CIP without a direct hire presence in the recipient country.

2. The CIP is also particularly notable for the kind of commodity imported, edible oil, and the method of procurement given the nature of the market for that commodity. The market for edible oil is volatile in terms of price fluctuations, and firms must be able to procure on short notice to take advantage of price changes. In this case, the private sector importer is able to operate following standard commercial practices, with the exception that procurement must be in the U.S. Future AID Regulation I CIP's which intend to deal with similar commodities could use the Mauritian one as an example.

3. Local currency projects in general have been well designed and implemented, and have had significant development impact. Programming local currency generations has management implications which are particularly important in the Mauritian case given the lack of AID direct hire personnel in country, and project selection and monitoring may require greater participation and supervision by host country government personnel.

A summary of major recommendations appears on the facesheet.

B. Purpose and History of CIP's

The purpose of the AID Commodity Import Programs (CIP's) in Mauritius has been to provide both balance of payments and budgetary support to the Government of Mauritius (GOM). A standard CIP has been utilized in each year (1982-1986) for the direct disbursement of funds for the importation of edible vegetable oil by a private sector firm, Mauritius Oil Refineries (Moroil). The local currency equivalents of the grant amounts have been deposited into a Special Account and used by the GOM to support selected development programs mutually agreed upon by AID and GOM during the design of each annual program.

The amounts of the annual CIP grants and the respective local currency generations and disbursements are as follows:

CIP Grants, Local Currency Generations and Disbursements, FY 1982-1986
(as at 12/31/86, including interest)

U.S. FY	U.S. $ (m)	Rs. (m)	Rs disbursements (m)
1982	2.0	28.0	28.0
1983	2.0	28.0	22.0
1984	4.0	64.3	64.1
1985	2.0	27.4	27.4
1986[1/]	1.914	13.4	-
TOTAL	11.914	161.1	141.5

The primary purpose of the CIP's has been balance of payments' support. From 1976/77 to 1980/81 Mauritius' balance of payments' position deteriorated steadily, as expansionary fiscal and wage policies were maintained from the sugar boom years. Since 1979 the GOM has been working with the IMF and the World Bank on stabilization and structural adjustment programs. AID has provided through its CIP's to date approximately $12 million as support to Mauritius' efforts to strengthen its financial position.

A secondary purpose of the CIP's has been to provide budgetary support to the GOM for agreed upon development projects. Over the five year period FY 1982-86 about Rs. 174.0 million have been allocated to projects. These projects have been in a variety of areas, the major ones being the development of industrial sites for export processing zones and the improvement of water supply systems. This evaluation report covers those projects supported under the FY 1982-1985 CIP's only, since FY 1986 funds were made available only during late October, and no disbursements have yet occurred for ocal currency projects.

The development strategy of the overall AID program for Mauritius is as follows:

1) to support agricultural diversification and sustainable food policies;

2) to promote private sector activities in key development areas such as export processing, manufacturing services and tourism; and

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

The FY 1984 PAAD further states that the CIP generations would be used primarily to support the second objective of the strategy, that is, to promote private sector activities. This also has been the emphasis of successive programs. The program assistance as a whole is in accord with the GOM's program of structural adjustments.

C. Summary of Findings

1. CIP Content and Management

The choice of a single commodity and single private sector importer is particularly well suited to the realities of the administration of the CIP in Mauritius. AID has no professional staff based in Mauritius, and must rely on program management by REDSO/ESA with assistance from the U.S. Embassy/Mauritius Economic/Commercial Assistant and a PSC secretary. Simplification of CIP management has been essential, and has resulted in the successful implementation of CIP's in the absence of in-country AID staff. A second notable feature of the CIP's is that AID regulations have proved to be sufficiently flexible to allow Moroil, which procures edible oil on a commodity market characterized by transactions on very short notice, to follow standard commercial procedures, with the exception that procurement must be of edible oil from the U.S.

1/ For FY 1986 the rupee equivalent of only 1.0 million has been deposited into the special account since there has been so far only one procurement.

Without the CIP's, the net deficit on the balance of payments could have been Rs. 219.8 million for the period under review, as against an actual figure of Rs. 84 million. thus, the programs have had a significant positive effect on the balance of payments. In addition, the availability of the local currency generations has reduced significantly the GOM's reliance on the banking system for funds to cover what otherwise might have been deficit spending. Finally, it should be noted that the CIP's have provided for the import of a commodity, i.e. edible vegetable oil, which is basic to the diet of all Mauritians.

It is recommended that the CIP's continue as support to the GOM in its efforts to strengthen its financial and economic condition. Continued support is justifiable on at least two grounds. First, the GOM has made significant progress toward reform, but work remains and will require continued donor support. Second, growth in the manufacturing sector has contributed greatly to the stronger economic position, but continued growth is not assured in the absence of diversification from textile industries which dominate (in terms of growth) the recent additions to that sector. Mauritius will require continued support as it attempts to diversify.

Continued ESF support to Mauritius on the basis of balance of payments problems could be challenged by the recent surplus on the current account. However, it is not yet certain that the one year's performance indicates a sustainable trend. Second, the local currencies generated are well utilized to help diversify the single export dependency which has characterized Mauritius until recently. That export earnings now rely on three major items is a significant improvement, and further diversification within the EPZ firms will help ensure a more stable export earning future. Thirdly, the local currencies are utilized for on-budget activities, and as such help to reduce budgetary deficits and public indebtedness. For these reasons, therefore, the CIP in Mauritius should be continued for the near future.

2. Local Currency Generations and Projects

In general, implementation of the local currency projects has progressed well. The projects chosen have supported the GOM's development strategy as well as AID's overall program for Mauritius. The major set of projects, those involving the construction of industrial buildings, has promoted employment generation and manufacturing for export, and thus has stimulated both income generation and foreign exchange earnings. As the next step in the process, the GOM is looking for diversification from textile industries so that socio-economic gains achieved are not lost. This diversification is needed to help raise wage rates and to protect against a possible textile slump or new quota limits. The second major set of projects, those involving the provision of water for both household use and irrigation, is providing important economic and social services to the population. In sum, the projects have been designed to meet the needs of Mauritius, have been implemented in a highly professional manner, and have generally succeeded in meeting, or at least moving toward, their respective objectives. However, as is discussed later, one area which requires improvement with respect to local currency project implementation is that of reporting and monitoring.

Local currency deposits generally have been made promptly, and local currency generations have equalled the CIP grant amounts. One notable feature in this regard is Moroil's agreement with the GOM that the firm pay as local currency equivalent only that amount represented by the world market price of edible oil when that price is less than the U.S. price. Frequently, U.S. oil has been more expensive than equally suitable oil from elsewhere. According to Moroil's agreement, it pays on the basis of the world market price when the U.S. oil is more expensive, and the GOM makes up the difference so that in the end the total local currency generations equal the CIP grant amount.

Over the four year period FY 1982-85, CIP local currency generations have been used to fund projects in the following areas: construction of industrial buildings and the development of one industrial estate, improvements to water distribution systems, promotion of tourism, maintenance of small scale irrigation systems, a small business financing scheme, investment and trade promotion, procurement of computers for improved management, and self-help projects. All but the computer procurement and the self-help projects have been included in this evaluation.

The industrial buildings and industrial estate referred to are part of the Export Processing Zone (EPZ). The EPZ is not a specific physical area, but rather a concept whereby firms which establish manufacturing plants in Mauritius for export production are eligible for various investment incentives and tax benefits. The physical plants can be located virtually anywhere, and one aspect of the EPZ program is to provide employment opportunities for those in rural areas by encouraging the placement of plants in those areas.

D. Evaluation Methodology and Team Composition

There have been annual CIP's since FY 1982. This evaluation covers the entirely of the FY 1982-85 CIP's, and the FY 1986 CIP in terms of specific AID procedural requirements having been met. Both major aspects of the CIP's were evaluated, i.e. the edible oil procurement and the local currency projects.

Data collection was achieved through a combination of reviews of government and non-government documents, statistics, and other relevant studies; interviews with individuals concerned with policy development, project implementation, and related activities in both the public and private sectors; and site visits.

The evaluation team consisted of Pushkar Brahambhatt, REDSO/ESA Engineer; Ed Wright, human resources development consultant; Pierre Dinan, economic consultant; Robin Harel, private sector consultant; and David McCloud, REDSO/ESA Project Development Officer and team leader. In addition, Mr. Abdullah of the GOM Ministry of Finance's Accountant General's office was the team's government liaison, and Mr. Shariff Jathoonia, Economic/Commercial Assistant with the U.S. Embassy in Port Louis, the team's AID liaison. The evaluation was conducted over a two week period, from 2-19 December, 1986.