

Mauritius – European Community

Country Strategy Paper

and

Indicative Programme

for the period 2002-2007





The Government of the Republic of Mauritius and the Commission of the European Communities hereby agree the following :

- (1) The Government of the Republic of Mauritius, represented by Hon. Khushhal Chand Khushiram, Minister of Economic Development, Financial Services and Corporate Affairs, and the Commission of the European Communities, represented by Mr Poul Nielson, Member of the Commission, hereinafter referred to as the Parties, held discussions in the Republic of Mauritius from September 2000 to September 2001 with a view to determining the general orientations for co-operation for the period 2002 – 2007. These discussions also involved the European Investment Bank.

During these discussions, the Country Strategy Paper and the Indicative Programme of Community Aid in favour of Mauritius were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000. These discussions complete the programming process in Mauritius.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Mauritius for the period 2002-2007, an amount of € 33 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 1.6 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme under Chapter 6 concerns the resources of the A-allocation. It also takes into consideration financing from which Mauritius benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Mauritius, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available in the general reserve of the 8th EDF. The respective projects and programmes shall be implemented according to

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the rules and procedures of the 8th EDF until entry into force of the Financial Protocol for the 9th European Development Fund.

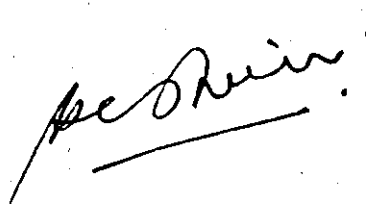
- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years of the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance.

The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme shall, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, be regarded as definitive within eight weeks of the date of signature, unless either party communicate the contrary before the end of this period.

Signed in Port Louis, Republic of Mauritius, on the 21st day of February, 2002.

**For the Government of the Republic
of Mauritius**



Hon. Khushhal Chand Khushiram,
Minister of Economic Development,
Financial Services and Corporate
Affairs, and National Authorising
Officer for European Development
Fund

**For the Commission of the European
Communities**



Mr Poul Nielson
Member of the Commission

**Clarification on the
Mauritius – European Community Country Strategy Paper 2002 – 2007**

by Hon. Khushhal Chand Khushiram,

**Minister of Economic Development, Financial Services and Corporate Affairs,
and
National Authorising Officer for European Development Fund**

With regard to Sub-Section 3.2.1 in the Country Strategy Paper 2002 – 2007, and specifically the sentence which reads as follows:

“Mauritius’ quota under the Sugar Protocol, from which the country has derived great benefit over the past 20 or more, has added to the difficulties encountered in diversifying the sector.”,

the Government of the Republic of Mauritius would like to affirm that the said sentence should not be given any interpretation likely to adversely affect the stand of Mauritius on the future of the Sugar Protocol.

The stable and predictable income from the Sugar Protocol has benefited Mauritius by:

- (i) giving rise to opportunities for investment and diversification both within the agricultural sector and outside,
- (ii) assuring a livelihood to rural farmers and agricultural workers who would otherwise have gone to join the ranks of the poor, and thus exacerbated the poverty problem; and
- (iii) contributing to the sugar industry’s investment in clean and environment friendly energy which now constitutes around 25% of the country’ total energy consumption.


K.C Khushiram

Minister

Date : 21st February 2002

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PART A : CO-OPERATION STRATEGY

EXECUTIVE SUMMARY

Mauritius has experienced rapid economic growth over the past two decades, transforming itself from a low-income country with a mono-sector economy at independence in 1968 to a middle-income country with a four-pillar economic base (manufacturing, sugar, tourism and financial services). At present, however, some sectors of the economy (notably textile manufacturing and sugar) are facing a number of challenges, due to both internal and external factors.

Post-independence Government policy has focused very substantially on stimulating economic growth and to broadening the economic base. In the drive for economic development, however, social provision in certain sectors has fallen behind or policy has failed to keep abreast of changes in society. Hence poverty alleviation – assistance to those who have not benefited from the country's overall economic growth – is now a government priority, as is greater emphasis on skills development, and on social/environmental infrastructure. In particular, steps are being taken to address environmental problems which affect social wellbeing and which could otherwise become a serious constraint to economic growth.

Such environmental problems include waste water disposal, a sector which had been badly neglected until the mid-1990s, such that only a very small percentage of the population had access to adequate waste water/sewerage disposal systems.

After discussions between the Government of Mauritius (GoM), European Union (EU) representatives, other donors and representatives of the private sector and civil society, it was agreed that the Country Support Strategy (CSS) should propose that up to 85% of Mauritius' 9th EDF allocation be channelled to the environment sector, for the purpose of funding components of the 1994 National Sewerage Plan.

Amongst the reasons for the choice of the EU response strategy were the obvious merits of the specific investments in terms of promoting social equity and public health, the preservation of the natural environment and the safeguarding of areas of economic development (tourism in particular) which have already contributed greatly to raising overall standards of living. Additional reasons include the experience acquired in the environment sector through its role in the 8th EDF programme, in particular the high level of donor co-ordination that has involved, and the clear and firm policy framework for the waste water sector.

The financing mechanism envisaged for support to the focal sector environment is, in principle, targeted budgetary support (€ 28m).

In addition, it is proposed that some 15% of the 9th EDF allocation (€ 5m) be allocated to a demand-led programme of decentralised co-operation aimed directly at poverty alleviation.

1. EC CO-OPERATION OBJECTIVES

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development co-operation shall foster:

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

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and the Republic of Mauritius shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of ownership of the development strategies by the countries and populations concerned – and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: links between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. THE NATIONAL POLICY AGENDA

In general terms, the Government's economic policy agenda is to provide an enabling environment for further, broader-based economic growth. Its aim is to improve

international competitiveness, attract foreign investment and control the present fiscal deficit, with the objective of continuing to achieve a rate of annual GDP growth of 6% while keeping inflation low. Its economic policies for the short and medium term are stated in the 2001 document "*An Economic Agenda for the New Millennium*", which outlines policy on issues such as unemployment, inflation and budget deficits.

At the same time, Government policy aims to improve social provision in a number of fields (health, housing) and to take into account, and adapt to – e.g. through reform of the education sector – the changes both in Mauritian society and in the country's physical environment.

The education system, which at present fails to cater for children of all abilities, and provides inadequate vocational training, is to be overhauled to enable it to meet the changing skill requirements of the economy, and to help reduce growing unemployment. A comprehensive review of the sector is being undertaken. Its recommendations are expected to reorient the system to create a wide range of technical and managerial skills and supply the market with qualified manpower capable of handling rapid advances and changes in technology.

On the social front, despite the general rise in living standards over the past two decades, there are signs of deterioration of standards of living for some, and evidence of growing social inequality and expanding pockets of poverty. These have been manifested in family breakdowns, rising levels of criminality and juvenile delinquency, drug addiction, high rates of school drop-outs, and increases in the number of abandoned women and abused children. (Social inequalities lay at the basis of the country's February 1999 unrest). Comprehensive poverty alleviation programmes are being implemented to help reduce social exclusion and marginalisation, and a significant sum (\$ US 29m) is to be provided by UNDP over the next 5 years for poverty alleviation and social development.

Because of the inextricable link between economic development and the environment, environmental concerns are high on Mauritius' policy agenda. The pace of economic growth which the country has experienced in recent years has brought in its wake serious environmental problems, which have been addressed in a number of Government-commissioned studies such as the National Environmental Policy, the National Environment Action Plan (NEAP), the Environment Investment Programme and the National Environmental Strategy. However, since the economy is expected to perform even better in coming years, with likely attendant environmental impacts, it is regarded as imperative to address appropriately the emerging environmental issues to ensure a sustained development of the country in the longer term as well as to enhance living standards in general and public health standards in particular.

In terms of trade, Mauritius' policy is to defend its acquired markets, as well as to vigorously seek new markets (it has suffered recently from the depreciation of the Euro). It seeks to capitalize on all opportunities opened to it (such as through the Africa Growth and Opportunities Act), and has been active in pressing for the opening up of regional and sub-regional groups which it sees as providing opportunities for greater trade and investment in the years to come. In addition, it is seeking – through appropriate legislation – to improve its reputation for security and fairness among potential investors, in a bid to attract new business and encourage competition within the economy.

The reform of the labour market, the rigidity of which is often cited as a constraint by businesses, is on the Government's policy agenda. The primary aim of the reform is to create a link between pay and productivity and promote labour mobility across and within sectors to bring down hiring costs and improve enterprise efficiency.

Civil service reform is another critical element of the Policy Agenda. The role of the public sector needs redefining in line with recent changes in the economy, and the new thinking that Government should create an enabling environment, and promote private initiatives while limiting its own intervention in the economy.

3. AN ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

3.1 Political Situation

The Republic of Mauritius is a parliamentary democracy based on the Westminster Model since independence in 1968. The country is governed by a Prime Minister, a Council of Ministers and a National Assembly. The President is the Head of State, and has no executive powers. Fair and orderly national and local elections are held every five years under the supervision of an independent Electoral Supervisory Commission and the Electoral Commission. There are numerous political parties, both large and small, and partisan politics are open and robust. The political scene is dominated by three major parties and political alliances are flexible. Governments are frequently formed of coalitions of two or three parties. The system of parliamentary democracy in Mauritius has ensured a high level of political stability, and sustained economic progress (riots such as those of February 1999 have been very uncommon). Mauritius has an independent judiciary based on a combination of English Common Law and the Napoleonic Code, and human rights are protected under the Constitution.

3.2 Economic Situation

3.2.1 *Structure and Performance*

Mauritius is largely a trading nation, with an economy that is one of the most open and liberal, as well as one of the most successful, in Africa, having achieved growth rates of above 5% throughout most of the past decade (see Appendix A – Economic Structure and Trade Patterns). Its present structure contrasts sharply with that prevailing in the years immediately following independence. Mauritius was then a mono-crop economy, relying almost entirely for its income on sugar exports. Now, after 30 years of independence, the economy is open and broad-based with the emergence of new sources of growth such as export manufacturing, tourism and financial services. (Nearly all economic activity is concentrated on the main island, income generation on Rodrigues – pop. 35,000 – being limited largely to small-scale agriculture, fisheries and tourism-related activities).

The production base has changed over the years and the role of the secondary and tertiary sectors has grown at the expense of the primary sector. (See Table 1 below).

Table 1: Sectoral Composition of GDP (%)

Sectors	1970	1980	1990	1998
Primary	23.9	12.6	12.2	8.8
Secondary	23.9	25.7	32.0	32.2
Tertiary	52.2	61.7	55.8	59.0

The change in the structure of the economy has been partially reflected in employment patterns. In 1998 the primary sector absorbed only 10.6% of the labour force, compared to 23.2% in 1982. The secondary sector - which became significant during that period - absorbed 39.3% of labour in 1998 as against 26.6% in 1982. The tertiary sector, however, has continued to employ the major proportion of total labour force, with an average of 48.5% over the same period. The main sectors and sub-sectors that have played a preponderant role in the country's economic expansion have been agriculture, manufacturing, tourism and financial services. (See Table 2 below).

Table 2: Real Growth Rates (%)

Real Growth Rates (%)	1995	1997	1998	1999	2000
GDP	5.6	5.6	5.8	2.6	8.3
Agriculture	8.4	3.4	-2.0	-28.1	28.4 ^(*)
Sugar	10.0	5.1	2.5	-45.0	56.2
Manufacturing	5.9	6.2	6.7	3.0	8.3
Export Process. Zone	5.0	6.0	6.9	6.0	6.0
Tourism	9.0	10.2	6.0	6.0	11.0
Services	8.7	6.4	6.0	6.7	6.8

(*) Exceptional figures due to drought in 1999

Despite its impressive post-independence performance, the Mauritian economy is now facing a number of short- and medium-term challenges, on both the internal and external fronts. These relate mainly to productivity, erosion of trade preferences, rising unemployment, exchange rate fluctuations and high trade and budget deficits.

Short-term Government policy is to bring down the present budget deficit to a manageable level through a combination of measures that will include rationalisation of public expenditure and improved revenue collection. For the medium term, the objective is to achieve a recurrent budget balance, which will help contain public sector borrowing, release resources for productive investment and reduce public debt to an acceptable level. The aim is to contain inflation within 5%.

As regards the external sector, the deficit on trade account will be progressively reduced to further improve the current account. This, combined with efforts to encourage portfolio investment, is designed to contribute towards the generation of greater balance of payments surpluses. Monetary policy aimed at controlling inflation, coupled with fiscal consolidation, should allow a significant reduction in Government's recourse to bank financing. The emphasis will be on promoting price stability while contributing towards export competitiveness, high savings and investment.

Overall economic growth over the past years has averaged 5.7%. Gross National Disposable Income (GNDI) registered a nominal growth of 35.8% while nominal consumption expanded by 37% over the period 1997 to 2000. As a result, the savings rate stagnated around 24.4% while investment rate fell from 27.1% in 1997 to an estimated rate of 25.1% in 2000.

In the agricultural sector, sugar remains the main component, representing around 60% of total agricultural output, 55% of agricultural employment and covering over 80% of cultivated land. Mauritius' quota under the Sugar Protocol, from which the country has derived great benefit over the past 20 or more years, has added to the difficulties encountered in diversifying the sector. In 1999, sugar exports still represented 12.5% of total export earnings. With the globalisation of the economy, access to the preferential market is under constant pressure, however.

Fishing continues to provide a livelihood for a significant number of Mauritians, though coastal fishing is under some threat through increasing pollution of the coastal waters. Successive Fisheries Agreements have been signed between Mauritius and the EU, providing financial compensation for the catches of EU vessels operating in Mauritian waters. Such Agreements have increased the benefits derived from the sector, both in terms of the compensation received for catches and of the multiplier employment effects, e.g. on vessels, in ports and in the service industries, and as such complement development policy in the sector. (The 1999-2002 EU-Mauritius Fisheries Agreement provides for compensation worth € 1.2m, in addition to a further € 0.6m for fisheries development activities).

The manufacturing sector, propelled by the textile-dominated Export Processing Zone (EPZ), has been the main contributor to overall growth with an average growth rate of around 6% from 1995-2000. Its share in GDP averaged 24.2% over this period. EPZ activity accounts for about 12% of GDP. Employment in the sector increased by about 13% from 1995 to 1999. In 2000, around 75% of export earnings came from the sector.

The EPZ is, however, at a crossroads given the multiple challenges facing it both on the domestic and international fronts. The over-concentration of the EPZ in textiles and clothing (80%), with 65% of its exports in 1999 directed to the European Union, has accentuated the vulnerability of the EPZ in the face of new challenges. Exporters have incurred serious financial losses resulting from a declining Euro and an appreciating Dollar (most inputs imported by the EPZ are paid in US dollars, whereas the EPZ enterprises are paid for their goods largely in Euro). Urgent measures – including diversification of products and markets and productivity improvements – need to be taken to diminish exchange rate risks. In addition, markets are threatened by emerging lower labour cost producers, which has accounted for at least some of Mauritius' recent rise in unemployment.

The tourism sector has developed considerably recently. A number of hotels have carried out renovation works and upgraded existing facilities with a view to moving up-market and thus generating higher value-added. There has also been a marked increase in the number of hotels.

These developments have contributed favourably to the expansion of the tourism industry, which registered an average growth rate of 9% over the period 1995 to 2000. Total tourist arrivals reached 640,000 in 2000 compared with 422,463 in 1995. This has doubled gross tourism earnings over the period and has created nearly 5000 new jobs.

While tourist numbers can probably still increase further, expansion – given the effects on the population and on the environment – obviously cannot be indefinite.

The financial services sector, both banking and non-banking, is fast developing to become the fourth pillar of the economy, having grown by 6.8% in 2000. The sector contributes around 16 % to GDP and it is expected to perform better with the expansion of business activities in the region. A Financial Services Commission is to be set up to strengthen financial supervision and ensure the smooth development of the sector, which includes insurance companies, the stock exchange, offshore businesses, leasing companies and other non-bank financial institutions.

Mauritius has a long tradition of healthy public and private sector collaboration. Over the years an environment has been created conducive to the growth of the private sector. Private sector activities contribute to around 80% of GDP and its participation is being encouraged through significant changes in the role of the state, which is called upon to become more of a facilitator and regulator and less of a financier and producer of goods and services. Moreover, through the consultative mechanisms that exist in the country, the state, the private sector and civil society have regular consultations on pertinent national economic and social issues.

Mauritius also has comprehensive labour legislation, governing industrial relations. These are marked by dialogue among trade unions, employers' organisations and Government agencies. The unions and the NGOs play an active role through seminars and workshops to educate workers and train their leaders. They participate fully in tripartite negotiations to safeguard the rights of workers. Government, together with the unions and the private sector, is examining the possibility of setting up an appropriate forum to foster industrial relations and promote social dialogue on a permanent basis.

3.2.2 Assessing the Process of Reform

Mauritius underwent a major structural adjustment in the early 1980s. The Structural Adjustment Programme, supported by the IMF and the World Bank, was instrumental in laying down the foundations for sustained growth and for further diversifying the economy. The main policy thrust was on fiscal stabilisation, exchange rate re-alignment, trade liberalisation and fiscal consolidation. Various sectoral and supply-side policies were also adopted with the aim of increasing production capacity, particularly in the export-oriented sectors, which contributed towards employment creation and to improving the balance of payments.

The most significant of these policies was the promotion of the country's Export Processing Zone (EPZ) – at the time a relatively new concept. Companies operating in the EPZ benefited from a variety of fiscal, credit and other incentives, and – although some of the many incentives and regulations are now regarded as needing rationalisation – there is no doubt that Mauritius' early diversification into EPZ activities has been of enormous benefit to the country over the past two decades. The further development of a significant high-quality tourism sector has also proved highly successful in terms of income and employment, even if it has imposed certain additional strains on the environment. With its recent diversification into the financial services sector, Mauritius has again demonstrated its ability to spot, and act on, emerging opportunities for economic growth.

3.2.3 Structure of Public Finances and Main Sectoral Policies

The state of public finances remains a source of concern given the relatively high budget deficits over the past few years. Both increases in the level of expenditure and the downward trend in tax buoyancy have led to the deterioration in the budgetary accounts, which recorded deficits of 3.9% and 3.2% of GDP in 1998/99 and 1999/00 respectively. The real budget deficit for 1999/2000, including extra-budgetary accounts, was 3.8% of GDP. As for 2000/01 the consolidated budget deficit would be around 7.8% of GDP especially after taking into account the deficits of the parastatals, namely the State Trading Corporation (STC), and the Central Electricity Board (CEB). The deficits are high enough to add to Government's indebtedness, which has increased gradually from 42% of GDP in 1995/96 to 50% in 1999/00 – a level regarded as too high. (Fiscal shortfalls have traditionally been met through borrowing from the domestic banking sector). The Government's aim is to achieve a sustainable fiscal position by reducing the public debt/GDP ratio, improving tax buoyancy, reforming the pension and welfare systems and improving transparency, accountability and cost-recovery of public enterprises. Measures foreseen in the 2000/2001 budget – including a 2% increase in the rate of VAT - aim to increase revenue collection, with a view to reducing the budget deficit to 3% by 2004-5. Recent trends in Government revenue and expenditure are shown below.

Table 3: Government Revenue & Expenditure (% of GDP)

	95/96	96/97	97/98	98/99	99/00
GDP growth	5.6	6.2	5.6	5.7	2.7
Total revenue & grants	18.6	21.3	20.1	20.3	21.6
Total expenditure & net lending	24.2	25.8	23.9	24.2	24.8
o/w~ Social Security & Welfare	2.8	3.7	3.4	3.3	3.5
~ Education	3.0	3.05	3.06	2.9	3.1
~ Health	1.6	1.7	1.65	1.61	1.72
Overall deficit	5.6	4.5	3.8	3.9	3.2
Central government debt	42.0	47.0	49.0	50.0	50.0

Mauritius needs to implement major policy decisions in a number of areas to enable the country to move to a higher stage of development. Efforts need to be made, in particular, to streamline Government expenditure; reform the public sector; improve the education and health systems and allocate adequate resources for an extensive human resource development programme; look into the efficiency, equity and sustainability of the pension system; and improve public infrastructure, especially in telecommunications, transport and public utilities.

3.2.4 External Environment – present challenges

The challenge facing Mauritius today is to adapt to increasingly free trade in global markets. Competition in European markets will be particular tough with the phasing out of the Multi-Fibre Agreement. Mauritius will have to bank on quality as its comparative advantage given that its edge on labour cost has long been eroded. It will also have to continue to diversify both its products and markets to ensure sustainable development

and to ensure that it is not overly affected by exchange rates fluctuations of the currencies of its main trading partners.

Mauritius is a member of a number of regional groupings including the Indian Ocean Commission (IOC), SADC, COMESA and the Indian Ocean Rim Association (IOR-ARC). In addition, it is anticipated that it will join in an Economic Partnership Agreement (EPA) which countries of the region are expected to sign with the EC, for the purpose of increased trade and revenue generation. It sees all such regional co-operation and integration initiatives as a powerful development strategy, which could allow the country to expand its economic space.

3.3 Sustainability of Development

3.3.1 Poverty Alleviation and Social Development

Over the past two decades the overall quality of life in Mauritius has improved considerably, along with a sustained economic growth. An extensive welfare system provides for free and universal health care, for basic pensions as of the age of 60, and for specific social benefits for the underprivileged. Such social provision is costly, however, and will become more difficult to sustain as Mauritius' population ages (see Appendix B : Key socio-economic indicators).

Despite the observed improvement in the quality of life for most Mauritians, there are certain segments of the population which have lagged behind and been unable to follow the development track. Some 14.5% of the population live below the poverty line, where the latter is defined as 50% of median income. Where the poverty index is based on a combination of life expectancy, illiteracy levels, access to water supply and levels of malnourished children (such as the SADC Human Poverty Index), the figure is 11.5%. Regional imbalances in development were one of the most disturbing side-effects of the rapid economic growth of the 1980s and 1990s, disproportionately affecting specific localities and groups in society along gender lines. The island of Rodrigues is one of the areas most excluded from the rapid economic growth, and has the highest incidence of poverty (income and human poverty) in the country.

To address the problem of social exclusion and deprivation, the government has initiated remedial actions and is implementing several poverty alleviation programmes with funds from local sources and from other multilateral donors such as the EU, UNDP and IFAD. Greater emphasis has been placed on participatory approach and community involvement. These programmes aim at empowering the poorest segments of society while at the same time strengthening poverty reduction capabilities of the government, civil society, private sectors and NGOs.

Education: Despite great improvements in education, the present system – widely seen as overly academic – needs effective reform to make it more equitable as well as more responsive to the needs of a fast-evolving economy. The high rate of school drop-outs (including the 30% of children who are ineligible for secondary school because they fail to pass the Certificate of Primary Education) constitutes a serious social problem.

While many of Mauritius' schools are excellent, others are of poor quality, and improvements in teaching quality and reorientation of curricula are called for. A comprehensive review of the sector is being undertaken which is expected to address these problems. It is expected to recommend a 11-year system of compulsory education, comprising 6 years of basic schooling at primary level, followed by 5 years of broad-

based secondary schooling. The better matching of school leavers' skills to opportunities in the job market will also be addressed, and should – if achieved – contribute to lowering Mauritius' growing unemployment.

Health: Government provides universal free health care. Primary health care, provided through health centres in the country, ensures a basic level of medical, nursing, pharmaceutical and midwifery service. Secondary health care, mostly curative in nature, is provided through a network of public hospitals at the regional and district levels. High technology tertiary health services are delivered within a few hospitals. Public health services are supplemented by general practitioners and specialists, as well as by pharmacies and clinics (primarily for secondary care) in the private sector. Investment in new hospitals and health centres and in modernising existing health services is foreseen over the next five years.

Mauritius has achieved a significant improvement in the health status of its population. Communicable diseases have been brought largely under control. AIDS is a present amongst certain social categories, but is not widespread in the population as a whole. There have been marked reductions in infant mortality, and the life expectancy of both men and women, which was 60 at the time of independence, has risen substantially.

However, while the system functions adequately at present, it is recognised that pressure on it will increase as the population ages and as the cost of providing up-to-date operational health services rises.

Housing: The provision of adequate shelter to every household is among Government's main policy objectives. Major issues in the housing sector include the increasing demand for low-cost housing, the failure of existing housing finance mechanisms to meet the financial needs of all income groups, in particular the low-income segment, and inadequate provision of housing subsidies to the needy.

Current housing policies need to be reviewed, in order to rationalise Government housing expenditure; create an enabling environment to promote the provision of housing units by the private sector; achieve efficiency in the sector while providing support to low-income families; develop and strengthen housing finance mechanisms, and provide housing units to very low-income families.

Transport: Inland transport in Mauritius is the lifeline of the Mauritian economy. Substantial investment took place for the improvement in the road network, port and airport facilities over the last decade but these proved inadequate. With the growing role of Mauritius at the regional level, both the port and airport facilities need upgrading to compete with similar facilities in the region. Issues such as upgrading public transport, introducing cost recovery mechanisms, improving public safety and encouraging a greater role in the sector for private enterprise are also due for review.

Given the limited resources and the bunching of investments in the social and economic infrastructure, affordability and the least-cost options should take priority over other considerations. For the port to be successful as a hub, the presence of mainline operators is crucial. There is the need for a comprehensive, structured study to help design a transshipment strategy for the port as a gateway in the region.

The new cargo-cum-passenger ship will improve links with Rodrigues and the Outer Islands. Flights to Rodrigues are heavily booked and capacity is being increased.

Population: In 2000, the population of Mauritius was estimated at about 1.18 million and grew at a modest rate of 0.8% per year in the 1990s. The decline in population growth was facilitated by the promotion of intensive family planning programmes and population and family life education programmes supported by regular contraceptive services. Nevertheless, Mauritius has one of the highest population densities in the world. Lower birth rates and longer life spans are changing the structure of the population, gradually leading to a growing proportion of elderly people. While persons aged 65 and over made up just 5% of the population in 1986, they are expected to account for over 9% by the year 2005. Though the full impact of the ageing problem is not likely to be felt immediately, reforms (including pension reform) are needed soon, since the ageing issue will give rise to a new set of economic and social welfare needs that must be met.

3.3.2 Good Governance

Mauritius is adequately equipped to plan, manage, monitor and execute public expenditure programmes. The necessary framework for effective public financial management is contained in the Central Tender Board Act of 1994. The respective ministries monitor the implementation of capital projects. The Statutory Bodies (Accounts and Audit) Act provides for the audit of annual financial statements of public firms by external auditors. Mauritian auditing standards are in line with the recommendations made by the International Organisation of Supreme Auditing Institutions.

The public accounting system for expenditure control and cash management is well established in the country. The National Assembly appoints the Public Accounts Committee (PAC) with members from both sides of the House. The PAC is responsible for reviewing all public expenditures. Both internal and external audit systems exist. The National Assembly also appoints the Committee of Supplies at budget time to scrutinise public expenditure. These are powerful instruments for fighting corruption.

3.3.3 Crosscutting Issues: environment and gender

Environment: There is recognition that Mauritius' rapid economic and social development pose real threats to its environment, and that environmental degradation will become a serious impediment to economic growth if appropriate measures are not taken to reconcile the pace of economic growth with sustainable environmental management. Tourism is particularly affected, as are fisheries and agriculture, where the potential negative impacts of high level of agro-chemicals are recognised. Ground and surface water and marine waters may be contaminated through leaching, percolation and surface run-off. In April 2000, Government approved a 10-year National Environmental Strategy (NES) covering the period 2000-2010. The main objectives of the NES are to control pollution, promote clean technology, conserve resources and protect the natural and global environment. In addition, the Environmental Investment Plan II (EIP II) has been recommended for implementation during the next five years. The programme highlights a range of environmental problems requiring urgent attention, including waste management, uncontrolled urban growth, loss of biodiversity, contamination of fresh water resources and air pollution.

In terms of water supply and waste water disposal, Mauritius is typical of many countries in having concentrated for the past 20 years on the supply of water, and neglecting investment in waste water disposal (see analysis of wastewater sector in

Annex V). While 95% of the population has direct access to a potable water supply, only some 18% of the population is served by a sewerage system. The National Sewerage Plan of 1994 (envisaging some € 266m of investments) aims to redress the balance and – though much remains to be done – great strides have been made in the past 5 or 6 years to improve waste water management. The EU, under the 8th EDF, financed projects worth more than € 21m in the sector, and a number of other donors and lenders, including the EIB, have contributed to financing projects in the sector (see Annex IV).

Gender: Women constitute over 50% cent of Mauritius' population. Nearly all girls attend primary school, and 63% attend secondary school – a significant improvement, but an inadequate rate of enrolment nevertheless. The numbers of women in the economically active population group have increased from 32% in 1990 to 40.5% in 2000. The classification of employed women by industry and occupation shows that they are employed mostly in the manufacturing sector as they represent close to 60% of the labour force in the EPZ as at June 2000. The rising unemployment of recent years, mostly in textiles sector, has affected women more than men.

On the policy front, a "White Paper on Women in Development" has been prepared which centres on equal rights for men and women. Similarly, following the declaration of the Beijing conference in 1996, the Government embarked on an extensive programme of gender mainstreaming in the various development spheres as well as strengthening the capacity of the country to monitor Gender and Development. A national gender action plan has been prepared for implementation.

3.4 Conclusions: the medium-term outlook and prospects

The economy is projected to grow by an average rate of 6% in the medium term. This is expected to be achieved gradually by correcting macroeconomic imbalances and achieving an investment and savings rate of 30%. It will also be the result of greater prospects expected in such areas as tourism, financial services and the new technologies economy. Accelerated reforms in some critical areas like the welfare system and the labour market should also help to achieve this target growth rate. Government is likely to continue to foster close public and private sector collaboration in all sectors of the economy to ensure sustainable growth. With the recent setting up of the Board of Investment and the review of the incentive structure, greater private sector investment is expected to contribute to growth. Expected trade expansion in the region, under the aegis of COMESA, IOR, IOC and SADC, should also boost prospects in the coming years.

However, Mauritius is also faced with rising costs for welfare obligations, higher unemployment, especially among women, skills mismatch, an ageing population, environmental pressure from increasing and conflicting demands on land use, as well as fiercer competition for its main export products. To address these challenges Government has indicated that it plans to adopt a holistic approach to growth, soliciting the participation of the social partners and trying to have all segments on board so as to consolidate the development process. Priority will be given to poverty alleviation, education, skills development, infrastructure rehabilitation and in particular, the environment. Indeed, the environmental aspects of development will be given utmost attention by the authorities, who are aware that it is only by striking the right balance between environment and growth that sustainable development can be achieved.

4. AN ASSESSMENT OF PAST AND ONGOING CO-OPERATION

4.1 Overview of Past and Ongoing EC Co-operation: results analysis- lessons and experience

The main components of EU co-operation have been (i) Programmable Aid (ii) Non-Programmable Aid and (iii) EIB Loans.

4.1.1 Co-operation administered by the European Commission

Programmable aid: from the first to the Fourth Lomé Convention, some € 145m were available under National Indicative Programmes (NIPs) to finance projects in areas such as agriculture, industry, infrastructure, tourism, health, education and human resources development, the environment, the private sector and poverty alleviation. *Non-programmable aid* related to the funds obtained under Stabex, Emergency aid and Food aid. The overall impact of previous NIPs is difficult to gauge : the main objective of Lomé III (1986-1990) was to reduce unemployment (through agricultural diversification and industrial promotion). Though the precise impact of the NIP was not measured, full employment was in fact achieved during the period, and the NIP had to be reoriented.

Individual EU-funded projects in Mauritius have generally achieved their intended results, whether in terms of provision of infrastructure or of social provision. Microprojects have been particularly successful, especially where a participatory approach has been adopted. However, the wide range of sectors covered by programmes and the high number of relatively small interventions – until the 8th EDF – meant that EC-funded programmes had little measurable impact on a specific sector (and their implementation placed a heavy administrative burden on those involved). Under the 8th EDF, a heavier concentration on two focal sectors, environment and private sector/human resource development, meant that – in the environment sector in particular – there will be a measurable impact in terms of strengthening of institutional capacity and the sustainability of sectoral investments. The presence of a number of donors and lenders in the sector, and the co-ordination process that this has engendered has also increased the prospects for investments achieving their objectives.

The table at Annex I summarises the sectoral utilisation of EDF resources. It also indicates the level of commitments under different Conventions.

Other areas of EU co-operation cover the following:

- General trade preferences under the Lomé Convention (with special derogations) and trade arrangements in the sugar sector (the Sugar Protocol and the Special Preferential Sugar Agreement); the latter, in particular, have been of enormous benefit to Mauritius
- Regional co-operation in the Indian Ocean region
- Assistance to the Fisheries Sector through successive Fisheries Agreements.

The Centre for the Development of Enterprise (CDE) in collaboration with the Chamber of Commerce in Mauritius undertook activities to encourage and support the creation, extension and restructuring of industrial companies. The CDE supported several enterprises, mainly in the textile sector.

Assistance was also provided to Mauritian NGOs under decentralised co-operation from funds available under the Commission's NGO budget line.

4.1.2 Co-operation administered by the European Investment Bank (EIB)

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

Most of the above resources (i.e. € 53m, or 84%) went to financing two large public sector projects:

€ 18m for the upgrading and extension of the passenger terminal at Sir Seewoosagur International Airport, which was urgently needed to accompany the rapid expansion of tourism and of Mauritius's economy in general, and € 35m for the rehabilitation and extension of the sewerage system in the Plaines Wilhems area. This project will provide public sewerage and waste water treatment to a central area of the island in which about a quarter of the population lives, and will confer substantial benefits on the environment and on public health.

In the private sector, a loan of € 10m served to part-finance the construction of a base-load coal/bagasse fired power station situated in the north of the island. The project was completed on schedule and started commercial operation in 2000. By diversifying a substantial share of Mauritius' electricity production away from oil-fired generation and contributing to the rationalisation of the sugar industry, the economic and environmental benefits of the project will be significant.

4.2. Co-operation with EU Member States and Other Donors

A number of Member States are involved in the environment sector in Mauritius (notably France, Germany and the UK), as is the EIB. Luxembourg is involved in a number of education projects. China and India fund projects in the transport, agricultural and health sectors. The UNDP has a significant programme aimed at poverty alleviation and social development. Lenders are active in a number of sectors, including transport and the environment. Government arranges regular donor co-ordination meetings in sectors in which a number of donors/lenders are involved.

Over the last decade, Mauritius has experienced a significant decline in Official Development Assistance from all sources, a trend occurring in parallel with increases in per capita income levels. There has, in contrast, been a significant increase in loans. Details of EU Member State programmes and the programmes of other donors, including multilateral donors are given in Annexes II and III.

5. THE RESPONSE STRATEGY

5.1 Principles and Objectives for Co-operation

European Community development policy is part of an international strategy adopted by the Development Assistance Committee of the OECD, in which the Community takes part. The guiding principles behind these initiatives are ownership by the developing countries of their own development process and increased attention to the social dimension of growth and development. Emphasis is given to poverty reduction, with a view to its eventual eradication. Attention will consistently be given to human rights, to the environmental dimension, to equality between men and women and to good governance.

The OECD International Development Goals are now accepted by all donors as the targets to aim for in the coming 20 years. Other initiatives go in the same direction as the EU's Development Policy: the World Bank Comprehensive Development Framework, or the IMF/World Bank Poverty Reduction Strategy Papers.

In accordance with the provisions of the new ACP-EU Partnership Agreement, signed in Cotonou on the 23rd June 2000, Mauritius and the EU accept the key role of political dialogue as a means of addressing all issues of mutual concern and of ensuring consistency and increased impact of development cooperation. In this respect, the integration of the private sector and of civil society has been duly encouraged and consultations with them have been effected during the drawing up of the CSS, the 9th EDF work-programme and the EU response strategy for Mauritius. Specifically, three stakeholder meetings were held (on 12 October, 10 November 2000 and 6th April 2001) at which the Strategy Paper, in differing stages of preparation, was discussed.

5.2 Priorities for Co-operation

A number of sectors, both social and economic, were possible contenders for EC support. Mauritius' education sector was considered as certainly one of the sectors most needing of assistance – in particular in terms of reform of the curriculum to produce better skills matches, and addressing the problem of secondary school enrolment rates – but it was considered, at the time of the development of the response strategy, that the policy framework was not ripe for support under optimal conditions. The health sector was deemed to be functioning adequately, although it was recognised that it might need future support. The transport sector was judged to be adequately and more appropriately covered by lenders. Reform of the agricultural sector – such as diversification of the product base – remains difficult to implement so long as the well-organised sugar sector remains profitable.

The effect of Mauritius' impressive economic growth over the past two decades has been to greatly raise the standard of living of the majority of its population. This has been achieved largely through its own initiative and through the perspicacity of successive governments in seeing, and capitalising on the various opportunities for growth that arose.

A major challenge now facing Mauritius is to sustain what has been achieved, in the face of certain threats posed by economic development and demographic growth. One of the major threats is pressure on the environment, which – if not properly managed – will have a negative impact on both the standards of living already achieved, particularly in terms of health, and on important economic sectors such as tourism. Another challenge is to enable those who have missed out on the benefits of the general improvement in living standards to benefit from them, by providing them with the means by which to improve their human condition and future prospects.

After due consideration of the strategic options, it was concluded that the environment sector – and specially the waste water sub-sector – was the area to which the bulk of the EC's support could most usefully be directed, with some 15% of funds going to actions directly aimed at poverty alleviation.

As Mauritius's biggest donor, its grant resources (€ 33m for the 9th EDF) are capable of making an impact in the sector to which they are allocated. In the case of the chosen focal sector, the provision of grant funds for high-cost social infrastructure will allow

GoM to undertake necessary investment which might otherwise have been unaffordable, or which would have placed additional strain on the national budget. The conditionalities laid down by donors and lenders in previous projects – such as the requirement to strengthen the capacity of the Waste Water Management Authority and to increase its financial autonomy – have enhanced the sustainability of all investments in the sector.

Focal area: Environment – Waste Water Sector

Given the EC's experience of working in the environmental sector under the 8th EDF (see above) and the high priority assigned to the environment by both the Government of Mauritius and the EU in their development policies, the environment – in the sense of environment to serve human needs – is proposed as the sole focal sector for Mauritius' 9th EDF programme. The waste water sector, in particular, needs considerable investment – as outlined in the 1994 National Sewerage Plan. The presence of a number of donors and lenders in the sector has meant both that there is a high level of donor co-ordination on projects and that conditionalities are respected. Considerable attention has been paid, for example, to upgrading the capacity and ensuring the sustainability – through the imposition of affordable tariffs – of the sector's utility, the Waste Water Authority. Given that the absence of adequate waste water disposal systems for the majority of the population is socially unacceptable, as well as a threat to public health, to the natural environment and to the sustainability of one of Mauritius' most important areas of economic growth (tourism), it is proposed to allocate some 85% (€ 28m) of the 9th EDF programmable aid (the "A" envelope) to the waste water sector in particular.

The priority given to the environment as a policy area, both for Mauritius and for the EU, and the clear and stable policy framework for the environment within Mauritius has been referred to earlier in this CSP. The actual investments for which EU funding is envisaged – which in principle include the West Coast Sewerage Project and components of the Plaines Wilhems project – have obvious merits in terms of social well-being, social equity, health, environmental protection and economic development. Inadequate waste water disposal systems are both a danger to public health and a manifestation of social inequality. They contribute to environmental degradation and can put at risk economic development (tourism and fisheries in particular). Both projects are in areas of high and growing population density levels and both include low-cost housing estates with low-income inhabitants. The provision of grant funds to the sector will make it possible for the waste water tariffs levied in order to guarantee sustainability of the investments to be set at more affordable levels. The specific objectives of the Community response are the improvement of living standards for the populations affected and the preservation of the natural resource base of the country, the general objective being that of sustainable and stable development. Reviews of cooperation in the sector will examine, in particular, the extent to which sectoral policy objectives are being met and in particular the extent to which the financial autonomy of the Waste Water Management Authority is being achieved (see Annex V).

Studies on the foreseen interventions are being completed or updated under the 8th EDF Mauritian NIP. The sector background is extensively documented in the "Sewerage Master Plan for the islands of Mauritius and Rodrigues".

Other interventions

It is foreseen that some 15% (€ 5m) of the 9th EDF "A" envelope be devoted to a demand-driven decentralised co-operation programme. In conformity with the provisions of the Cotonou Agreement and EC Development Policy, requests for such projects should meet with the general objective of poverty alleviation. Priority will be given to projects benefiting the most deprived areas of Mauritius, Rodrigues in particular, and the poorest segments of the population. Poverty alleviation is a high priority in both EC and Mauritian development policy, and participative programmes aimed specifically at poverty alleviation have been successfully undertaken under previous NIPs.

Instruments

The mechanism envisaged for support to the focal sector – environment – is, in principle, targeted budgetary aid.

As regards the amount to be made available for actions aimed at poverty alleviation, a single Decentralised Co-operation Programme for Poverty Alleviation is proposed.

The country is entitled to benefit from resources under 9th EDF non-programmable aid (the "B" envelope) and other instruments, including EU budget lines and the Investment Facility.

Links with EC regional co-operation

The chosen priority sector, environment, exhibits significant coherence with on-going regional co-operation in the South Indian Ocean. Mauritius is a member country of the Indian Ocean Commission, which benefits from EDF regional allocations. An on-going project under the 7th EDF in this region is the Regional Support Programme for Environmental Initiatives. Under the 8th EDF another environmental initiative has started and concerns the development and implementation of a programme for environmental education. Outside the EDF, it is worth mentioning that the World Bank has approved the financing of a major environmental project for the IOC and which is the "*Lutte contre le déversement des hydrocarbures*".

5.3. Support through the European Investment Bank (EIB)

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

The Bank shall be prepared to examine financing requests emanating from all economic sectors. Both private and public entities will be eligible, provided the latter are commercially run and their activities are critical for the private sector. A wide range of financial instruments, from straight equity to ordinary loans and guarantees, will be on offer and shall be used according to the specificities of each individual project. A detailed appraisal of every project, carried out in compliance with the procedures of the Bank, will effectively determine the conditions for the financing of the projects.

Considering the specificities of Mauritius' situation, as well as the EIB's past experience in the country, the Bank will focus on three main areas of intervention. First, direct funding of large individual projects, where the Bank can contribute value added in the technical appraisal of the investment and/or act as catalyst in attracting private external debt and equity finance. These projects will be carefully selected in areas where Mauritius has a comparative advantage (e.g. tourism and agro-industry). Second, financing large infrastructure projects, namely in the power, water and sewerage, port, transport and telecommunications sectors. The emphasis will be to help increase the efficiency of public utilities and to encourage private sector participation where appropriate. Third, close co-operation with local financial intermediaries to support small and medium-scale enterprises through global loans, equity or guarantee funds. These priority areas of intervention are consistent with the Government's strategy for achieving sustainable growth through greater private sector investment and close public and private sector collaboration, and are complementary to the European Community's focal area of co-operation.

In the spirit of the Cotonou Agreement, the Bank's approach in supporting investments in Mauritius will be demand-driven. The extent to which the Bank will be able to commit resources to the Mauritian economy will therefore largely depend on the macro-economic framework and on the business environment, itself largely determined by the Government's economic policy.

5.4. Coherence with EU Policies

The integration of environmental considerations into selected EC economic and development co-operation policy documents is commented in Annex VI. The proposed activities in the waste water sector are coherent with development co-operation policy on the environment. They bear little relation to other EU policies affecting the country as a whole, such as trade.

Coherence between development cooperation policy and other EC policies (trade, fisheries, agriculture, environment etc.) relevant for Mauritius will be assessed on a permanent basis. In this context NIP resources may be used to complement resources from the RIP, budget lines, and trade-specific operations, according to needs and availability of funds. In particular, this may refer to support for efforts by Government departments and Non State Actors to prepare for the establishment of a coherent trade policy framework, with emphasis on preparing for the EPA and on WTO, and assistance for capacity-building for carrying out negotiations in a regional and multilateral context and in implementing the accompanying trade policy and structural reforms

5.5 Complementarity

Intra-EU complementarity

The proposed EC strategy meets the agreement of the Member States represented in the stakeholders' meetings. Complementary activities in the environment sector led by Member States are: (i) Provision for financing Grand Baie Sewerage Project by the Republic of France, (ii) Provision for financing Baie Du Tombeau Sewerage Project by the Federal Republic of Germany, and (iii) Provision for Technical Assistance by the United Kingdom (see Annex IV).

Complementarity with other donors

The funding of the projects foreseen has already been co-ordinated by government with other donors and lenders. The Table below gives an indication of the present and forthcoming involvement of donors and financing agencies supporting projects in the same sector of intervention.

Institutions presently involved in funding the environment sector	Institutions to be involved in the forthcoming developments in the environment sector following the December 2000 co-lenders meeting
European Union	European Union
World Bank	African Development Bank
European Investment Bank	European Investment Bank
Japanese Bank for International Co-operation	Kuwait Fund
Kreditanstalt fur Wiederaufbau (KfW)	Government of Mauritius
	EX-IM Bank of the People's Republic of China

PART B : INDICATIVE PROGRAMME

6. THE NATIONAL INDICATIVE PROGRAMME

6.1. Introduction

Within the Country Strategy presented in Part A, and in accordance with the provisions of Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up in a series of tables, which present the intervention framework for the focal sector, the indicative commitment and expenditure schedules and a detailed activities chronogramme for all activities during a 2-year rolling period (see 6.5., 6.6. and 6.7.).

6.2. Financial Instruments

Several financial instruments will be used to finance the EC cooperation with Mauritius. The following is an indication of their mobilisation as presently envisaged.

1. **9th EDF, A-allocation (€ 33m).** This allocation is to cover long-term development operations within the Country Strategy. The indicative distribution of this allocation to the various components of the strategy is, in principle, as follows :

- Environment : € 28 million
- Poverty Alleviation : € 5 million.

2. **9th EDF, B-allocation (€ 1.6m).** To cover unforeseens as indicated in the Cotonou Agreement, Annex IV, Article 3.2 (b).

3. **EC budget lines** could be used to finance specific operations. Finance from this instrument will, however, be decided on in accordance with the Commission's procedures for the budget line concerned and will depend on availability of funds.

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF also includes the "Investment Facility" as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

6.3. Focal Sector

Environment

The following specific objectives shall be pursued:

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

For indicative purposes, approximately € 28m shall be reserved for this sector.

The major interventions foreseen are the funding of components of the Plaines Wilhems sewerage system and the Western Coast sewerage project.

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

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

The Indicative programme does not foresee macroeconomic support. However, in the light of current needs, it may be decided to reallocate funds from other headings in the Indicative Programme to this type of support. Such a decision may be taken by specific agreement between the Chief Authorising Officer and the National Authorising Officer or in the context of an operational, performance or *ad hoc* review.

6.4 Other Programmes

An indicative amount of € 5m has been reserved for a programme of decentralised co-operation aimed directly at poverty alleviation.

6.5. Intervention Framework

Table A : the intervention framework proposed for the focal sector : environment

Overall objective	Outcome indicators	Sources of Verification	Assumptions
Sustainable balance between economic objectives, the rational management of the environment and the enhancement of natural and human resources (National Sewerage Plan)	1. National Sewerage Plan will be implemented as indicated	Quarterly follow-up of project planning	The update of Masterplan study by 2005
	2. Increase of population percentage connected to central sewerage collection system from below 20% to 40% in 2010	Central Statistical Office and Waste Water Management Authority (WWMA) statistics	Financing for all capital projects including HC is guaranteed
	3. Total house connections (HC) increased from present 32,250 to 73,000 in 2005	Customer database of WWMA	Amendment of SPL will be accepted
	4. Adjustment of tariffs according to affordability criteria	Sector policy Letter (SPL) with necessary amendments	
	5. Financial sustainability (recurrent expenditure, O + M + depreciation) of WWMA reached by 2005	Yearly balance sheets of WWMA National Budget	
	6. Human resources development within WWMA	New WWMA Staff Chart, (including numbers of posts filled/vacant)	The required organization chart for the new WWMA will be the basis
	7. Increased employment in the construction industry	Central Statistical Office	
	8. Improvement of public health situation in Mauritius (statistics on sanitation-related disease occurrence)	Central Statistical office and general health statistics	
	9. Improved water quality : groundwater and lagoon and coastal waters	Water quality tests	
	10. Improved availability of water for agriculture	Lower irrigation costs	Sugar industry accounts
Intervention Objective Improvement of living standards of populations affected ; preservation of the natural resource base ; sustainable water resource management	1. Systematic reduction in numbers of septic tanks and absorption pits in service in urban and industrial areas	Works progress in sewer collection system and house connections programme – WWMA	Capital projects will be executed as scheduled
	2. Systematic collection of waste-water (WW) through reticulation system and treatment of WW for further reutilization of effluents	Works progress in capital projects – WWMA	Execution of projects as scheduled
	3. Gradual elimination of industrial and domestic pollution sources and consequently preservation of water resources	Works progress in capital project and signing of industrial agreements with industrial holdings – WWMA	Final adaptation and enforcement of standards
	4. Improved monitoring of water resources and effluents	Water Resource Unit – MPU, WWMA, Ministry of Environment	Institutional set-up ready in 2001
	5. Strengthening of water resources management	Ministry of Public Utilities	

<p>Results</p> <p>1. The Plaines Wilhems Sewerage system is operational</p>	<p>The trunk sewer (TS) is regularly maintained</p> <p>Regular jetting of TS</p> <p>Supervision of secondary sewers connected to TS</p> <p>House connections (domestic and industrial) increase during construction period and post construction period</p> <p>Revenue is collected from domestic and industrial connections</p>	<p>Principal Engineer of WWMA Operation and Maintenance Section</p> <p>Customer data base WWMA</p> <p>Finance Department of WWMA</p>	
<p>2. The Western Coast sewerage project is operational</p>	<p>The reticulation system is maintained regularly</p> <ol style="list-style-type: none"> All households, commercial and industrial entities in the region of Fic-en-Flac and Bambous are connected to the system Existing septic tanks and absorption pits cease to be used Hotels are connected to the network Water quality control is instituted for re-utilisation (e.g. for irrigation) Pollution levels in the lagoon improve Improved revenue collection from domestic, commercial and industrial clients 	<p>Principal Engineer of WWMA -O & M section</p> <p>Central Statistical Office Customer data base – WWMA</p> <p>Principal Engineer, O & M Department WWMA</p> <p>Customer data base – WWMA</p> <p>Pollution Control Unit (PCU)</p> <p>Water Resources Unit, MOE</p> <p>PCU, Ministry of Fisheries Ministry of Environment</p> <p>Finance department of WWMA</p>	

6.6. Indicative Commitment and Disbursement Schedules

TABLE B(i) Indicative schedule of commitments for programmable aid:

	Indicative schedule of commitments											
	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	2007/1	
MAURITIUS (A envelope €33m)												
<u>EDF co-operation programmes</u>												
Sector : Environment	0.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Poverty alleviation	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL (A envelope : programmable aid)	0.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0

Envelope A refers to programmable aid.

TABLE B(ii) Indicative schedule of disbursements (Programmable aid)

	Indicative schedule of disbursements											
	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	2007/1	
MAURITIUS € 33.0.												
<u>EDF co-operation programmes</u>												
Sector : Environment	0.0	0.0	11.00 (1)	11.0	20.0(2)	20.0	28.0(3)	28.0	28.0	28.0	28.0	28.0
Non-focal sector	0.0	0.0	2.0	2.0	3.0	3.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL (A envelope)	0.0	0.0	13.0	13.0	23.0	23.0	33.0	33.0	33.0	33.0	33.0	33.0

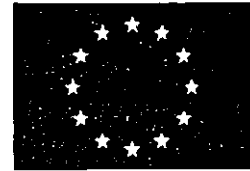
(1) 1st tranche (+40%) (2) 2nd tranche (±30%) (3) 3rd tranche (±30%)

6.7. ACTIVITY PIPELINE CHRONOGRAMME (First two years programme)

For the two years ensuing from the signature of the CSS and the work programme the following forecast dates are specified regarding the major capital projects to be put in place.

Titles	Amounts	Identification	Appraisal	Financing decision
Focal Sector : ENVIRONMENT (components for which financing foreseen)				
Plaines Wilhems project	€15m	2002/1	2002/2	2002/2
West Coast Sewerage project	€ 13m (*)	2002/1	2002/2	2002/2
Poverty Alleviation Programme	€ 5 million	2002/1	2002/1	2002/2

(*) up to



Mauritius – European Community

Country Strategy Paper

and

Indicative Programme

for the period 2002-2007

ANNEXES

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Summary table of EU – Mauritius co-operation through the European Development Fund

January 2001

European Development Fund allocations for Mauritius	Total of primary commitments (projects)	AGRICULTURE		EDUCATION / TRAINING		ENVIRONMENT	
		€	%	€	%	€	%
Yacoundé II (EDF 3)	4.431.005	248.000	5,60	4.083.635	92,16	-	-
LOME I (EDF 4)	15.157.007	330.184	2,18	700.000	4,62	-	-
LOME II (EDF 5)	20.377.944	6.772.420	33,23	1.100.000	5,40	-	-
LOME III (EDF 6)	31.086.402	15.126.043	48,66	2.575.751	8,29	806.785	2,60
LOME IV.a (EDF 7)	34.393.378	17.347.469	50,44	3.056.947	8,89	2.952.729	8,59
LOME IV Bis (EDF 8)	39.050.000	-	-	400.000	1,02	24.000.000	61,46
TOTALS	144.495.736	39.824.116	27,56	11.916.333	8,25	27.759.514	19,21

Summary table of EU – Mauritius co-operation through the European Development Fund
January 2001

European Development Fund allocations for Mauritius	Total of primary commitments (projects)	HEALTH		HOUSING		INDUSTRY / TRADE	
		€	%	€	%	€	%
Yaoundé II (EDF 3)	4.431.005	-	-	-	-	-	-
LOME I (EDF 4)	15.157.007	1.685.028	11,12	3.150.813	20,79	623.184	4,11
LOME II (EDF 5)	20.377.944	2.742.550	13,46	-	-	1.344.796	6,60
LOME III (EDF 6)	31.086.402	-	-	-	-	11.626.983	37,40
LOME IV.a (EDF 7)	34.393.378	423.000	1,23	-	-	223.342	0,65
LOME IV Bis (EDF 8)	39.050.000	-	-	-	-	10.315.000	26,41
TOTALS	144.495.736	4.850.578	3,36	3.150.813	2,18	24.133.305	16,70

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Summary table of EU – Mauritius co-operation through the European Development Fund

January 2001

European Development Fund allocations for Mauritius	Total of primary commitments (projects)	SOCIAL		TOURISM		TRANSPORT	
		€	%	€	%	€	%
Yaoundé II (EDF 3)	4.431.005	75.700	1,71	23.670	0,53	-	-
LOME I (EDF 4)	15.157.007	-	-	-	-	8.667.798	57,19
LOME II (EDF 5)	20.377.944	2.055.480	10,09	-	-	6.362.698	31,22
LOME III (EDF 6)	31.086.402	670.530	2,16	-	-	248.881	0,80
LOME IV.a (EDF 7)	34.393.378	1.065.237	3,10	-	-	9.299.192	27,04
LOME IV Bis (EDF 8)	39.050.000	3.685.000	9,44	650.000	1,66	-	-
TOTALS	144.495.736	7.551.947	5,23	673.670	0,47	24.578.569	17,01

Summary table of EU – Mauritius co-operation through the European Development Fund

January 2001

European Development Fund allocations for Mauritius	Total of primary commitments (projects)	Undefined / Others	
		€	%
Yaoundé II (EDF 3)	4.431.005	-	-
LOME I (EDF 4)	15.157.007	-	-
LOME II (EDF 5)	20.377.944	-	-
LOME III (EDF 6)	31.086.402	31.429	0,10
LOME IV.a (EDF 7)	34.393.378	25.462	0,07
LOME IV Bis (EDF 8)	39.050.000	-	-
TOTALS	144.495.736	56.891	0,04

Annex II - Details of Programmes of EU Member States (2000-2001)

EU Member States	Sector of Intervention	Projects	Approved Loan/ Grant	Approved Loans/Grants in US \$
France	Agriculture	Northern Plain Drip Irrigation Project	30 000 000 FF	\$ 4, 262, 500
Federal Republic of Germany	Education	Books and Magazines	<input type="checkbox"/>	<input type="checkbox"/>
	Environment	Bate du Tombeau Sewerage Project	<input type="checkbox"/> 6 200 000 DM	<input type="checkbox"/> \$ 2,428,000
Grand Duchy of Luxembourg		Promotion of Rural Development in the Tropics & subtropics		
		<u>Technical Assistance-</u> Expert workshop on the convention of Climate change Workshop on Greenhouse Gas Emission Inventories		
	Social	Construction and support to charitable institutions- Phase I and II	115 000 000 LUF*	\$ 2, 668, 200
United Kingdom	Education	Upgrading and extension of existing Marechal College(Rodrigues) Construction of Technical School (State Secondary Vocational School) at Citron Doms,Rodrigues Infrastructure development of Freeport Renovation of Trafalgar Hall	<input type="checkbox"/> 89 000 000 LUF*	\$ 2, 064, 970
		<u>Technical Assistance-</u> Seminar on Renewable Energy & Environmental Challenge Industrial Co - Operation Books	<input type="checkbox"/> 23 000 000 LUF* <input type="checkbox"/> 13 000 000 LUF*	\$ 533, 640 \$ 301, 630
Belgium	Environment Education Statistics	<input type="checkbox"/> International Comparison Project	<input type="checkbox"/>	<input type="checkbox"/>

* Grant

Source: (I) Annual Report of the Accountant General and the Accounts of the Republic of Mauritius
(II) Ministry of Finance

Annex III - Details of Programmes of other donors, including multilateral donors (2000-2001)

<u>Other donors including multilateral donors</u>	<u>Sector of intervention</u>	<u>Projects</u>	<u>Approved Loan/Grant</u>	<u>Approved Loans/Grants in US \$</u>
India	Transport Agriculture	Line of Credit for purchase of Bus for NTC Pick-up vans & Automatic Tyre Breaker for NTC <input type="checkbox"/> Plant & Equipment for Laiterie de Curepipe Drilling rig for the Irrigation Authority <u>Technical Assistance-</u> Jawaharlal Nehru Chair of Indian Studies Expert in Artificial Insemination Expert in Quantity Surveying	US\$ 3 000 000	\$ 3,000, 000
China	Health/ Agriculture Housing	<input type="checkbox"/> Purchase of Medical Equipment and Power Tillers Housing Project	\$ 530, 700 * <input type="checkbox"/> \$ 10, 613, 800	
Japan	Environment	<input type="checkbox"/> <u>Technical Assistance:</u> Training in the field of Fisheries, Housing, Infrastructure and vocational training <input type="checkbox"/> Environmental Sewerage and Sanitation Project	Yen 4 538 000 000	\$ 548, 730, 350
Australia	<input type="checkbox"/> Education	<input type="checkbox"/> Australian Laureate Scheme	<input type="checkbox"/> AU\$ 840 000 *	<input type="checkbox"/> \$ 429, 400

Other donors including multilateral donors	Sector of intervention	Projects	Approved Loan/Grant	Approved Loans/Grants in US \$
Arab Bank for Economic Development in Africa	Housing	Housing - Rehabilitation of Infrastructure Project	<input type="checkbox"/> US\$ 7 930 000	<input type="checkbox"/> US\$ 7 930 000
	Environment	Water Supply Project	US\$ 13 300 000	US\$ 13 300 000
	Health	Construction of Midlands Dam Project	US\$ 10 000 000	US\$ 10 000 000
	Environment	Upgrading of Victoria Hospital Project	US\$ 3 250 000	<input type="checkbox"/> US\$ 3 250 000
EIB	Environment	Baie Du Tombeau Sewerage Project	€ 16 000 000	\$ 14, 910, 300
IBRD	Environment	Environmental Sewerage and Sanitation Project	US\$ 12 400 000	\$ 12, 400, 000
	Finance	Debt Liquidity Management Improvement Project	US \$ 1 270 000	US \$ 1 270 000
International Fund for Agricultural Development	Agriculture	Rural Diversification Project	SDR 8 200 000	\$ 11, 444, 900
Kuwait Fund for Arab Economic Development	<input type="checkbox"/> Environment	<input type="checkbox"/> La Marie Water Supply Project-Phase II	<input type="checkbox"/> 2 500 000 Kuwait Dinars	<input type="checkbox"/> \$ 8, 237, 200
		<input type="checkbox"/> Construction of Midlands Dam	<input type="checkbox"/> 3 070 000 Kuwait Dinars	<input type="checkbox"/> \$ 10, 115, 300
USA	<input type="checkbox"/> Environment	Installation of an electronic mail system <u>Technical Assistance-</u> Studies on climate change Project on Economics of greenhouse gas limitations Enabling activities for preparation of initial communication		\$ 155,000 (Year 2000-2001)

Other donors including: multilateral donors	Sector of intervention	Projects	Approved Loan/ Grant	Approved Loans/Grants in US \$
UN System	Education Trade □ Environment Health	<u>Technical Assistance</u> Workshop on planning development and evaluation Seminar (trade and environment) Workshop-small island Developing States Course- Env. Technology under ICDC Programme Training of Community Health Workers Promotion of campaign on Antenatal Care	US\$ 1.8 million **	US\$ 1.8 million **
Commonwealth Secretariat	Management	<u>Technical Assistance</u> Commonwealth Executive Programme in Public Management Training Programme in Human Resource		
Other		Technical Assistance in the field of Environment, Health Donation to children victims of Aids		

* Grant

Source: (I) Annual Report of the Accountant General and the Accounts of the Republic of Mauritius- June 1999

(II) Ministry of Finance

Exchange rate as at 8 March, 2001

** figure for 1999

Donor/lender matrix (environment sector)

The table below shows the contribution of donor/financing agencies towards financing projects in the environment sector.

Project Expenditure	Costs		Total cost												Financing	External Agencies Grant	Loan
	Already Incurred		2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Government	Million Maur. Rupees (MuR)			
Grand Bate	8,7	152,3	447,9	334,4	29,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	698,7	972,6	273,8	AFD	
Baie de Tombeau	317,4	195,0	108,2	0,3	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	161,8	620,9	389,3	KfW/EIB	
St Martin	76,5	240,4	192,0	200,4	211,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	520,4	920,3	400,0	EDF	
CHA	261,0	147,1	60,0	4,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	173,0	472,3	200,0	EDF	
Plaines Wilhems	0,0	15,9	0,0	530,0	645,0	614,0	216,0	0,0	0,0	0,0	0,0	0,0	0,0	2020,9	1633,9	387	EDF, EIB, ADB, Kuwait Fund, PR
Other House	0,0	0,0	95,9	395,1	251,0	356,0	962,0	822,0	335,4	0,0	0,0	0,0	1173,4	3218,4	2045	China, WB, E	
Connections																	IB, ADB
Montaigne Jacquot	360,0	202,2	325,3	519,4	278,4	60,0	0,0	0,0	0,0	0,0	0,0	0,0	308,2	1745,2	1437,0	IBRD, JBIC	
Total	1023,6	953,0	1229,2	1984,9	1414,7	1030,0	1178,0	822,0	335,4	0,0	0,0	0,0	3035,6	9970,8	5979,1		

ANALYSIS OF THE WASTEWATER SECTOR

1. Extracts from the Government Environmental Sewerage and Sanitation Sector Policy Statement (January 1998)

Background

“During most of the past two decades, a high quality environment has been a key factor of production in the economic revitalisation of Mauritius. However, the rapidly growing textile sector has drawn heavily on ground and surface water resources to feed its process requirements and the industry has used the rivers and the ocean to dispose of its wastes. A dynamic tourism sector has been built on the attraction of the pristine natural environment, while agricultural productivity has been sustained by the heavy use of environmentally harmful fertilizers and pesticides. It has become evident that the capacity of the country’s environmental assets to sustain these vital roles is under threat and environmental problems will inhibit further development and reduce the quality of life of the population [....].

Consequently, the Government’s central objective for environmental protection is to halt and reverse the effects of environmental degradation and to promote sustainable and environmentally sound development.

Forty percent of Mauritius’ population of 1.2 m are urban residents. High urbanisation and economic growth have led to municipal and industrial pollution at a level that directly threatens human health and environmental assets. The National Environmental Action Plan (NEAP) has already identified the critical problems of the sector: existing wastewater infrastructure does not handle effluent in an environmentally sound manner, lack of maintenance due to financial constraints debilitates infrastructure performance; a weak and uncoordinated institutional framework, vague and unenforced legislation and inadequate tariff structure further contribute to problems in the sector. Many of these problems stem from the lack of investment in infrastructure and operation and maintenance in the sector over the past 15 – 20 years.

To address the technical, institutional and financial issues of the sector ... a Sewerage Master Plan [was drawn up] for the comprehensive development of wastewater facilities to abate and control wastewater pollution in Mauritius and provide an orderly guide for implementation over a plan period of 20 years.

Sector policy issues

An Institutional Study completed in October 1997 identified several issues – technical, institutional, organizational, legislative and financial – requiring urgent attention. These include :

Inadequacy of sewerage infrastructure :

a) most people in Mauritius still rely on on-site facilities for the disposal of human and domestic liquid waste. Sewerage coverage is only about 18% of the population, while water supply coverage is more than 95%. With current levels of water consumption, there is a distinct possibility that groundwater sources are being polluted. In major industrial plants, owing to lack of effluent control and monitoring, little or no pre-treatment of trade wastes is occurring. In many Central Housing Authority (low-cost housing) estates, wastewater disposal facilities are in deplorable condition and constitute a serious health risk;

b) The existing main sewerage systems, designed as separate foul sewer systems, frequently operate as combined sewer systems and suffer from frequent blockages and a severe lack of maintenance. The treatment works in Port Louis discharge essentially untreated sewage through short marine outfalls into the lagoon or just beyond the fringing reef.

Environmental and health concerns :

a) The resulting impacts in environmental and health concern pollution of the lagoons and groundwater resources by human excreta, industrial effluent and agricultural chemical run-off;

b) The effluent quality limitations so far published under the Environmental Protection Act 1991 have certain deficiencies; there is a need to prepare a comprehensive set of regulations to protect the environment from wastewater pollution.

Objectives of Sewerage and Sanitation Sector Policy and Strategy

Government's Sewerage and Sanitation Sector Policy will be guided by the need to achieve the following objectives :

- i. halt and reverse the trend of wastewater pollution on the island and its coastal zone ;
- ii. improve health and sanitary conditions of the population ;
- iii. provide the technical, legal, institutional and financial framework necessary for sustainable development of the sector.

The Government's policy for the sector will be implemented through : (i) expansion of the infrastructure needed to protect the environment and public health ; (ii) strengthening of WWA with adequate legal status, human resources and tariff structure ; (iii) the integrated vision of the water supply and wastewater sectors ; (iv) cost-recovery subject to affordability of service ; (v) development, monitoring and enforcement of environmental and service standards; (vi) stakeholder participation and consultation; (vii) opening of the sector to private sector involvement."

2. Institutional Framework and Financial Sustainability of the Wastewater Sector

A certain number of the legislative and institutional weaknesses referred to in the 1998 Sector Policy Letter (e.g. the lack of clear legal status for the Waste Water Authority, and its functioning as a division of the Ministry of Public Utilities) have been addressed in the Wastewater Management Authority Act of November 2000. The Act – on which donors and lenders in the sector were fully consulted – has given the Waste Water Management Authority (WWMA) a clear mandate, on behalf of the Government, for the overall administrative and technical management of the sector. At present the Authority has a staff of 390 : this figure will gradually reduce over the coming decade, reflecting the Authority's mandate to sub-contract to the private sector an increasing proportion of its O + M functions. During the period of project implementation, the maintaining of a Project Management Unit is a precondition of donors/lenders involved in the sector.

Government retains ownership of the sector's assets, together with responsibility for setting wastewater tariffs, which have been levied since January 2000 (at differentiated commercial and domestic rates). The provision of adequate sewerage systems is regarded as a public service, and it is not regarded as possible or desirable to try to recover the total cost of provision of the service through charges to the consumer. O + M costs are expected to be covered by revenues as of 2001. Government subsidy for other costs (including interest repayment on loans) is expected to continue until 2010, by which date the sector is expected to become financially autonomous. Combined water and wastewater tariffs are not expected, to exceed 5% of household income, the level generally accepted as affordable.

Legal Texts on Integration of Environment and Sustainable Development into EC Economic and Development Co-operation

COMMITMENT	PROVISIONS / COMMENT
Treaty establishing the European Community	Article 6 : « Environment protection requirements must be integrated into the definition and implementation of the Community policies and activities referred to in Article 3 [which lists EC policies], in particular with a view to promoting sustainable development. »
Lomé IV Convention (1990-2000)	Contains the strategic objective of achieving a « sustainable balance between economic objectives, the rational management of the environment and the enhancement of natural and human resources ». A title on the environment lays out the principles, priorities and procedures for action.
Council Regulation 443/92 on financial and technical assistance to, and economic co-operation with, the developing countries in Asia and Latin America	Protection of the environment and natural resources, and sustainable development are set as long-term priorities. 10% of financial resources to be set aside from budget lines for technical and financial assistance to ALA regions for the protection of the environment and natural resources.
Council Regulation 1488/96 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership.	The Regulation states that « the Community shall reform economic and social structures and mitigate any social or environmental consequences which may result from economic development ».
Council Regulation 1279/96 concerning the provision of assistance to economic reform and recovery in the New Independent States and Mongolia (TACIS)	Environmental considerations have to be taken into account when designing and implementing programs. Environmental considerations have been applied on an ad-hoc basis for projects and programs likely to have an environmental impact. Projects to address environmental problems introduced on a systematic basis from 1996. In 1999 a new Tacis Regulation will be adopted covering 2000-2006. The Commission has proposed to strengthen the environment aspects of the programme, including environmental integration.
Council Regulation 3906/89 on economic aid to the Republic of Hungary and the Polish People's Republic and its extensions to include other countries (PHARE)	Environment identified as a priority area.
Council Regulation 722/97 on environmental measures in developing countries in the context of sustainable development	Sets out the framework for Community assistance from the « Environment in Developing Countries » Budget Line (B7-6200) aimed at enabling developing countries to integrate the environmental dimension in their development process. Projects supported are pilot actions and strategic studies. Proposal for a new regulation currently under discussion.
Council Regulation 3062/95 on operations to promote tropical forests	Sets out the framework for Community assistance from the « Tropical Forests » Budget Line (B7-6201) aimed at supporting the conservation and sustainable management of tropical forests in developing countries. A Manual on Forest Sector Development Co-operation is available. The new regulation currently under discussion will include other types of forests in addition to tropical forests.
Council Resolution of 28 May 1996 on Environmental Assessment in Developing Countries	States that Environmental Impact Assessment, EIA, is one of the most important tools for environment integration and the aim is to fully integrate environmental concerns in the project and programme preparation as well as the strategy and policy levels.
Council Directive 90/313/EEC on the freedom of access to information on the environment	The objective is « to ensure freedom of access to and dissemination of information on the environment held by public authorities ». Although directed to Member States it is also a principle that the Commission is expected to apply to other countries.

Integration of Environment into Selected EC Economic and Development Co-operation Policy Documents since 1992

Unless otherwise indicated, all the policy documents referred to are Commission Communications.

SECTOR OR ISSUE AREA	YEAR	ESTIMATED DEGREE OF ENVIRONMENT INTEGRATION / OTHER COMMENTS	SECTORAL GUIDELINES	STRATEGIC STUDIES
Energy	(2000)	Orientation note in preparation. Emphasis will be on renewable energies and environmental concerns will be taken into consideration		Energy as tool for Sust. Dev. In ACP
Structural Adjustment	(1999)	Communication in preparation. Draft communication discusses environment only in relation to health issues.		Macroeconomic reforms and Sust. Dev. In Southern Africa
Trade	1999	Environment integrated into the policy. "The EU approach to the Millennium Round" discusses developing country and environmental issues extensively. They are also prominent parts of the EU Submission to the WTO 1997 High Level Meeting on Trade and Development and Communications on Trade and Environment in 1996.		Studies on certain countries.
Urban development		Sectoral guidelines in preparation. Will include environment as a cross cutting issue to be integrated to all urban development activities. ACP-EU Joint Assembly Resolution on Urban Development in ACP Countries (1997) calls for Commission strategies to address urban problems and opportunities.	2000	An evaluation of past projects
Rural development		Rural Development Policy for Developing Countries under preparation. Agriculture, Livestock and Fisheries policies under preparation. Agriculture, livestock and fisheries guidelines under preparation.	1998 (IPM)	Integrated Pest Management (IPM)
Fisheries	1999	Environment integrated into the policy. However, the Commission is mainly focused on Europe and the CFP. A policy document is in preparation on coherence between fisheries agreements and fisheries, which has a special emphasis on more sustainable resource use.		SIFR 1992 EU-ACP Dialogue on Fisheries Research Initiative 95-97
Private Sector Development	1999	Environment partially integrated into the policy. Communication limited to ACP countries. Focus on economic development. Identifies technical support for environmental protection as one of the elements of support to governments to devise and implement "second generation" reforms. Respect for social and environmental standards is identified as one of the areas for dialogue with the European and ACP private sector.		

Tourism	1999	Environment fully integrated into the policy. Seeks to ensure that the principles of sustainable development, that respect the social, cultural and environmental background, form part of tourism development strategies and schemes and that the positive effects of tourism on growth and employment are maximised.		
Transport	Draft 1999	Environment fully integrated into the policy. Communication focused on to the ACP countries. Provides a strategy aimed to deliver sustainable transport, which is safe, economically, financially and institutionally sustainable as well as environmentally sound and socially aware	1996	
Forestry	Draft 1999	Environment fully integrated into the policy. Reaffirms commitment to sustainable economic and social development while fostering environmental protection. Pursues the goal of maintaining the multifunctional role of forests through activities both at the policy and field level.	1996	Forestry evaluation 97-98 Sourcebook 98
Biodiversity	1998	Environment fully integrated into the policy. The strategy includes a section on development and economic co-operation.		EC/DfID "Biodiversity in Development"
Democratisation, rule of law, human rights and good governance	1998	Environment partially integrated into the policy. Communication limited to ACP countries. Good governance defined as transparent and accountable management of all a country's resources, including natural resources, for its equitable and sustainable social development.		
Microfinance and poverty reduction	1998	Environment partially integrated into the policy. Focus on economic sustainability. Environment identified as one of the areas of impact evaluation. It is also noted that environment considerations should become a more prominent part of international donor co-ordination and practice.	(Micro-finance) 1998	
Indigenous peoples	1998	Commission Working Document. Environment fully integrated into the policy. Aims to enhance indigenous peoples' right and capacity to control their own social, economic and cultural development and capacity for sustainable management of biological resources.		
Fresh water management		Environment fully integrated into the guiding principles of the sectoral guidelines "Towards sustainable water resource management".	1998	
Scientific and Technological Research	1997	Environment integrated into the policy. Underlines the strategic role that Research and Technology Development (RTD) has to play in promoting sustainable development in the developing countries and achieving the Community's development co-operation objectives.		Several within the 5 th RTD Framework Programme
Human and social development	1996	Commission Working Document. Environment partially integrated into the policy. Natural capital identified as one form of capital, the sustainable management of which is a fundamental precondition to human and social development.		
Relief, Rehabilitation and Long-term Development	1996	Environment partially integrated into the policy. Sustainable development addressed as an overall objective and environmental impacts of crisis situations identified as an area requiring action.		

Regional economic integration	1995	Environment partially integrated into the policy. Focus on economic sustainability, environmental degradation identified as one issue requiring increased regional co-operation.		
Gender issues	1995	Environment partially integrated into the policy. Focus on social and economic sustainability. The role of women in the sustainable management of natural resources is emphasised.		
Health	1994	Environment partially integrated into the policy. Focuses on the need to create an environment favourable to health. Environmental health not separately addressed.	Health and Environment in ACP Countries	
Food security	1994	Environment or sustainable development not explicitly mentioned. Focus on co-ordination between the Community and the Member States.		
Education	1994	Environment or sustainable development not explicitly mentioned. Focus on co-ordination between the Community and its Member States one education and training schemes.		
Campaign against poverty	1993	Environment partially integrated into the policy. Focuses on social and economic sustainability, environment mentioned in passing.	EC/UNDP Poverty and Environment Initiative	
Family planning	1992	Environment partially integrated into the policy. Focus on social and economic development. States that current rates of population growth will increase the pressure on scarce resources such as water and on the environment in general.		
Run-up to 2000	1992	Environment integrated into the strategy, e.g. global environment identified as a new form interdependence and important area of co-operation in all geographical regions.		

ECONOMIC STRUCTURE AND TRADE PATTERNS

Annual Indicators

	1996	1997	1998	1999	2000 ^a
GDP at market prices (MRs bn)	77.3	86.4	97.8	106.5	123.8
GDP (US\$ bn)	4.3	4.1	4.1	4.2	4.7
Real GDP growth (%)	5.7	5.5	5.6	3.4	8.9 ^b
Consumer price inflation (av; %)	6.5	6.8	6.8	6.9	4.2 ^c
Population (m)	1.1	1.2	1.2	1.2	1.2
Exports of goods fob (US\$ m)	1,810.6	1,600.1	1,669.3	1,589.3	1,559.0
Imports of goods fob (US\$ m)	2,163.3	2,036.1	1,933.3	2,136.5	1,983.1
Current-account balance (US\$ m)	34.0	-88.8	3.3	-52.2	-39.1
Foreign-exchange reserves excl gold (US\$ m)	896.1	693.3	559.0	731.0	897.4 ^c
Total external debt (US\$ bn)	1.8	2.5	2.5	2.5	2.3
Debt-service ratio, paid (%)	7.1	11.1	11.1	9.7	22.1
Exchange rate (av) MRs: US\$	17.95	21.06	21.06	25.19	26.25 ^c

June 7th 2001 MRs 28.75: US\$1

Origins of gross domestic product 1999	% of total	Components of gross domestic product 1999	% of total
Agriculture	5.7	Private consumption	65.4
Manufacturing	33.1	Government consumption	11.8
Wholesale & retail trade	13.0	Gross fixed capital formation	28.3
Restaurants & hotels	5.0	Exports of goods & services	64.1
Transport & communications	12.0	Imports of goods & services	-69.6
Financial services	16.0	GDP at market prices	100.0
Government services	13.0		
GDP at factor cost incl others	100.0		

Principal exports fob 2000 ^b	US\$ m	Principal imports cif 2000 ^b	US\$ m
EPZ products	1,118	Manufactured goods	846.5
Sugar	270	Machinery & transport equipment	471.1
Total incl others	1,564.3	Food & beverages	277.7
		Chemicals	161.5
		Total incl others	2,084

Main destinations of exports 2000 ^d	% of total	Main origins of imports 2000 ^d	% of total
UK	29.0	South Africa	15.0
France	20.0	France	10.0
US	20.0	India	9.0
Germany	4.0	UK	4.0

^a EIU estimates ^b Official estimate ^c Actual ^d Derived from partners' trade returns; subject to a wider margin of error

Trade with the EU

Total value of Mauritian exports to EU in 2000:

€ 1,203 m (of which € 681 m textiles and € 272 m sugar)

Total value of EU exports to Mauritius in 2000:

€ 857 m (of which € 314 m transport equipment/vehicles and € 182 m machinery).

Key Socio-Economic Indicators

		1997	1998	1999
National Accounts				
GDP at current Market Prices	Rs(1)	86,428	97,842	106,495
Per Capita GDP	Rs	75,294	84,354	90,666
GDP at current Factor Cost	Rs Mn	75,301	85,006	91,395
Annual Real Growth Rate of GDP at fc	%	5.6	5.8	2.6
Gross Domestic Saving	Rs Mn	21135	24300	24328
Saving Ratio (Saving as a % of GDP at MP)	%	24.5	24.8	22.8
Investment (GDFCF)		23,430	23,075	29,665
Investment Ratio (GDFCF as a % of GDP at MP)	%	27.1	23.6	27.9
External Trade				
Exports (f.o.b)	Rs Mn	33,694	40,051	40,233
Imports (c.i.f)	Rs Mn	46,093	49,742	57,337
Visible trade balance	Rs Mn	-12399	-9691	-17104
Financial Statistics (end of June)				
Narrow money M1	Rs Mn	8,874	10,152	10,906
Broad money M2	Rs Mn	60,359	70,878	80,204
Commercial Banks' claims on Private Sector	Rs Mn	37,736	49,941	60,106
Net International Reserves	Rs Mn	21,443	21,349	22,575
Exchange rate – Selling rates				
US dollar	Rs	22.40	24.94	25.63
Pound sterling	Rs	37.10	41.50	41.47
Ecu/Euro	Rs	24.81	29.71	25.83
Government Finance Statistics				
Budgetary – as at end of June				
Total revenue and grants	Rs Mn	16,474.3	18,501.4	21,330.0
Total expenditure and lending minus repayments	Rs Mn	21,886.1	20,124.5	25,090.5
Overall deficit	Rs Mn	5,411.8	-1,623.1	-3,760.5
Inflation Rate		6.6	6.8	6.9

(*) Rs = (Mauritian) Rupees

	1997	1998	1999
Population and vital statistics			
Midyear resident population	1,147,706	1,159,729	1,174,417
Crude birth rate (per 1000 population)	17.4	16.8	17.3
Crude death rate (per 1000 population)	7.0	6.8	6.8
Infant mortality rate (per 1000 live births)	20.3	19.3	19.5
Total fertility rate	2.0	2.0	2.0
Life expectancy: Male	66.6	66.7	66.9
Female	74.4	74.5	74.6
Education			
Enrolment in pre-primary schools	42,904	42,279	41,711
Primary schools			
- Enrolment	127,109	130,505	133,489
- Pupil/teacher ratio	34	36	36
Secondary schools			
- Enrolment	93,839	94,364	95,187
- Pupil/teacher ratio	20	20	19
Labour			
Total Labour Force >=12 yrs (000)	504.8	517.0	530.2
Employed population (000)	475.5	487.2	496.9
Unemployed population (000)	29.3	29.8	33.3
Unemployment rate (%)	5.9	5.9	6.4
Public health			
Population per doctor	1,130	1,123	1,107
% of deaths due to diseases of the circulatory system	47.0	48.9	47.7
Social Security statistics			
Non-contributory pensions			
- Beneficiaries of old age pensions	107,106	108,784	109,571
- Beneficiaries of widows pensions	20,428	20,795	21,153
- Beneficiaries of invalid pensions	17,405	17,506	18,864
- Beneficiaries of orphans pensions	889	737	719
Tourism			
Tourist arrivals	536,125	558,195	578,085
Transport and communication			
Motor vehicles registered	210,922	222,344	233,415
Length of roads (kilometres)	1,905	1,910	1,910
Vehicles per kilometre of road	111	114	122
Telephone connection lines (000)	222.7	243.6	257.1