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Report No. 163455-MU

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW

OF THE COUNTRY PARTNERSHIP FRAMEWORK

FOR

MAURITIUS

FOR THE PERIOD FY17-FY21

August 30, 2021

Southern Africa Country Management Unit
Eastern and Southern Africa Region
International Finance Corporation
Multilateral Investment Guarantee Agency

The date of the last Country Partnership Framework (FY17 – FY21) was May 23, 2017

FISCAL YEAR
July 1 – June 30

CURRENCY EQUIVALENTS
42.99 MRU / USD (August 25, 2021)

ABBREVIATIONS AND ACRONYMS

ABSA	Bank of South Africa	IMF	International Monetary Fund
AFD	*Agence Française de Developpement*	IOTC	Indian Ocean Tuna Commission
AML	Anti-Money Laundering	HIC	High Income Country
APEI	Accelerated Program for Economic Integration	MIC	Mauritius Investment Corporation
ASA	Advisory Services and Analytics	MIGA	Multilateral Investment Guarantee Agency
		MUR	Mauritian Rupee
BoM	Bank of Mauritius	NTB	Non-tariff Barriers
BB	Bank budget	NYCBE	Nine Years Continuous Basic Education
BRP	Basic Retirement Pension	PLR	Performance and Learning Review
CEM	Country Economic Memorandum	PPP	Public-Private Partnership
CFT	Combating the Financing of Terrorism	RAS	Reimbursable Advisory Services
CPF	Country Partnership Framework	SADC	Southern Africa Development Community
COMESA	Common Market for Eastern and Southern Africa	SCD	Systematic Country Diagnostic
CWA	Central Water Authority	SEZ	Special Economic Zone
DPO	Development Policy Operation	SME	Small and Medium Enterprises
EU	European Union	SPV	Special Purpose Vehicle
GDP	Gross Domestic Product	SWIOFish	Southwest Indian Ocean Fisheries
FY	Fiscal Year	TA	Technical Assistance
FATF	Financial Action Task Force	TDB	Trade and Development Bank
GoM	Government of Mauritius	UN	United Nations
IBRD	International Bank for Reconstruction and Development	WBG	World Bank Group
ICT	Information and Communication Technology		

	IBRD	**IFC**	**MIGA**
Vice President:	Hafez Ghanem	Sergio Pimenta	Ethiopis Tafara
Director:	Idah Pswarayi-Riddihough	Kevin Njiraini	Merli Baroudi
Task Team Leader:	Erik von Uexkull	Marcelle Ayo	Luisa Felino

MAURITIUS

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK

I. INTRODUCTION

1. **This Performance and Learning Review (PLR) assesses progress under the FY17-21 Mauritius Country Partnership Framework (CPF) discussed by the Board on May 23, 2017 (Report No. 112232-MU).** The World Bank Group (WBG) program, underpinned by the Systematic Country Diagnostic (SCD) and strategically aligned with Government's *Achieving Meaningful Change* program (2015-19), is structured around three focus areas: (i) Increased Competitiveness, (ii) Fostering Inclusion, and (iii) Bolstering Resilience and Sustainability. Preparation of the PLR, originally intended for FY19, was delayed initially due to impending elections (which took place in November 2019) followed by the outbreak of the Covid-19 pandemic. Given changes in context since the start of the CPF and the timing of the review, the PLR serves to: (i) provide an updated assessment of program performance; (ii) adjust the World Bank's engagement strategy to enhance the program's relevance and effectiveness; and (iii) extend the CPF by one year through FY22 in line with the WBG Covid-19 Crisis Response Approach Paper's recommendation to defer the development of new CPFs until the return of steadier conditions. The high-level objectives of the CPF are well-aligned with the Government's new program (2020-24) and responsive to the demands of a sustained and inclusive recovery from Covid-19. An SCD update, launched in parallel with the PLR and scheduled to go to the Board in the second quarter of FY22, will inform the new CPF. Preparation of the new CPF is proceeding at a pace to be delivered at the end of FY22. The one-year extension will also allow for a more in-depth engagement with authorities on the new CPF than would have been possible under the crisis conditions of the past FY.

2. **While Mauritius temporarily achieved High-Income Country status in 2019[1], structural constraints to inclusive and sustained growth have emerged in recent years which, compounded by the impact of Covid-19, pose a challenge to the country's economy and development trajectory.** Having developed from a remote mono-crop producer at the time of independence to an inclusive, diversified high-income economy, Mauritius is arguably Africa's greatest success story. In recent years, Gross Domestic Product (GDP) growth averaged 3.6 percent from 2016 to 2019, but was increasingly driven by consumption as the investment level declined and exports contracted. Export competitiveness has dropped, public debt levels are rising, and structural unemployment and high inactivity rates are excluding some, in particular low-income women and youth, from economic opportunities. Further progress to strengthen policy coherence and implementation capacity is needed to enhance government effectiveness in addressing these challenges with more limited fiscal resources. Mauritius delivered a highly successful health response to the global Covid-19 pandemic with early enforcement of strict lockdown and quarantine measures and has procured sufficient vaccines to reach herd immunity. The pandemic, however, sent the economy into deep recession in 2020 which led to its return to Upper Middle-Income Country status in 2020, and the path of recovery remains uncertain.

3. **In this context, progress of the country program has been mixed and overall impact modest, and the economic and social shocks resulting from Covid-19 have aggravated existing vulnerabilities.** Lending envisioned in the CPF has not been realized given readily available domestic liquidity and access to grants and concessional financing, as well as the cancellation of a regional operation due to issues in partner countries. The WBG has delivered a robust portfolio of Analytical and Advisory Services (ASA),

[1] The strong recession in 2020 due to the impact of COVID-19 led to the country's reclassification to Upper Middle Income status.

increasingly supported by Reimbursable Advisory Services (RAS) agreements. Positive results are emerging in all focus areas: Barriers to trade were removed enhancing regional integration efforts; a major education reform introduced striking changes that promote inclusion and provide additional support to lagging students; recently announced legal changes will further advance doing business reforms; and supervision of the banking sector is increasingly risk-based. Four of six outcomes have already been achieved or are on track or partially on track to be achieved during the CPF period. Adjustments to the program introduce a new objective to address institutional capacity issues and Government's crisis response capacity, drop select objectives where impact has been limited, and add selectivity considerations to increase program effectiveness.

II. MAIN CHANGES IN COUNTRY CONTEXT

A. New and emerging development issues

4. **In 2019, Mauritius temporarily joined the ranks of High-Income Countries (HIC).**[2] This achievement marks a milestone in the small island nation's development trajectory from a poor, remote mono-crop producer to arguably Africa's greatest development success story. At the time of independence in 1968, per capita GDP was USD260 with agriculture, mainly sugar cane production, contributing more than 22 percent of GDP. Over the following decades, successful public-private collaboration paved the way for economic diversification and employment creation. By 2003, economic transformation had reduced agriculture's share of GDP to below 10 percent as Mauritius' economy diversified - exporting textiles, tourism, and financial and information and communication technology (ICT) services. However, the severe economic impact of Covid-19 brought Mauritius back to Upper Middle Income Country status in 2020.

5. **At the same time, serious structural constraints to inclusive and sustained growth have developed in recent years.** Even prior to Covid-19, four interrelated challenges to sustained growth emerged or further deteriorated during the CPF cycle to date (see Figure 1):

- A growth trajectory increasingly driven by consumption, with a declining share of investment, and stagnating capital productivity.
- A sustained loss in overall export competitiveness, reflected in a combination of declining market share in traditional exports and services and a failure to quickly develop or scale up new activities in line with the country's evolving comparative advantage.
- Continuous fiscal deficits combined with limited growth effects of public expenditure, resulting in rising levels of public debt relative to GDP.
- An aging population and increasing friction in the labor market, resulting in increasing inequality in labor income, high structural unemployment, inactivity and skills shortages, and the exclusion in particular of low educated women and youth from economic opportunities.

6. **Mauritius is one of Africa's top performers on a range of institutional and governance indicators, yet there is scope for further improving policy coherence and implementation effectiveness.** Periodic multiparty elections, a clear separation of powers, and a relatively free and independent media underpin Mauritius' commitment to good governance. In public sector management, important initiatives

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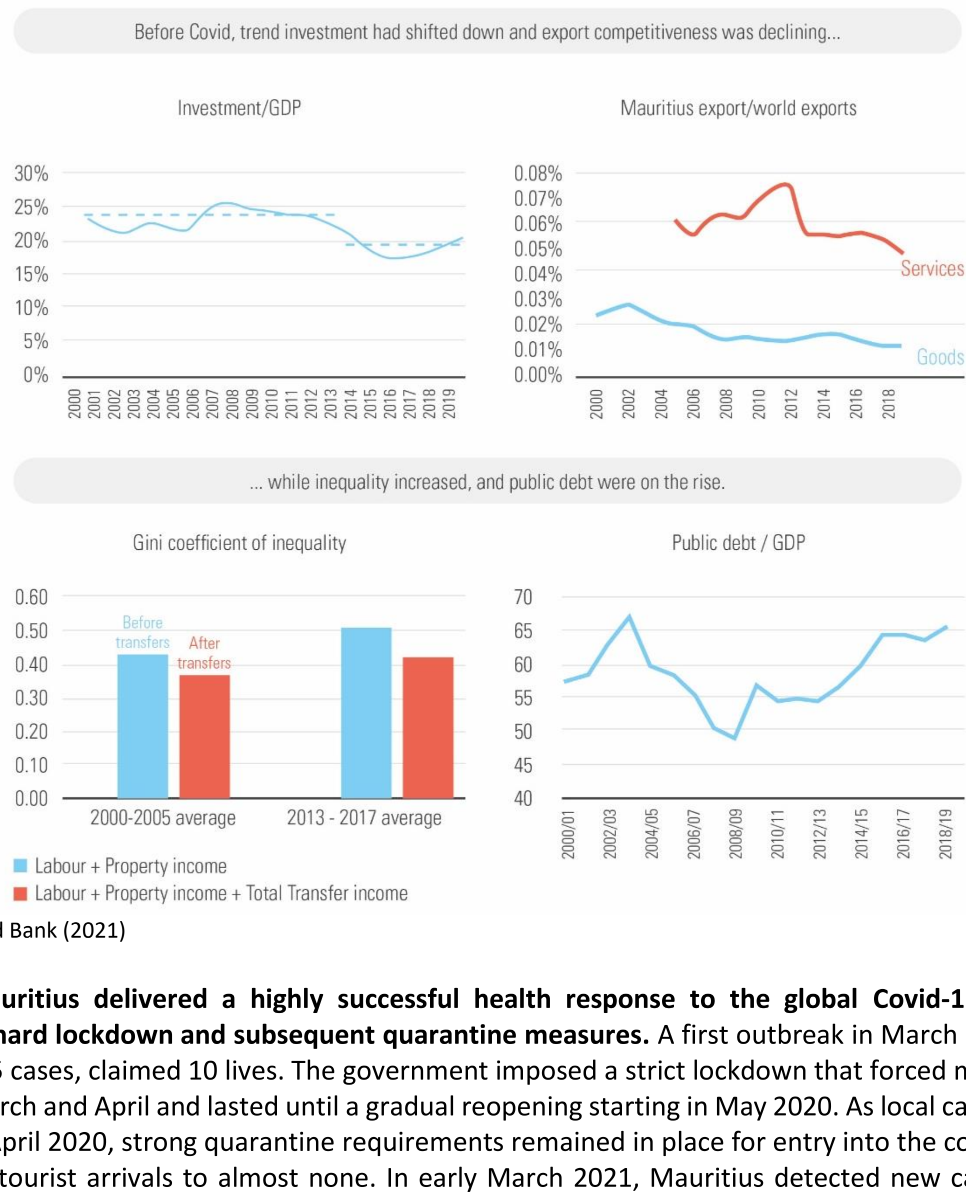
[2] This classification was announced by the World Bank on July 1, 2020 based on 2019 data for per capita GDP, net income from abroad, and price and exchange rate developments. In 2020, due to the effect of COVID-19 on GDO, net income, and the exchange rate, GNI per capita declined by 20.6 percent to USD10,230, a 20.6 percent decline over the 2019 figure driven by a combination of the contraction in GDP and net foreign income, leading the country to fall back below the high-income threshold (USD12,695 for 2020).

have shifted away from a traditional input-based annual budget program to a strategic, performance-oriented multiannual exercise, and a comprehensive internal control framework exists to ensure that government resources are used economically and effectively. Together these translate into strong scores across many Worldwide Governance and Public Expenditure and Financial Accountability indicators. Recent years, however, have seen a deterioration in some of these indicators. A recent Country Economic Memorandum (World Bank, 2021) cites areas of policy incoherence and lack of implementation and planning capacity that undermine progress against key development objectives. These shortcomings affect, in particular, complex and multi-sector second generation reforms that require a high level of coordination and coherence across different agencies, such as skills development and active labor market policies, Foreign Direct Investment attraction, and state support to the private sector.

Figure 1: Structural Constraints to Inclusive Growth



Source: World Bank (2021)

7. Mauritius delivered a highly successful health response to the global Covid-19 pandemic through a hard lockdown and subsequent quarantine measures. A first outbreak in March 2020, with a total of 525 cases, claimed 10 lives. The government imposed a strict lockdown that forced most firms to close in March and April and lasted until a gradual reopening starting in May 2020. As local cases dropped to zero in April 2020, strong quarantine requirements remained in place for entry into the country which depressed tourist arrivals to almost none. In early March 2021, Mauritius detected new cases of local transmission of Covid-19 and a second lockdown was promptly issued, though with more generous provisions for economic activity to continue. As of July 11, 2021, this second wave had led to an additional 1,560 cases and 8 deaths with a recovery rate of 81 percent.[3]

8. Mauritius has procured enough Covid-19 vaccines to achieve its goal of fully vaccinating 60 percent of the population, but the timeline for re-opening the economy is ambitious. As of July 11, 2021, 599,080 residents (47.3 percent of the population) had received their first dose of a vaccine[4], with Tier 1 of the priority population fully vaccinated. Deploying the remaining vaccines in time to meet Government's ambitious aim of fully re-opening the borders by October 2021, however, will require additional vaccination teams and centers as well as adequate supplies needed to administer the vaccines. Given the progress made and introduction of a dedicated fuel surcharge to finance vaccines, Government recently withdrew its request for World Bank assistance with vaccine procurement and deployment.[5]

9. While the health response has been successful, the impacts of Covid-19 on Mauritius' economy and its people have been severe. Mauritius is arguably the most affected country in Africa in terms of foregone GDP growth, dropping from a projected 3 percent to an actual of -15 percent in 2020. Job and income losses are disproportionately affecting informal and self-employed workers already at the bottom of the income distribution. Learning outcomes, particularly among disadvantaged students, have likely suffered. The combined economic and social effects of emerging structural constraints and Covid-related disruptions are discussed below.

B. Key macroeconomic changes and debt developments

10. While largely stable until the pandemic, growth in the CPF period was increasingly driven by consumption as the investment level declined and exports contracted. Average GDP growth was 3.6 percent between 2016 and 2019, broadly in line with growth in the years before the CPF period. However, consumption increased from 87.2 percent of GDP in 2009 to 91.2 percent in 2019. Over the same time, the investment to GDP ratio decreased from 25.5 to 19.6 percent, with most of the decline in private sector investment. In addition, investment has mainly gone into sectors with relatively low productivity and technological sophistication, most notably real estate. At the same time, Mauritius lost export market share in most traditional export sectors (tourism, apparel, sugar, fish, business services) that still account for the bulk of total exports while competitive new sectors such as medical devices did not grow fast enough to absorb the decline (World Bank, 2021). As a result, exports declined on average 1.5 percent per year between 2016 and 2019, while imports continued to grow. It is noteworthy that the current account deficit nevertheless narrowed over the same time period due to growing surpluses in the income account, linked to the global business sector.

11. The pandemic caused a deep recession in 2020 and the prospects for a fast recovery remain uncertain. It is estimated that GDP contracted by 14.9 percent in 2020 due to the lockdown imposed from March 2020 to May 2020 and the absence of tourism, which directly accounted for 7 percent of value addition to the Mauritian economy in 2019 and declined by 65.8 percent in 2020. Other closely linked sectors such as transport (-27.7 percent) and recreational services (-31 percent) also experienced severe contractions. Mauritius responded with a large state support program implemented by the government, Bank of Mauritius (BoM), and parastatals, including the State Investment Company and the Development Bank of Mauritius, to support the private sector in coping with the effects of Covid-19. The big-ticket items alone add up to approximately MRU 147 bln or 32 percent of GDP (World Bank 2021) if fully implemented,

[3] www.besafemoris.mu
[4] Ministry of Health and Wellness/World Health Organization COVID-19 Situation Report 12 July 2021.
[5] As a result, the World Bank recently dropped the proposed Mauritius COVID-19 Response Project (P176367).

making Mauritius' Covid-response package the fourth largest in the world as a share of GDP (after Germany, Italy and Japan, according to IMF data). Some of the measures, including a wage support scheme that covered the entire economy during the first lockdown and was eventually focused on tourism and related industries (MUR 16 bln) as well as a self-employed assistance scheme (MUR 7 bln), were disbursed quickly and through pragmatic arrangements with minimal overhead. The Mauritius Investment Corporation (MIC) stands out in terms of its size and medium to long-term perspective of its engagement. MIC was founded as a limited company fully owned by the Bank of Mauritius with a budget of MUR 80 bln and a mandate to provide crisis relief to systemically relevant companies, but also to invest in projects that support the strategic objectives of the government, namely in terms of developing innovation focused activities and self-sufficiency in basic necessities. Currently, MIC has committed a total of approximately MUR 30 bln of which around 50 percent to large hotel groups in the form of quasi-equity loans. These measures appear to have been effective in preventing widespread bankruptcies or a contagion of the crisis to the banking sector, but also came at a high cost to government and potentially diminished the incentives for restructuring or exit of firms that had already become unviable pre-Covid. Additional measures under the subsequent '*plan de soutien'* (MUR 16.5 bln earmarked and 48 percent committed) and '*plan de relance'* (MUR 10.5 bln earmarked, 14 percent committed) are still being implemented.

12. Even pre-Covid, public debt was on the rise. Although fiscal deficits were limited to an average of 3.3 percent of GDP between fiscal years 2015/16 to 2018/19, additional government expenditure took place through transactions with special funds, leading to an overall increase in public debt from 62 percent of GDP at the beginning of FY2015/16 to 65.4 percent at the end of FY2018/19. Large increases in social spending were the main driver of rising budgetary government expenditure, with its share of total expenditure increasing from 22 percent on average over the first half of the decade to 28 percent during the latter half. Extra-budgetary expenditure mostly supported investment projects, including large initiatives like the new metro express system and a sports complex.

13. The fiscal shock from Covid-19 further added to public debt and contingent liabilities as most additional expenditure was financed by an exceptional budget transfer from the Central Bank, but while the country has not issued commercial external debt recently it has the capacity to do so if needed. As a result of rising expenditure in response to the pandemic and the sharp contraction in GDP, the debt stock rose from 65 percent of GDP in June 2019 to 95 percent in June 2021 and will likely remain elevated in the medium term. In addition, Mauritius undertook non-refundable transfers to the budget from the Central Bank amounting to a total of approximately 13 percent of GDP in fiscal year 2020/21, and the Bank of Mauritius has also been heavily involved in the direct financing of Covid-response measures. Fiscal risk is increasingly hard to ascertain, as contingent liabilities arise from the operations of Special Purpose Vehicles used for public investment, weakening of the Central Bank's balance sheet, and its exposure to significant commercial risk through the Mauritius Investment Corporation. Moody's announced a downgrade of Mauritius' sovereign long term foreign and local currency issuer rating from its longstanding Baa1 to Baa2 (negative outlook) in March 2021. However, the debt composition is favorable with limited exchange rate and rollover risk as most debt is domestic and medium (1-5 years) or long term (>5 years). Furthermore, Mauritius has a strong debt management office and strategy that since 1995 has relied mostly on domestic borrowing and limited bilateral external borrowing at concessional long-term rates. Thus, while Mauritius has chosen not to issue commercial external debt in recent years, it has both the credit rating and institutional capacity to do so if needed. See Annex 5 for key macroeconomic indicators.

C. Changes to poverty reduction and shared prosperity

14. **Pre-pandemic, poverty levels in Mauritius had continued to decline and a long-term trend increase in inequality was reversed by strong government intervention.** Poverty, measured at upper middle-income country threshold, is projected to have fallen from 18 to 10.5 percent between 2012 and 2019. The Gini index for household disposable income increased from 33.3 to 36.0 between 2006 and 2012 and declined to 34.2 in 2017 as public transfers contributed to mitigating rising wage income inequality (Ranzani, 2019). In December 2016, the Social Integration and Empowerment Act introduced a targeted anti-poverty scheme under which every adult on the Social Register of Mauritius living below the absolute poverty line of MUR 2,720 and who has signed a Marshall Plan Social Contract is entitled to a monthly subsistence allowance. A negative income tax (wage subsidy for low-income earners) was introduced in 2017 as was a minimum wage in 2018 which likely further reduced inequality (latest available household survey is from 2017). Simulation results based on changes in economic activity estimate a substantial increase in the poverty rate due to Covid-19 from 10.5 percent in 2019 to 15.9 percent in 2020.

15. **While Mauritius has an effective social protection system, the fiscal cost has increased dramatically over the past decade.** Noncontributory benefits include basic pensions, which cover the elderly, the handicapped, widows, and orphans, irrespective of their economic status, as well as more targeted allowances such as social aid, food aid, income support, unemployment hardship relief, and funeral grants. Overall, the system has been effective in mitigating poverty. In 2017, the poverty headcount ratio (measured against the MUR 6,404 a month per adult equivalent poverty line) would have been 15.1 percent, but declined to 9.2 percent as a result of social transfers. The Gini index of pre-fiscal income was 40.0 percent. Direct and indirect taxes, as well as transfers and subsidies, were overall progressive, thus reducing the Gini to 34.2 percent (Ranzani 2019). At the same time, the average share of social protection expenditure increased from 22.2 to 27.6 percent of total expenditure between 2010-14 and 2015-19. The bulk of social spending, more than 50 percent, is on the basic retirement pension (BRP) which is increasingly costly, poorly targeted, and creates adverse labor market incentives. The benefit is available to every Mauritian reaching the age of 60 (unlike the contributory pension, which starts at 65), despite a significant increase in life expectancy at age 60 from 12.6 years to 20.6 years since the program's inception. As of December 2019, the BRP benefit was raised from MUR 6,210 per month to MUR 9,000 per month. An additional pension benefit through a newly introduced Contribution Social Generalisee for those aged 65 and above is planned for 2023/24 which could increase the total non-contributory pension to up to MUR 13,500 per month. Due to its universal nature, the BRP is not an efficient anti-poverty instrument, and , it encourages early retirement and adversely affects labor force participation of those reaching the age of 60.

16. **Mauritius has a rapidly aging society, which is putting pressure on both the labor market and social security system.** The population aged 60 and older, currently 18.1 percent of the total population, is expected to reach almost 25 percent by 2030, 30 percent by 2045, and 35 percent in 2058. In addition, the working age population, aged 15 to 59, is expected to fall from the current 65 percent of the population to 53 percent of the population by 2058, with an absolute decline of about 45 percent. Maintaining growth as the working age population declines has proven to be challenging in other rapidly aging countries, and a rising dependency ratio will put increasing pressure on the social protection system in the coming decades through a rising share of pension recipients vis a vis contributors.

17. **At the time of CPF preparation, an ambitious education reform effort was just underway that aimed to address shortcomings in the inclusiveness of education which result in high inactivity and unemployment, especially for low-skilled women and youth.** Over 50,000 youth aged 16 to 29 are

neither in education nor in employment, and only about one in three has obtained at most a certificate of primary education. Similarly, only one in two women participates in the labor market, and only one in three among women with low education. In 2016, the government embarked on a comprehensive restructuring of basic education through the Nine Years of Continuous Basic Education (NYCBE) reform. The reform seeks, among other goals, to ensure that all preschoolers are well-prepared for a sound primary school experience and that all children complete nine years of basic education. Toward these ends, the NYCBE reform has ushered in striking changes, among them the abolition of the prevocational track in Grades 7-9, so that all children now follow the same curriculum in their first nine years of basic education and additional new support programs for lagging students. However, further progress is required in particular in the areas of early childhood development, lagging schools and educators, and educational technology to improve teaching and learning (World Bank, 2021) in order to address the root causes of wide disparities in learning outcomes.

18. As a result of the Covid-related lockdown in 2020, the school calendar was shifted to end in March 2021 rather than November 2020; the impact on learning outcomes has yet to be assessed. Some of the end-of-year examinations began in March 2021 while the country remained in full lockdown due to a new outbreak of Covid-19. The Ministry of Education rolled out various online learning programs and platforms. The full effects of the two lockdowns on student learning outcomes will only be seen in results on national exams taking place in March and April 2021, but there is a high likelihood that disparities in learning outcomes may have been aggravated as students from low-income households were at a severe disadvantage to compensate for foregone face-to-face school through digital technology or parent-supported learning.

19. Despite extensive government support to the private sector, the severe recession brought about by Covid-19 caused job and income losses which disproportionately affected informal and self-employed workers. As a result of lock-down measures and the absence of tourism following border closures, the unemployment rate among those aged 16 to 64 rose from 7.2 to 10.4 percent between the first quarter and December of 2020. The increase was roughly proportional between men (5.2 to 8.6 percent) and women (9.9 to 13.1 percent) though starting from a much higher level for women. Further job losses were prevented by a strong government response to mitigate the effects of the crisis which committed the equivalent of approximately 32 percent of GDP to various schemes providing wage subsidies, emergency credit lines, and other types of support to firms (World Bank 2021). In December 2020, 68.8 percent of those in self-employment and 20.0 percent of those in wage employment reported that their income had declined in comparison to the pre-pandemic level.[6]

20. The economic and social turmoil resulting from Covid-19 has drastically reduced Mauritius' fiscal space while at the same time putting additional demands on the social protection system. The combination of reduced revenue and increased expenditure in response to Covid-19 has put a heavy strain on public finances, and the borrowing requirement in FY2019/20 reached 13.1 percent of GDP while the debt to GDP ratio reached 83.4 percent at end fiscal year. Medium-term projections foresee a further increase unless a strong consolidation effort is undertaken. At the same time, the above-described disruptions in the labor market and income losses, in particular for those in informal and self-employment, will likely create additional needs for social protection. Thus, the impact of Covid-19 has further raised the stakes for more efficient resource use in social protection.

[6] Statistics Mauritius.

III. SUMMARY OF PROGRAM IMPLEMENTATION

A. Program and portfolio performance

21. Informed by development priorities identified in the SCD and country consultations and aligned with Government's *Achieving Meaningful Change* program (2015-19), the CPF's overall goal was to help Mauritius accelerate inclusive growth by strengthening the enabling environment for private sector growth. The CPF laid out three main areas of engagement: (i) Increasing competitiveness; (ii) Fostering Inclusion; and (iii) Bolstering Resilience and Sustainability which remain relevant in the Covid-19 and post-Covid-19 periods. Each focus area covered two outcome areas supported by a modest lending program and robust analytic and advisory services portfolio. Adopting a lesson learned from previous operations in Mauritius and elsewhere, the CPF only defined the program's first two years of activities (FY18-19) to allow for flexibility to respond to emerging Government priorities and experience to ensure the program's relevance. Additional lending was to depend on country demand and overall performance.

22. The modest lending pipeline proposed in the CPF did not materialize. The CPF envisioned two loans: the second of a two-part regional development policy series to support the Accelerated Program for Economic Integration (APEI) (USD15 million); and a Southwest Indian Ocean Fisheries (SWIOFish) Investment Project Financing operation (USD10 million). Of the five APEI members, only Mauritius and Seychelles met the adequacy criteria for the second APEI operation and Seychelles chose not to participate, so the loan was canceled in 2018. Despite high-level interest in the development of the ocean economy, the proposed SWIOFish project was dropped due to lack of demand for IBRD financing. In early 2020, the Government of Mauritius requested a new budget support operation in response to the unfolding Covid-19 pandemic. Discussions, including with the *Agence Française de Developpement* (AFD) as co-financier, reached an advanced stage. Eventually, the USD100 million IBRD portion of the envisaged loan was cancelled due to concerns over the macroeconomic situation and unorthodox Central Bank financing measures, while AFD proceeded with a EUR 300 million Cat-DDO.

23. As envisioned, the World Bank supports a large and growing number of ASA products and activities, funded through a combination of Bank budget (BB), trust funds and Reimbursable Advisory Services. (See Annex 1 for proposed, actual and planned activities). Seventeen ASA activities, six of which were financed through RAS, have been delivered to date, and an additional two RASes are ongoing. This robust ASA/RAS portfolio is aligned with CPF priorities and has gradually expanded and broadened in response to client demand and evolving circumstances. Annex 6 illustrates the alignment of completed, ongoing and planned ASA with CPF focus areas.

24. IFC is selectively supporting and promoting private sector development in Mauritius. Priority areas relate to: (i) supporting the mobilization of both local and foreign direct investment in key sectors of the economy, such as infrastructure, agribusiness, tourism and financial services; (ii) strengthening private sector access to finance; (iii) improving access to finance by small and medium enterprises (SMEs); and (iv) promoting South-South transactions. During FY2020, IFC committed a total of USD37.5 million to Bank One to strengthen the Bank's long-term funding position and support the expansion of its lending operations to SMEs. The other IFC portfolio activity consists of an investment in a private equity fund with current exposure at USD3.5 million. IFC continues to focus on economic recovery, as it seeks to support the textile/garment sector, financial sector (banks and private equity funds) as well as climate change (renewable energy sector and waste to energy sector). An IFC operation is underway to respond to the Covid-19 pandemic through personal protective equipment advisory services for a Mauritius-based integrated design, development and manufacturing company specializing in percutaneous interventional medical devices. Opportunities are also being explored in waste management PPP solutions.

25. MIGA is supporting Mauritius' financial sector to provide needed credit to SMEs and corporates and to promote regional trade finance activities. MIGA issued a capital optimization guarantee to Absa Group of South Africa (ABSA) for USD94 million backing its Mauritian subsidiary. The transaction will enable ABSA to have additional lending headroom for the bank's SMEs, corporate and project finance clients. In addition, Mauritius is expected to benefit from a MIGA guarantee of approximately USD 435 million, covering loans to the Eastern and Southern African Trade and Development Bank (TDB). The guarantee will support the growth and diversification of TDB's trade finance portfolio throughout the COMESA region.

B. Evolution of partnerships and leveraging

26. While donor activity in Mauritius is limited given the country's small size and high-income level, the WBG has purposefully pursued and leveraged partnerships in its knowledge and advisory work. The World Bank actively participates in the new development partner coordination mechanism, with quarterly meetings and an online project register, initiated through the United Nations resident coordinator's office. The World Bank and UN resident coordinator's office co-sponsored a digital research and exchange platform with local development partners, academics, and civil society to exchange data and research findings on the economic and social impact of Covid-19. Close collaboration with the International Monetary Fund on economic monitoring and policy dialogue has been maintained.

C. Overview of progress towards achieving CPF objectives

27. Progress has been mixed across results areas, with the Covid-19 shock reversing progress in some areas, and the overall effectiveness of World Bank engagement has been modest. Two out of six original CPF objectives have been achieved; one is on track to be realized during the extension period; one is partially on track; and two are off track. Important results are emerging in regional integration, education inclusiveness, doing business and bank supervision, while progress in developing the ocean economy, strengthening the water sector and pension reform has been limited. Additional attention to enhancing public sector planning capacity in the final year of the program is warranted.

CPF Focus Area 1: Increasing Competitiveness

28. The erosion of Mauritius' external competitiveness has generally continued as market shares pre-Covid were falling for both manufacturing and service exports. The impact of the pandemic further depressed the competitiveness of the external sector, with the most lasting effects being the standstill in tourism and a significant increase in air freight cost due the absence of passenger traffic. Nevertheless, progress on regional integration can be noted with the continued removal of trade barriers and increasing bi- and multilateral initiatives for deeper integration, including bilateral Special Economic Zones (SEZ) with Senegal and Madagascar, the signature of new preferential trade agreements with Turkey, India and China, and progress on the African Continental Free Trade Area.

29. Objective 1: Improved environment for regional trade and investment is on track. Supported under the first APEI Regional Development Policy Operation (DPO), the target for the number of businesspeople entering Mauritius for 2021 (41,150) was exceeded in 2019 (50,543), before the Covid-related border closures. Import and export requirements were removed on 20 products, double the target of 10, and targets related to increasing the transparency of procedures and reducing expenditures were met. Key knowledge products supporting this objective analyzed the potential for increased agricultural trade in the region, provided support to the development of a bilateral SEZ in Madagascar as part of Mauritius' Africa strategy, assisted the Economic Development Board in designing a manufacturing strategy relying heavily on regional production chains, and discussed the potential to upgrade exports by leveraging regional trade agreements as part of a FY21 CEM. Progress on digital governance, supported by WBG-financed technical assistance, has made trade-related requirements more easily accessible. Mauritius remains a strong champion for further integration in the region, contributing actively to regional trading blocks COMESA, SADC and the new AFCFTA, as well as hosting the Indian Ocean Commission and Regional Multidisciplinary Center of Excellence that promote knowledge exchange and peer learning.

30. **Progress under Objective 2: Build the Knowledge Base for Unlocking the Potential of the Ocean Economy has been limited and related indicators are off track.** Supported under the Southwest Indian Ocean Fisheries 2 Project (SWIOFish2), Mauritius' compliance with Indian Ocean Tuna Commission (IOTC) IOTC resolutions has increased modestly. The proposed follow-on lending operation designed to support achievement of this objective (Southwest Indian Ocean Fisheries 4) was dropped. The World Bank team delivered and disseminated a complex and comprehensive report in FY17, *The Ocean Economy in Mauritius: Making it happen, making it last.* The report was widely disseminated and has been used by the responsible line Ministry to inform strategy formulation, but implementation of key reforms has been limited. Private and public sector stakeholders expressed a general perception that the report was too high level and abstract. A number of follow up discussions have not led to the identification of new areas for World Bank support in this area. *Given the lack of traction of WBG support to develop the Ocean Economy, the PLR will drop this objective.*

31. **With this lack of progress on the ocean economy, the priorities for unlocking new investment broadened during the CPF period and subsequent ASA covered both horizontal aspects of the competitiveness agenda (productivity, innovation, inclusiveness, business climate) and additional sectors (sugar, manufacturing, and ICT).** Ongoing RAS-funded technical assistance on insolvency, secured transactions and doing business reforms developed concrete legal changes (e.g., registry for secured transactions for moveable assets, e-judiciary, and reform of the insolvency law) which were announced in the recent budget speech and are expected to further improve Doing Business performance. The CEM and recently completed Enterprise Survey-based productivity report underpin the focus on the impact of Covid-19 and priorities for a strong recovery. The Competition Commission adopted the CEM recommendations to strengthen its pro-competition advocacy role and more proactive detection of abuse of dominance, and capacity building was provided in both areas.

CPF Focus Area 2: Fostering Inclusion

32. **The rising trend in inequality appears to have been halted pre-pandemic through increasing public transfers and progress was made in poverty reduction; but the impact of Covid-19 is threatening some of these accomplishments, including in poverty reduction, labor market integration of low-skilled youth and women, and education.** Implementation of comprehensive education reform is yielding important improvements in the inclusiveness of education. While social protection is overall effective, additional increases in the amount of the basic retirement pension coupled with the impact of Covid-19 further aggravate the need to also improve the cost efficiency of social protection measures.

33. **Objective 3: Increased Capacity to Implement Education Reforms is on track.** Under a recently completed RAS, the World Bank provided intensive, hands-on support to the successful implementation of the ambitious NYCBE education reform, including the integration of strong monitoring and evaluation frameworks. Other ASA drew attention to key areas of skills development to improve the inclusion of marginalized groups – particularly low skilled women and youth – and boost firm productivity. The FY21 CEM highlights key remaining areas of education reform, both in higher skills development and inclusiveness, that continue to merit attention and provide a foundation for future WBG engagement. The Public Expenditure Review planned for FY22 will develop specific policy recommendations to better align education spending to these goals. Mauritius has also shared its experience on education reform with

African partners, including through (pre-pandemic) study visits supported by World Bank projects, most recently from Lesotho.

34. **Under Objective 4: Strengthen Government Capacity to Develop Policy Options to Increase the Sustainability of Pensions Program, further increases in the Basic Retirement Pension have aggravated the situation during the CPF cycle while a recent reform accomplished mixed results.** The key issue of pension reform was highlighted by the World Bank through ongoing dialogue and just-in-time knowledge products under Internal Order budgets throughout the CPF period. Reforming the basic pension remains a first order priority given its significant impact on government spending and poor targeting that run the risk of crowding out more pro-poor spending. The CEM has sparked a robust discourse while a recently announced reform has moved further increases to age 65 instead of 60, while at the same time dismantling the contributory pension system. *With limited progress towards achieving the objective of fundamental pension reform despite ongoing efforts, the PLR will drop this objective.*

35. **Covid-19 further amplifies the urgency of broader social assistance reform.** With a rapidly evolving social support system that has been effective in reducing poverty and inequality but at the cost of increased state dependency and rising expenditure, ASA work has increasingly focused on highlighting policy priorities to strengthen access to economic opportunities for disadvantaged groups – especially low skilled women and youth – while also making the case for a reallocation of resources from the general pension system to more targeted, pro-poor instruments. As highlighted in the FY21 CEM, this direction has become even more urgent in light of the impact of Covid-19 on the fiscal situation and the labor market. In addition to a reallocation of budget resources from the basic pension to more targeted pro-poor measures, the recent Country Economic Memorandum also recommends improvements in activating labor market programs in particular for low skilled youth and women and more emphasis on second chance education. The forthcoming PER will focus on quantifying the potential efficiency gains associated with different reform options.

CPF Focus Area 3: Bolstering Resilience and Sustainability

36. **The importance of public sector effectiveness to implement complex second generation reforms and respond effectively to unforeseen crises became apparent in light of Mauritius' increasing structural challenges and eventually the Covid-19 shock.** Water sector reforms have not advanced while financial sector governance remains an important issue in Mauritius, as evidenced by the country's strong efforts to be removed from the Financial Action Task Force (FATF) and EU lists for Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT). Strengthened governance capacity was supported through ASA on digital governance, strategic planning, and a CEM chapter focused on public sector effectiveness. The forthcoming public expenditure review will also aim to further strengthen capacity for efficient resource allocation and outcome monitoring and evaluation.

37. **Objective 5: Strengthened Management of Water Supply is off track.** The World Bank Group has provided extensive support to the Ministry of Energy and Public Utilities to strengthen water management that has resulted in some progress in terms of capacity development of the Ministry and the Central Water Authority (CWA). The main reforms envisioned for the water sector - increasing efficiency and reducing waste by partnering CWA with a qualified private operator and price reforms- met strong political resistance from and did not move ahead prior to the November 2019 elections, after which the issue was overshadowed by the outbreak of Covid-19 and a focus on maintaining operations under pandemic conditions. *In light of reform resistance and Covid-19, the PLR will drop this indicator and instead add one focused on strengthening government capacity for planning and crisis response.*

38. **Objective 6: Build Capacity to Implement Strengthened Financial Sector Governance is on track.** With support under a RAS, significant progress has been made in the implementation of risk-based

supervision of the banking sector and the completion of the first National Risk Assessment for AML/CFT. Payments regulations have been adopted to facilitate access to new financial products and services to households and small business retailers, including mobile money.

VI. EMERGING LESSONS

39. **The absence of a lending program has limited the World Bank's convening power in Mauritius and efforts to develop complex multi-sectoral reforms through ASA have been largely unsuccessful.** This is evident in the lack of progress with regard to the development of the ocean economy, as well as the water sector reform envisaged under the CPF. Similarly, despite extensive knowledge work and inputs from the World Bank throughout the CPF period, fundamental pension reform to address the fiscal sustainability and targeting issues in the current system has yet to take place. RASes intended to design such reforms generally led to relevant recommendations with some scattered uptake but failed to generate multi-stakeholder implementation momentum for comprehensive reform. *In addition to an assessment of potential development impact and alignment with the CPF, future ASA, including RAS, should be more selective and realistic about the limitations in convening and convincing power. Stakeholder engagement and prospects for implementation at counterpart level will need to be analyzed more carefully and prioritized prior to a decision on engagement.*

40. **At the same time, RAS-funded ASA has generally been effective where it provided specific implementation support to already well-defined reform efforts.** RASes on education reform, financial sector governance and Doing Business reform all produced significant positive results which built on pre-existing reform momentum and established close working relationships with and provided intensive implementation support and capacity building to appropriate counterparts. *Going forward, under similar circumstances, potential development impact informed by these prerequisites and alignment with the CPF remain the main selection criteria for new RAS or other ASA support.*

41. **As in other RAS-intensive countries, the World Bank's knowledge work needs to balance client demand with 'big picture' items.** With RASes focused on client-defined priorities, BB-supported core diagnostic ASA will be critical to ensure that the World Bank's opinion on key 'big picture' questions is both well-articulated and heard. Although outcomes are less tangible in terms of specific reforms, Bank budget-funded ASA, including extensive knowledge work on inclusion and inequality and the recent CEM, has made important contributions to the knowledge base and public discourse on the country's key development challenges, which is highly valued by stakeholders including the private sector, civil society and development partners. Pertinent 'big picture' topics include poverty reduction and inequality, women's labor force integration, public financial management, social protection reform, and the role of state support in the economy. While generally more upstream in focus, the experience over the CPF period has also demonstrated the importance to 'land' such work in specific and actionable policy recommendations. *During the extension period the program will continue to complement RAS with BB-funded ASA to draw attention to and make policy proposals on crucial big picture issues, thus focusing on core products such as the recent CEM and a planned PER.*

42. **Rightly seen as a development success by its African peers, Mauritius has valuable knowledge and expertise that it is willing to share with others, and the World Bank Group can play a key role in facilitating such exchanges.** Throughout the CPF period, the WBG has capitalized on opportunities to leverage Mauritius' expertise in areas such as education reform, business climate reform, tourism, and social protection for study visits and peer learning in other African countries as well as for global knowledge work. The Accelerated Program for Economic Integration (APEI) was created as a platform to enable a small group of reform-minded countries (Mauritius, Seychelles, Mozambique, Zambia and Malawi) to progress on integration issues such as services trade, NTBs, and free movement of labor, and

Mauritius played an important catalyzing role in this process. *Mauritius' impact through south-south knowledge exchange should be strengthened further in the remainder of the CPF period by more proactively seeking out opportunities for continuous peer learning, potentially in collaboration with the Mauritius-based Regional Multidisciplinary Center of Excellence.*

43. **In the case of high-income countries such as Mauritius, financing instruments available to IFC for its support to the private sector during the Covid-19 crisis were limited.** While IFC had identified potential transactions in the health sectors, its financing conditions were not considered competitive enough in a country with a robust and well-developed banking system. As a result, the potential investment did not materialize, while IFC provided support to the company in starting and scaling up the production of personal protective equipment through an advisory engagement. Going forward, IFC is considering how to better articulate its value proposition in middle and high-income countries both through its investment instruments as well as advisory services, especially during a crisis response situation. *In this context, the WBG can play an important countercyclical role to support middle and high-income countries' overall development challenges by stimulating market creation and private sector activity, including through mobilization of other financiers.*

44. **Closer coordination across the WBG has been critical to improving the policy dialogue with the government, especially during a time of crisis, and opening new areas for potential engagement.** The Covid-19 crisis has further accentuated the opportunities for regional value chains and trade. As part of the crisis response initiatives, the WBG is exploring future scenarios for the textile industry in the region, including a cluster approach that can be developed by nurturing and strengthening the nascent value chain that has emerged organically and allows for backward as well as forward integration between South Africa, Mozambique, Mauritius and Madagascar. In this context, close coordination between the World Bank and IFC is underway to explore a cluster/regional approach for strengthening the global competitiveness of the Mauritian textile sector. Similarly, and in the spirit of "building back better", discussions are underway on potential opportunities to shift the country's energy sector towards more renewable sources, in addition to exploring private sector participation in the waste management sector through PPPs. MIGA, in close collaboration with the Bank and IFC, will explore opportunities to support foreign investors in Mauritius, paying close attention to projects that support job creation and green development. *These activities will inform possible further engagement in the next CPF period.*

V. ADJUSTMENTS TO COUNTRY PARTNERSHIP FRAMEWORK

45. **In line with World Bank-wide guidance during the Covid-pandemic, this PLR extends the end of the CPF period from FY21 to FY22.** This one-year extension recognizes that counterparts' attention during this unprecedented crisis is rightfully focused on the country's short-term recovery needs, and that high levels of uncertainty and fast changing circumstances challenge the development of a medium-term engagement strategy. Work on an SCD update was launched in parallel to the PLR and is expected to provide the analytical foundation for the next CPF.

46. **The high-level objectives of the CPF remain well aligned with and relevant to the new government program (2020-24) as well as to the demands of a sustained and inclusive recovery.** The government program focuses on inclusiveness and the need to invest in building a competitive, resilient and innovation-driven economy of the future. The disruptions caused by Covid-19 have set back Mauritius' path towards these goals, and thus its new program re-emphasized the importance of investing into the upgrading of the economy, sustained inclusiveness, and the capacity to plan ahead and respond to crises and future challenges, in line with the three results areas of the CPF (competitiveness, inclusion, and resilience).

47. The remainder of the CPF period will still be heavily overshadowed by the impact of Covid-19. As in other countries, the WBG has been closely engaged with authorities in their Covid-19 response measures. Although Mauritius ultimately opted against using IBRD financing for the economic and social response and the purchase of vaccines, knowledge work will continue to assist the country's efforts to re-energize the economy through continuous improvements in the business environment and in banking supervision, and to maximize the impact of public resources through support to the new Planning Bureau, including under the planned PER.

48. In response to changes in context and experience-to-date, adjustments to the CPF are aimed at enhancing its relevance by dropping select objectives where our engagement has not been effective, adding support for increased planning and crisis response capacity, ensuring achievement of results, and laying groundwork for the next CPF. Given that Government's FY21/22 budget does not foresee any significant external financing and domestic liquidity has remained strong[7], the IBRD program will continue to be delivered through ASA – using RAS to respond to specific requests or needs focusing on support for implementation of client-defined goals and strategies and complemented with Bank budget-funded core ASA. The WBG will, however, remain open and flexible to any request by the Government for additional financing. On the other hand, should Mauritius like to graduate from IBRD, the WBG will assist in that request.

49. The final piece of Bank-funded ASA under this CPF will be a Public Expenditure Review that is expected to provide inputs to several CPF objectives in light of the deteriorated fiscal situation. Recognizing the continuous increase in public debt over the CPF period which was further aggravated by the fiscal impact of Covid-19, the PER will support the need for increased efficiency in public spending. It will be closely aligned to Objective 3 through a dedicated chapter and recommendations on improving the efficiency of education spending and contribute directly to revised Objective 5 by supporting the development of more effective outcome monitoring tools that will inform fiscal planning and implementation.

50. In light of the fiscal impact of Covid-19, new RAS business is expected to decline during the remainder of the CPF period, and a crucial challenge will be to leverage scarce BB with trust fund or other additional resources to maintain a strong policy dialogue. Mauritius is planning to undertake significant fiscal adjustment efforts under the FY21/22 budget, and some of the public agencies that have worked with RASes in the past will likely not be in a position to contract further WBG support in the short term. Others, including the financial regulators, may face less binding financing constraints. In FY20/21, the team successfully leveraged the CEM as a World Bank-funded core diagnostic to raise additional trust fund resources and maintain a broad policy dialogue and analytical support to a range of crucial policy issues for the country's recovery. The forthcoming PER could play a similar role with an overarching focus on fiscal consolidation that would translate into the development of specific sector recommendations in line with client demand, as well as the development of tools and procedures on the client side to strengthen planning and implementation capacity going forward. BB resources for macroeconomic dialogue have been increased for the remainder of the CPF period to allow for closer analysis and engagement on the difficult fiscal situation.

51. Any new RAS business would be closely aligned to the revised CPF priorities and include intensive implementation support to well-defined reform efforts. While there are currently no new RAS requests in the pipeline, the country team is maintaining an active policy dialogue around the priority areas of the CPF and, in particular, specific policy recommendations from the recent CEM. These include

[7] Most Treasury bill auctions are strongly oversubscribed and interest rates on 1 year t-bills are as low as 1 percent.

a number of potentially high impact reforms, including to enhance the effectiveness of state support for innovation and develop competitive new export sectors (Focus Area 1), skills development, inclusive education, reforms to parental leave provisions, and more efficient use of social support instruments (Focus Area 2), and strengthening planning and M&E capacity and financial sector supervision (Focus Area 3). RAS business development will be selective and focus on high impact technical assistance to support reform implementation in these areas where desired by government.

52. IFC's immediate focus given the current environment is to prioritize crisis management and maximize the use of the IFC Covid-19 facility. Also, IFC will seek to support (i) repurposing of light manufacturing operations to support the health sector/medical devices (e.g., local production of masks) in alignment with the GoM's strategy to foster the emergence of innovative, sustainable and globally competitive SMEs, and (ii) its client banks. IFC's advisory pipeline includes a proposed corporate governance training program for SMEs in the manufacturing sector.

53. The IFC's medium-term focus targets: (i) capital market development, financial product diversification and supporting institutions to build and improve capacity with the main focus on investment of funds and banks where it can have a development impact, including further exploring the digitalization of the financial sector to foster financial inclusion as part of Covid-19 crisis response; (ii) promoting climate change initiatives and ways in which Mauritius could move from fossil fuels into more renewable and alternative fuel sources including liquid natural gas imports, and share lessons learnt from other geographies on waste-to-energy projects and explore providing financing under PPP; (iii) infrastructure development through Private Public Partnerships; and (iv) support of a regional approach for light manufacturing, in tandem with Madagascar. It could also support private sector opportunities related to the blue ocean economy as they arise.

54. MIGA will continue to identify opportunities to mobilize cross border investments through its political risk insurance instruments. Mauritius is also one of the countries in sub-Sahara Africa that may benefit from MIGA's credit enhancement product which would enable MIGA to support high-priority public sector projects. In the short term, MIGA will explore projects in line with the strategic objectives of its Covid-19 Rapid Response Program, in an effort to help mitigate the impact of the pandemic and support recovery. Over the medium term, MIGA will aim to de-risk foreign private investment to support inclusive growth, job creation and green and resilient development.

55. Under *Focus Area 1: Increasing Competitiveness,* the PLR will drop the second objective due to lack of traction in advancing the Ocean Economy agenda. The recent CEM and the Transforming Strategic Planning for Economic Development RAS, which includes IFC's contributions to the manufacturing sector, as well as ongoing technical assistance on insolvency, secured transactions and doing business reforms will continue to contribute to the competitiveness agenda. A dedicated chapter of the PER will make recommendations on the efficiency of spending for state support to investments.

56. Under *Focus Area 2: Fostering Inclusion,* the program will drop Objective 4 given the limited progress of pension reform efforts although concerns about poor targeting of this universal benefit and its unsustainable fiscal impact persist. Mauritius has seen an overall increase in social spending during the CPF period, and while these measures, including the basic pension, have been effective in reducing poverty and inequality, the efficiency of spending varies greatly from one instrument to another. The impact of Covid-19 has added to the urgency of a more cost efficient and activating approach to social support by reducing fiscal space and increasing the number of those in need. The proposed PER will examine the efficiency of government's spending on social assistance and offer recommendations.

57. Under *Focus Area 3: Bolstering Resilience and Sustainability,* priorities will shift from strengthening the management of water supply to improving government capacity for planning and crisis response. As noted above, the centerpiece of the envisaged reform to water management – the introduction of a private operator for the Central Water Authority - does not currently appear to have political support. The related objective will thus be dropped. A revised objective will focus on improved public sector capacity for planning and crisis response in line with Government's national program priorities (2020-2024)**.** As discussed in previous sections, Mauritius is considered a country with overall high institutional quality and government effectiveness. However, recent lack of progress in key reform areas can frequently be attributed to a lack of policy coherence and planning capacity for complex multi-stakeholder reforms, as well as shortcomings in implementation capacity and monitoring and evaluation (World Bank, 2021). This shortcoming is also affecting Mauritius' capacity to confront key challenges such as the recovery from Covid-19 and the adaptation to climate change and other environmental threats. Mindful of these challenges, the Government of Mauritius has recently taken the decision to launch a new Economic Research and Planning Bureau at the Ministry of Finance that would bundle knowledge work on key medium- and long-term challenges and become the center piece of an agile planning system to ensure the development and implementation of effective multi-agency responses to medium- and long-term challenges. The key results indicator under this objective measures the integration of forward-looking strategic analysis and planning goals in the FY22-23 budget through the work of the Bureau as a result of its effective operationalization. The ultimate outcome is expected to be an improvement in the effectiveness of a number of policy areas that are of direct relevance for the well-being and livelihoods of the poor and bottom 40, including social support, skills development, climate change response and disaster management, and state support to the economy. The proposed PER will be elaborated and delivered in close cooperation with the Bureau, supporting its staff in the development of relevant planning and budgeting tools, while the placement of an advisor through the Africa Chief Economist's initiative will support its operationalization.

58. The PLR revises the results framework to more completely and accurately capture the achievements of the CPF program. The revised framework: (i) drops the original Objectives 2 and 4; (ii) replaces Objective 5 with a revised objective related to enhanced planning and crisis response capacity and a corresponding indicator to measure its achievement; (iii) adjusts target values to reflect the impact of Covid-19 and extend these until the new CPF completion date; and (iv) identifies data sources. See Annex 2 for a revised results framework, Annex 3 for a summary of the adjustments made to the original results matrix, and Annex 4 for a summary of progress toward CPF objectives.

VI. RISKS TO CPF PROGRAM

59. The overall risk assessment has been elevated from low to moderate in light of emerging areas of relative weakness amplified by impacts of the Covid-19 pandemic. The economic and institutional risks identified by the CPF remain relevant without significant changes in most areas, with the exception of macroeconomic risks and institutional capacity for implementation and sustainability. With WBG engagement through ASA alone, the scope for mitigating these risks is limited.

60. Macro-economic risks have increased from moderate to substantial in light of pre-Covid trends, the impact of the pandemic, and high levels of central bank financing. Persistent deficits before the pandemic and building fiscal pressures, in particular from rising pension expenditure, raise questions about the medium-term fiscal outlook. The fiscal expansion in response to Covid-19, while justified, further elevated debt levels and created new contingent liabilities due to the heavy involvement of the state, including the Central Bank, in the economy. Large non-refundable transfers from the Central Bank to the government also pose risks for the effectiveness of monetary policy going forward. Mauritius also remains highly vulnerable to a further prolongation of the Covid pandemic given its tourism dependence. While the external reserve position remains comfortable, additional external risks relate to the dependence of the balance of payment on potentially volatile financial flows related to the offshore sector in light of persistently large trade deficits. Close and collaborative monitoring of the macroeconomy with the IMF will continue. The immediate impact of the fiscal situation on the program will likely be a temporary decline in new RAS business. Going forward, increased emphasis on fiscal consolidation is expected, and the planned PER will be an opportunity to engage on this issue.

61. As key pending reforms are becoming increasingly complex and multi-sectoral, shortcomings in institutional capacity for implementation and sustainability become a substantial risk. While Mauritius has a successful track record as a reform-oriented country and most sectoral institutions are effective, reforms are needed in more complex policy areas that require complex, multi-sectoral solutions. This includes the development of skills in line with labor market needs, reform of social support programs, innovation support, management of natural resources and climate change adaptation, as well as the design of successful public private partnerships (World Bank, 2021). Managing these risks will require renewed attention to policy coherence and implementation capacity across government, as supported by the new CPF objective on Improved Public Sector Effectiveness for Planning and Crisis Response.

Table 1: Revised Systematic Operations Risk-rating Tool

Risk Categories	**CPF Rating (FY17)**	**PLR Rating (FY21)**
1. Political and governance	Moderate	Moderate
2. Macroeconomic	Moderate	Substantial
3. Sector strategies and policies	Low	Low
4. Technical design of project or program	Low	Low
5. Institutional capacity for implementation and sustainability	Moderate	Substantial
6. Fiduciary	Low	Low
7. Environment and social	Low	Low
8. Stakeholders	Moderate	Moderate
Overall	**Low**	**Moderate**

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Annex 1: Mauritius CPF *Advisory* and Lending Program
Proposed, Actual and Planned (FY17-22)

Proposed in CPF	Status	Actual (FY17-21); Planned (FY22)
	ASA	
Building the Ocean Economy in Mauritius (ASA)	Delivered FY17	*Building the Ocean Economy (P155091)*
Innovation in Data-Driven Development (TA)	Delivered FY17	*Data Driven Development and ICT Policy TA (P161878)*
Technical Support for Implementation of Nine-Years Continuous Basic Education Schooling Reform (RAS)	Delivered FY21	*Education RAS (P162927)*
Achieving greater pay equity between men and women (ASA)	Delivered FY20	*Youth and Women Inclusion and Using Data for Decision Making (P171809)*
Reducing Skills Mismatches in the Mauritius Labor Market (ASA)	Delivered FY21	*Topic covered extensively in the 2021 CEM*
Social Protection Policy Dialogue (TA)	Delivered FY16-21	*Internal Order budgets were used to provide technical inputs and just-in-time support on social protection reform throughout the CPF period*
Mauritius Statistical Capacity Building Project (TA)	Delivered FY17	*Mauritius Statistical Capacity Building Project IPF (USD.35 m) (P163248)*
Water Sector Reform (RAS)	Delivered FY17 Delivered FY20	*Support to Potable Water Sector Reform and PPP for the National Water Authority CWA (P158935)* *Potable Water Sector PPP and Reform Project (P164368)*
FSAP Follow-up (TA)	Delivered FY17	*FSAP Follow-up (P160871)*
Money Laundering and Terrorism Financing Risks Assessment (RAS)	Delivered FY20	*Money Laundering and Terrorism Financing Risks Assessment (P162592)*
	Added and delivered FY18	*Fostering Economic Mobility and Promoting Youth Employment (P164706)*
	Added and delivered FY19	*Promoting sustainable economic growth through equity-friendly and business-enabling policies (P168012)*
	Added and delivered FY19	*Productivity Dialogue (P169786)*
	Added and delivered FY19	*Strengthening Regional Agriculture Imports from APEI Countries (P168226)*
	Added and delivered FY20	*Support for Africa Strategy Bilateral Program (P171883)*
	Added and delivered FY21	*Review of the Sugar Cane Sector (P171987)*
	Added and Delivered FY21	*Transforming Strategic Planning for Economic Development RAS (P171558)*
	Added and Delivered FY21	*Country Economic Memorandum (P171584)*
	Added and Ongoing (FY21)	*Productivity Study and report (P173238)*
	Added and Ongoing (FY22)	*TA on insolvency, secured transactions and doing business reforms (P170028)*
	Added and Ongoing (FY23)	*Enhancing Supervisory Capacity of BOM (P165248)*
	Planned (FY22)	*Public Expenditure Review (P176975)*
	Lending	
Southwest Indian Ocean Fisheries 4 IPF (USD10 m)	Dropped	
APEI Regional Operation 2 DPO (USD15 m)	Dropped	

Annex 2. Updated CPF Results Matrix

Focus Area 1: Increasing Competitiveness

Further expansion in trade and investment is crucial for achieving Mauritius' goals for growth and poverty reduction. The SCD highlights technology absorption and trade facilitation among the most important challenges to be addressed. Mauritius' innovation system compares poorly with that of other middle-income countries, undermining its ability to attract additional FDI and, more importantly, to absorb global knowledge and technology. To address this, a better institutional framework and incentives for innovation are needed. In trade, expanding trade and investment and deepening regional integration by reducing non-tariff barriers and opening up trade in services will be critical to offset the impact of reduced preferential trade access. The ICT sector has emerged as a major pillar of the economy, translating into substantial employment and firm creation. However, a recent slowdown in sector growth points to the need for additional measures to strengthen the enabling environment.

Objective 1: Improved Environment for Regional Trade and Investment

Intervention Logic. Mauritius' strategy for expanding employment in higher value-added sectors emphasizes greater trade and investment, particularly with Africa. The World Bank Group program will seek to address trade barriers in Mauritius in concert with a set of like-minded African countries through the Accelerated Program of Economic Integration (APEI), a multilateral program of coordinated trade policy reforms. The Bank Group program of ASAs and TA, will continue to support reforms to significantly improve the trading environment by reducing non-tariff barriers and constraints to labor and investor mobility. IFC investments/advisory activities and business environment reforms and MIGA guarantees will complement these activities. In addition to addressing the overall business environment, there is a need to focus on improving the ICT sector, an important contributor to economic growth in Mauritius, but which has been decelerating recent years. The CPF program will feature technical assistance to support the Government in identifying and implementing key reforms in these areas.

Objective Indicators	WBG Program
OI 1.1 Number of business people entering Mauritius Baseline (2013): 37,410 Target (2019): 41,150 *Source: Statistics Mauritius* ***Already achieved*** **OI 1.2 Elimination of non-tariff barriers (NTB)** Baseline: n/a Target: 10 NTBs removed *Source: APEI Regional DPO ICR/ICRR* ***Already achieved*** **OI 1.3 Increased capacity to develop policies in digital governance** *Source: Closing summary of Data Driven Development and ICT Policy TA (P161878)* ***Already achieved***	**ASA Program** *Completed* Data Driven Development and ICT TA (FY17) Strengthening Regional Agriculture for APEI Countries for regional trade (FY19) Support for Mauritius-Africa Strategy Bilateral Program (FY19) Transforming Strategic Planning for economic development (FY21) Country Economic Memorandum (FY21) *Ongoing* TA on Insolvency, secured transactions and doing business (FY22) **Lending Program** *Completed* APEI DPO I

Focus Area 2: Fostering Inclusion	
The recent experience and the SCD show clearly the growing challenge of increasing inequality and vulnerability and the consequent decrease in the poverty reduction impact of growth. The most vulnerable struggle to fully reap the benefits of economic growth because not enough employment is created, and many workers lack adequate skills for today's labor market. Poverty is concentrated among those households whose head had less than secondary education. While educational opportunities have improved significantly, Mauritius still lags behind other middle-income countries in terms of learning achievements.	
Objective 2: Increased Capacity to Implement Education Reforms	
Intervention Logic. The Government launched an ambitious basic education reform agenda in January 2017 to address weaknesses in the education system. Given the scope and complexity of the reform, critical challenges relate to its implementation. However, because the RAS Legal Agreement was finalized and signed only in September 2017, the government went ahead to design the plan for reform implementation and had already started implementation when the World Bank team began its work in late 2017. Under the circumstances, the World Bank Group's capacity building role was adjusted whereby the government would draw on its expertise and support in areas required to advance the reforms. The RAS Agreement identified four specific areas: A. School Accountability; B. Early Support Program and Early Digital Learning Program; C. Extended Curriculum; and D. Professional Development of Teachers. In each area, the government will be drawing on the World Bank Group's advice on international good practice and its technical expertise by working closely together to prepare key policy and operational documents and mid-term evaluations of priority programs under the reform. This method of collaboration is consistent with international best practice in capacity development.	
Objective Indicators	**WBG Program**
OI 2 Government capacity to implement the Nine Years of Continuous Basic Education reform in line with international good practice is strengthened Baseline (2017): Implementation began in January 2017; plans in line with international good practice. Target (2022): Adjustments to implementation made in response to evaluation findings and international good practice. *Source: Closing summary of Education RAS (P162927)*	**ASA Program** *Completed* Youth and Women Inclusion and Using Data for Decision-making Education RAS Transforming Strategic Planning for economic development Country Economic Memorandum *Planned* Public Expenditure Review
Focus Area 3: Bolstering Resilience and Sustainability	
While the trajectory in terms of growth over the last decade has been broadly positive, the Covid-19 impact (reduced GDP growth in 2020) and other external risks will affect growth and poverty reduction in the near term. Also, significant policy and institutional reforms are necessary to ensure that Mauritius is able to sustain its economic status and begin to address the growing challenges related to shared prosperity. The recent work/experience and the SCD, indicate infrastructure, financial sector, and health as areas where there is a need to undertake important reforms to avoid problems which could threaten growth and stability.	
Objective 3: Improved Public Sector Effectiveness for Planning and Crisis Response	
Intervention Logic. Although Mauritius is considered a country with overall high institutional quality and government effectiveness, recent lack of progress in key reform areas can be attributed to a lack of policy coherence and planning capacity for complex multi-stakeholder reforms, as well as shortcomings in implementation and monitoring and evaluation capacity. This shortcoming is also	

affecting Mauritius' capacity to confront key challenges such as its recovery from Covid-19 and adaption to climate change and other environmental threats. Mauritius is among the countries most at risk from natural disasters, including cyclones and flooding, and the current situation will be compounded by climate change. Efforts will focus on making the recently created Economic Research and Planning Bureau at the Ministry of Finance fully functional.

Objective Indicators	WBG Program
OI 3 The FY22/23 budget integrates forward looking strategic analysis and planning goals through the work of the Economic Research and Planning Bureau Baseline (21/22): Not the case Target (2022): Budget reflects inputs from Bureau for strategic analysis and planning *Source: Ministry of Finance, Economic Planning and Development*	**ASA Program** *Completed* Data Driven Development and ICT Policy Technical Assistance Transforming Strategic Planning for Economic Development RAS Country Economic Memorandum *Planned* Public Expenditure Review

Objective 4: Build Capacity to Implement Strengthened Financial Sector Governance

Intervention Logic. Given the critical importance of the financial sector to Mauritius' continued growth and development, ensuring its continued stability is essential. The Mauritian financial sector scrutiny from FATF, European Union, and global anti-tax base and anti-money laundering initiatives could have serious implications for investor (including offshore) trust and confidence in use of Mauritius' financial sector institutions. These developments in the sector have prompted a reassessment of the adequacy of the financial stability framework for a country with a large and open financial sector that has critical linkages to the offshore sector and thus the need to put in place stronger regulatory and supervisory arrangements as well as an effective framework to manage instances of institutional and system-wide stress or instability. The WBG program will aim to assist the Government in ensuring continued financial sector resilience, emphasize transparency and controls over financial transactions, and develop appropriate money laundering legislation. Planned TA will support the Government, the Bank of Mauritius (BoM) and the Financial Services Commission to implement the key recommendations from the FATF, EU, FSAP, especially as they relate to supervision and oversight of financial conglomerates, managing risks related to the Global Business Sector, as well as financial inclusion. Technical assistance will be closely coordinated with the International Monetary Fund.

Objective Indicators	WBG Program
OI 4.1 The BoM migrates to a forward looking, risk sensitive supervisory approach for the banking system by 2022. *Source: Closing summary of Enhancing Supervisory Capacity of BOM (P165248)* **OI 4.2 Payments regulations are adopted to facilitate access to new financial products and services to households and small business retailers, including mobile money.** *Source: Closing summary of Enhancing Supervisory Capacity of BOM (P165248)*	**ASA Program** *Completed* FSAP Follow-up TA Money Laundering and Terrorism Financing Risks Assessment *Ongoing* Enhancing Supervisory Capacity of BoM TA on insolvency, secured transactions and doing business reforms

Annex 3. Matrix of Key Changes to Original CPF Results Matrix

Original CPF Results Matrix		Updated CPF RM	Comments/justification
Focus Area 1: Increasing Competitiveness			
Objective 1: Improved Environment for Regional Trade and Investment		*Unchanged*	
OI 1.1	Number of businesspeople entering Mauritius	*Unchanged*	Achieved
OI 1.2	Elimination of non-tariff barriers	*Unchanged*	Achieved
OI 1.3	Increased capacity to develop policies in digital governance	*Unchanged*	On track
Objective 2: Build the Knowledge Base for Unlocking the Potential of the Ocean Economy		*Dropped*	
Focus Area 2: Fostering Inclusion			
Objective 3: Increased Capacity to Implement Education Reforms		*Unchanged*	Now Objective 2.
OI 3	Government capacity to implement NYCBE reform in line with international good practice is strengthened	*Unchanged*	Now OI 2
Objective 4: Strengthen Government Capacity to Develop Policy Options to Increase the Sustainability of Pensions Programs		*Dropped*	

Focus Area 3: Bolstering Resilience and Sustainability			
Objective 5 (old): Strengthened Management of Water Supply		*Dropped*	
Objective 3: Improved Public Sector Effectiveness for Planning and Crisis Management		*Added*	New Objective 3
OI 5 (old)	Successful selection of a Central Water Authority Private Operator under a PPP arrangement by end 2018.	*Deleted*	
OI 3 (new)	The FY22/23 budget integrates forward looking strategic analysis and planning goals through the work of the Economic Research and Planning Bureau	*Added*	The Bureau is intended to become the center piece of an agile planning system, ensuring alignment of policy initiatives with high level development objectives, as well as tracking implementation.
Objective 6: Build Capacity to Implement Strengthened Financial Sector Governance		*Unchanged*	Now Objective 4
OI 6.1	The BoM migrates to a forward looking, risk sensitive supervisory approach for the banking system by 2022.	*Revised*	Now OI 4.1. Target year extended to 2022 due to implementation delays.
OI 6.2	Payments regulations are adopted to facilitate access to new financial products and services to households and small business retailers, including mobile money.	*Unchanged*	Now OI 4.2.

Annex 4. Matrix Summarizing Progress towards CPF Objectives

Focus Area 1: Increasing Competitiveness			
Objective 1: Improved Environment for Regional Trade and Investment			
CPF Objective indicators	Supplementary Progress Indicators	Progress Update	WBG Program
OI 1.1: Number of business people entering Mauritius Baseline: 37,410 (2013) Target: 41,150 (2021) (+10%) **Actual: 48,615 (2017)** **50,543 (2019)** *Source: Statistics Mauritius*	**Annual Technical Workshops among APEI partners countries convened with WBG Technical Support. Achieved**. Envisioned in the CPF as a programmatic series of two DPOs, the Accelerated Program for Economic Integration Regional DPO was to improve the policy environment for trade in five APEI countries (Malawi, Mauritius, Mozambique, Seychelles and Zambia) by: (i) removing barriers to trade; (ii) promoting trade in services; and (iii) enhancing measures to facilitate trade. Only two countries (Mauritius and Seychelles) declared the first operation effective (June 2016). Since only Mauritius met the readiness criteria for and chose to participate in the planned second DPO operation, it was cancelled in February 2018. According to the ICR for the first operation, several technical meetings were held in FY17, and following the project's completion efforts were underway to strengthen the APEI coordination mechanism, and interactions with the Bank to identify a balanced mix of interventions to advance APEI objectives based on Annual Meeting discussions were on-going supported by key Bank-financed ASA.	**OI 1.1: Achieved** The APEI Regional DPO aimed to promote trade in services in part by facilitating the movement of professionals across borders by easing regulations on business visas and work permits. Following the signing of a Memorandum of Understanding on the movement of business people across borders – a prior action under the operation, Mauritius saw an initial 28 percent increase in the number of business people entering the country (but a small decline in business people entering from APEI countries) by 2017, significantly exceeding the project target value of 5 percent. The number continued to increase totaling 50,543 in 2019, before Covid-related border closures.	*Financing* APEI DPO/P4R Series IFC SBM Ltd IFC Trade Finance IFC Adenia II & Adenia III IFC CDC Pragati Sale IFC Helio Towers *ASA* PPP Reform TA IFC Advisory Services ICT Sector TA **MIGA guarantees:** Eastern and Southern African Trade and Development Bank (FY20) Absa Group Central Bank Mandatory Reserves Coverage (FY 19);

OI 1.2: Elimination of non-tariff barriers (NTB) Baseline: n/a Target: 10 NTBs removed **Actual (2017): 20 NTBs removed** *Source: APEI Regional DPO ICR/ICRR*	**TA for identification of NTBs that could be removed delivered.** **Achieved.** **Regulatory assessment of services trade and investment in the context of COMESA commitments in the four priority sectors (tourism, communication, finance, transport) delivered.** Off track. The regulatory assessment was to be undertaken as part of the second APEI DPO which was cancelled.	**OI 1.2: Achieved** Supported by the first APEI Regional DPO, import and export requirements were removed on 20 products. Targets related to increasing the transparency of procedures and reducing inspections were also met.	
OI 1.3: Increased capacity to develop policies in digital governance	**Capacity building and policy assistance delivered in the area of Digital Governance and Data-Driven Development:** a) Technical assistance for drafting of a transparent and Open Government Data policy. b) Technical assistance to establish Open Data initiative and governance structure. c) 75 government officials trained in sustaining a government-wide Open Data initiative. Achieved.	**OI 1.3: Achieved.** Progress on digital governance, supported by Data Driven Development and ICT Policy TA, has made trade-related requirements more accessible.	
Objective 2: Build the Knowledge Base for Unlocking the Potential of the Ocean Economy			
CPF Objective indicators	**Supplementary Progress Indicators**	**Progress Update**	**WBG Program**
OI 2: Enhanced Regional Cooperation in Management of Fisheries Increased compliance by Mauritius with IOTC resolutions Baseline (FY15): 81 percent Target (FY21): 86 percent **Actual (2019): 82 percent**	**Management of key fisheries under sustainable management plans** Off track. (see below) **Marine Spatial Plan prepared** Off track. In December 2016, Cabinet agreed to the development of a Marine Spatial Plan for Mauritius. The process was initiated in 2017 and a number of	**OI 2: Off track** Under the SWIOFish 2 project, declared effective in 2018, the IOTC compliance rate for Mauritius increased slightly from 81 percent to 82 percent. The 2020 compliance rate is not yet available. The schedule of IOTC meetings has been interrupted by the Covid-19 pandemic. The next Compliance Committee	*Financing* Southwest Indian Ocean Fisheries/Blue Economic Investment Operation *ASA* Unlocking the Potential of the Blue Economy

Source: IOTC *Note: 2020 compliance rate will be reported in May 2021.*	coordination committee meetings were held. Under the MSP process, several studies where undertaken, including on offshore aquaculture, and several working groups were created. However, the MSP process in Mauritius seems to be a tool to respond to specific questions, rather than a comprehensive planning exercise of the coasts and waters around Mauritius.	meeting is scheduled for end-FY21 during which the 2020 compliance data will be discussed. The lending operation on South West Indian Ocean Fisheries/Blue Economy designed to further support achievement of this indicator was canceled due to a lack of government interest.	
Focus Area 2: Fostering Inclusion			
Objective 3: Increased Capacity to Implement Education Reforms			
CPF Objective indicators	**Supplementary Progress Indicators**	**Progress Update**	**WBG Program**
OI 3: Government capacity to implement the Nine Years of Continuous Basic Education reform in line with international good practice is strengthened. Baseline: Implementation began in January 2017; plans were in line with international good practice**.** Target: Adjustments to implementation made in response to evaluation findings and international good practice. **Actual (2021): Adjustments continue to be made.**	**Detailed implementation plans for the Nine Years Reform program are developed.** **Achieved.** **Effective monitoring and evaluation tools are developed and delivered** **Achieved.** RAS outputs, including evaluations of the early learning and digital learning programs, were delivered on time, each of them produced through active engagement with the relevant Mauritian government counterparts. These outputs are helping to strengthen the government's capacity for managing a dynamic process for education reform implementation and adjustment.	**OI 3: Achieved.** With a delay in the signing of the RAS legal agreement until September 2017, Government proceeded to design the plan for reform implementation on its own and had already started implementing this plan on its own when the World Bank team began its work in late 2017. The WBG's capacity building role was thus adjusted so that government would draw on WBG expertise and support in areas required to advance reforms. In each of the four areas identified in the RAS agreement (social accountability, early support program and early digital learning program, extended curriculum, and professional development of teachers), government is drawing on WBG advice on international good practice and technical expertise by working closely to prepare key policy and operational documents and mid-term evaluations of priority programs under the	*ASA* Education Sector RAS IFC innovations in education

		reform. This approach is consistent with international best practice in capacity development. The outputs in each priority area produced with active engagement of counterparts are helping strengthen the government's capacity.	
Objective 4: Strengthen Government Capacity to Develop Policy Options to Increase the Sustainability of Pensions Programs			
CPF Objective indicators	**Supplementary Progress Indicators**	**Progress Update**	**WBG Program**
OI 4: The High-Level Committee on Pensions Reform has released a reform proposal to address financing sustainability of public pensions.	**Updated fiscal projections for the Basic Retirement Pension are developed.** **Achieved**. An Options Policy Note on the possibilities for reforming BRP included updated fiscal projections. **Updated actuarial projections and reform scenarios for the National Pension Fund are developed.** **Off track.** National Pension Fund abolished in 2020.	**OI 4: Partially on track.** The Bank has supported pension reform through ongoing dialogue and just-in-time knowledge products. The focus of ASA has broadened to include: (i) a study on the Fiscal Impact of Aging which in addition to pensions covered broader social protection measures as well as education and health spending; and (ii) an Options Policy Note on the possibilities for reforming BRP with updated projections. In fiscal year 2020/21 a pension reform was undertaken which only partially addresses the sustainability issues in the pension system	*ASA* Pensions TA
Focus Area 3: Bolstering Resilience and Sustainability			
Objective 5: Strengthened Management of Water Supply			
CPF Objective indicators	**Supplementary Progress Indicators**	**Progress Update**	**WBG Program**
OI 5: Successful selection of a Central Water Authority Private Operator under a PPP arrangement by end 2018.	**Development and adoption of a Water Sector Reform Road Map by 2018** **Off track.** Although a reform roadmap was accepted by the responsible Ministry, it has not been adopted or implemented and GoM has not carried this agenda forward.	**OI 5: Off track** The IFC mandate to carry out this selection expired as a result of GoM's priorities and delay in approval to proceed with this transaction.	*ASA* Mauritius Water Sector TA (RAS) IFC climate grant Global Infrastructure Fund grant IFC Transactional Advisory Services

Objective 6: Build Capacity to Implement Strengthened Financial Sector Governance			
CPF Objective indicators	**Supplementary Progress Indicators**	**Progress Update**	**WBG Program**
OI 6.1: The BoM migrates to a forward looking, risk sensitive supervisory approach for the banking system by 2019.	**Revised methodology for assessing bank risk is developed.** **Achieved**. Supported under the RAS, the RBS consists of various modules that address each category of banking risk – credit, liquidity, market, operational, AML, capital adequacy, Pillar 2 and governance. So far, the methodology for all modules have been developed and pilots have been carried out for credit, liquidity, and AML risks, for which user manuals have also been developed. The manuals for the remaining modules will be ready by August, after which the remaining pilots will be carried out. Once data from the various pilots has been analyzed, the methodology/manual may have to be fine-tuned and followed by a full pilot of the whole RBS as from March 2022.	**OI 6.1: On track** With support under a RAS, with significant progress has been made towards adopting a risk-sensitive approach to World Bank supervision. Stress tests on the banking sector were performed (before the Moody's downgrade); results of recent stress tests are forthcoming.	*ASA* FSAP Follow up TA Strengthening Insurance Sector Regulation NLTA
OI 6.2: Payments regulations are adopted to facilitate access to new financial products and services to households and small business retailers, including mobile money.	**ToR, institutional set up, and governance of the Payments Council are developed.** **Off track**. The payments council is no longer considered relevant.	**OI 6.2: On track** The Bank of Mauritius issued a new Payments Act in 2018. The guidelines to operationalize this new law, however, have not yet been submitted for approval by the BoM Board.	

Annex 5. Selected Macroeconomic Indicators

Output, prices and exchange rate	2018	2019	2020	2021p	2022p	2023p
Real GDP growth	3.8	3.0	-14.9	4.8	6.8	4.0
Inflation (period average)	3.2	0.5	2.5	2.3	3.7	3.5
Exchange rate (MRU / USD), period avg	33.9	35.5	39.3	..	..	..
Money and Credit	**2018**	**2019**	**2020**	**2021p**	**2022p**	**2023p**
Broad Money (M3) growth	6.3	8.5	16.9	-1.1	2.9	0.1
Credit to private sector (% of GDP)	78.3	80.3	96	95.3	90.7	88.6
Key repo rate (end of period)	3.5	3.35	1.85	..	..	..
NPLs (% of total loans, end of period)	6.5	4.9	6.1	..	..	..
External Sector	**2018**	**2019**	**2020**	**2021p**	**2022p**	**2023p**
Current account balance (% of GDP)	-3.9	-5.1	-12.7	-15.6	-6.8	-6.6
Goods trade (net, % of GDP)	-21.3	-21.9	-19.6	-19.2	-18.1	-19.2
Services trade (net, % of GDP)	7.6	5.9	-0.1	-4.2	2.4	3.5
Income (net, % of GDP)	12.6	13.3	10.1	10.8	11.4	11.5
Transfers (net, % of GDP)	-2.9	-2.7	-3	-3.1	-2.4	-2.4
Gross int. reserves (months of imports)	10.2	12.3	16.8	11.1	9.7	9.3
Central Government Budget	**FY 2018/19**	**FY2019/20**	**FY2020/21**	**FY2021/22**	**FY2022/23**	**FY2023/24**
Revenue and grants (% GDP)	22.1	22.7	21.8	23.2	23.9	24.2
of which tax revenue	20.0	20.1	18.7	19.9	20.3	20.7
Current Spending	22.8	29.5	32.2	28.1	26.7	28.1
Capital spending (budgetary)	2.5	5.0	1.8	1.8	1.7	1.7
Budget balance	-3.2	-11.8	-12.2	-6.7	-4.5	-5.6
Net lending and financial transactions	-1.6	-1.9	-7.8	-1.7	-1.1	-1.1
Overall borrowing requirement	4.8	13.1	-20.0	-8.4	-5.6	-6.7
Public sector debt (% of GDP)	65.4	83.4	92.0	92.6	91.4	92.9

Sources: Ministry of Finance, Economic Planning and Development, IMF, World Bank Staff estimates, Statistics Mauritius, Bank of Mauritius.

Annex 6. Alignment of ASA program to CPF objectives

P number	Title	GP	Status	FY	FA1: Increasing competitiveness	FA 2: Fostering Inclusion	FA 3: Bolstering Resilience and Sustainability
	Public Expenditure Review	Macroeconomics, Trade and Investment	planned	22			
P165248	Enhancing Supervisory Capacity of BOM	Finance, Competitiveness and Innovation	ongoing	23			
P170028	TA on insolvency, secured transactions and doing business reforms	Finance, Competitiveness and Innovation	ongoing	22			
P173238	Productivity Study and report	DEC	done	21			
P171584	Country Economic Memorandum	Macroeconomics, Trade and Investment	done	21			
P171558	Transforming Strategic Planning for Economic Development RAS	Governance	done	21			
P171987	Review of the Sugar Cane Sector	Agriculture and Food	done	21			
P162927	Education RAS	Education	done	21			
P164368	Potable Water Sector PPP and Reform Project	Water	done	20			
P171809	Youth and Women Inclusion and Using Data for Decision Making	Poverty and Equity	done	20			
P171883	Support for Africa Strategy Bilateral Program	Finance, Competitiveness and Innovation	done	20			
P162592	Money Laundering and Terrorism Financing Risks Assessment	Finance, Competitiveness and Innovation	done	20			
P168226	Strengthening Regional Agriculture Imports from APEI Countries	Macroeconomics, Trade and Investment	done	19			
P169786	Productivity dialogue	Macroeconomics, Trade and Investment	done	19			
P168012	Promoting sustainable economic growth through equity-friendly and business-enabling policies	Poverty and Equity	done	19			
P164706	Fostering Economic Mobility and Promoting Youth Employment	Poverty and Equity	done	18			
P160871	FSAP Follow-up TA	Finance, Competitiveness and Innovation	done	17			
P155091	Building the Ocean Economy	Environment, Natural Resources & Blue Economy	done	17			
P161878	Data-Driven Development and ICT Policy Technical Assistance	Transport	done	17			
P158935	Support to Potable Water Sector Reform and PPP for the National Water Authority CWA	Water	done	17			

Annex 7. Map of Mauritius