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COUNTRY PROFILE 2016

MAURITIUS

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Contents

Abbreviations and acronyms

AfDB	African Development Bank
COMESA	Common Market for Eastern and Southern Africa
ECA	Economic Commission for Africa
GDP	Gross domestic product
IMF	International Monetary Fund
SADC	Southern African Development Community
VAT	Value added tax

Acknowledgements

Country Profiles is a series published annually by the Economic Commission for Africa (ECA). The aim of the series is to disseminate country- and region-specific policy analyses and recommendations for economic transformation, with an emphasis on promoting sustainable growth and social development, strengthening regional integration and facilitating development planning and economic governance. The present series is the result of the close collaboration of the subregional offices of ECA and the African Centre for Statistics. Specific contributions were provided by relevant programme areas of ECA, in particular, the Macroeconomic Policy Division, the Regional Integration and Trade Division, and the Social Development and Policy Division.

The country profile on Mauritius was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of ECA, and the direct leadership of Said Adejumobi, Director of ECA Subregional Office for Southern Africa, with supervision from Sizo Mhlanga, Chief of the Subregional Data Centre. The lead author of the Mauritius country profile was Zebulun Kreiter, Associate Economic Affairs Officer at the Subregional Office for Southern Africa.

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Mauritius at a glance

General information	
Region	Southern Africa
Official language	None
Currency	Mauritian rupee
Capital	Port Louis
Memberships in regional economic communities	COMESA, SADC

Ranking	
Human development index (United Nations Development Programme)	63/188 (2014)
Gender inequality index (United Nations Development Programme)	88/155 (2014)
Ibrahim index of African governance (Mo Ibrahim Foundation)	1/54 (2015)
Ease of doing business index (World Bank)	49/190 (2016)
Corruption perceptions index (Transparency International)	50/176 (2016)

Economic growth

Overall real growth in GDP in Mauritius in 2015 was 3.5 per cent, slightly down from 3.7 per cent in 2014. The strongest performing sectors in 2015 in growth terms were accommodation and food service activities, information and communications technologies and administrative and support service activities. Statistics Mauritius estimates real GDP growth in 2016 to be 3.9 per cent, owing to strong growth in financial and insurance activities, particularly monetary intermediation, and continued strength in accommodation and food services due to tourism and robust consumer demand.

Fiscal policy

Total government revenue increased by 7.5 per cent in fiscal year 2015/16, from 82.1 billion rupees ($2.5 billion)* to 88.2 billion rupees ($2.4 billion). Total Government expenditure in the fiscal year 2015/16 was 103.2 billion rupees ($2.8 billion), representing a 6.5 per cent increase compared with 2014/15. Government debt and public enterprise debt obligations are currently estimated to be 65.0 per cent of GDP.

* United States dollar equivalents are calculated on the basis of the average exchange rate over the reference period.

Monetary policy

The average headline inflation rate in 2016 was 1.0 per cent, slightly below the 1.3 per cent registered in 2015. The Bank of Mauritius lowered its policy rate to 4.40 per cent in November 2015 in its first rate change since May 2013. In July 2016, the policy rate was lowered further to 4.00 per cent to give an added boost to the economy. In 2016, the Mauritian rupee stabilized after significant declines in 2015, depreciating 2.0 per cent against the United States dollar and 1.8 per cent against the euro.

Current account

The current account deficit in 2015 was 19.7 billion rupees ($553.3 million) and 21.8 billion rupees ($702.6 million) in 2014. The main factor underlying the reduction in the current account deficit has been a sharp decline in merchandise imports, due largely to the lower price of oil. While the surplus in the services account remained stable between 2014 and 2015, its value grew 34 per cent in the first half of 2016, owing largely to higher tourism earnings.

Capital and financial accounts

The capital and financial account balance, inclusive of international reserves, registered a surplus of 17.9 billion rupees ($502 million) in 2015, compared with 18.6 billion rupees ($598 million) in 2014, a decline of 3.8 per cent. Net direct investment experienced a decline of 5.1 billion rupees ($144 million), 30.5 per cent, owing to significant increases in outward direct investment. The top sectors for inward direct investment were real estate, accommodation and food service activities and construction, illustrative of the crucial role of tourism in the economy.

Demographic dynamics

The population of Mauritius was estimated to be 1,262,588 on 31 December 2015, with 1,220,530 residents on the island of Mauritius and 42,058 on the island of Rodrigues. The population growth rate of 0.1 per cent in 2015 is the lowest on record. Population projections by Statistics Mauritius anticipate a population increase of 0.4 per cent in 2019 compared with 2014 levels, followed by a gradual shrinking of the population.

Poverty

Absolute poverty is low in Mauritius, with the proportion of poor persons (defined as those living on less than $2 per day) less than 2 per cent of the population in 2012, the date of the most recent measurement. There are large income disparities between urban and rural areas, with urban household income outpacing rural household income by 19.4 per cent in 2012. However, that gap has decreased over time.

Employment

The labour force participation rate in Mauritius was 60.4 per cent in 2015, with men accounting for 60.4 per cent of the workforce. On a sectoral basis, manufacturing is the largest employer, accounting for 19.7 per cent of jobs with wholesale and retail trade and repair of motor vehicles a close second, accounting for 17.6 per cent. The unemployment rate in 2015 was 7.9 per cent overall, but was 11.6 per cent for women compared with 5.5 per cent for men. Unemployment is much higher among young people, at 26.3 per cent in 2015.

Health

Overall life expectancy in Mauritius was 74.5 years in 2015, 77.8 years for women and 71.2 years for men. Indicators of childhood mortality registered a small uptick in 2015 from their 2010 levels after having declined steadily over the past two decades. Child nutritional indicators are strong, with less than 2 per cent of children aged 3 to 5 years reported as underweight. Non-communicable diseases account for the majority of the country's disease burden. In 2015, for the first time in 30 years, diabetes prevalence was found to have stabilized during the six years since it was last measured.

Education

The overall literacy rate for citizens 10 and older in Mauritius is 89.2. In 2015 the gross enrolment ratio was 97 per cent at the primary level (6 to 11 years) and 92 per cent at the secondary level (11 to 17 years). The Government has announced a move to a nine-year continuous basic education system, which will change the modes of assessment, reform the technical and vocational education sector and develop a system of polytechnic education.

Gender equality

In Mauritius, gender equality is observed in the literacy rate of 15-24 year olds, child health (the under-5 survival rate) and the share of population without HIV. The life expectancy of women exceeds that of men. In the education sector, women have outperformed men in tertiary and secondary school enrolment and in the youth literacy rate. Gender inequality persists, however, in business and politics. Of a total 78 members of parliament, only eight are women. Similarly, only three women hold ministerial positions, compared with 21 men.

1

Overview

After experiencing 5.0 per cent average annual real GDP growth through the 2000s, Mauritius has undergone an economic slowdown, with growth remaining in the 3 per cent range since 2012 (Statistics Mauritius, 2016g). Real GDP grew 3.5 per cent in 2015 and is expected to grow 3.9 per cent in 2016 (Statistics Mauritius, 2016k). In an environment of low investment and high unemployment, the Government has set its sights on new engines of growth. A crucial aspect of the country's economic strategy focuses on regional integration with the African continent. The Mauritius Africa Strategy seeks to position the island nation as a hub between Asia and Africa for trade, finance, tourism, health care and education.

Absolute poverty in Mauritius is low by international standards, and the Government's Marshall Plan Against Poverty aims to completely eliminate deprivation in the country. Income inequality has increased in recent years and unemployment has remained stubbornly high, at a rate of 7.9 per cent in 2015 (Statistics Mauritius, 2016m). Mauritians enjoy universal access to health care, and the prevalence of diabetes, the second largest cause of death in the country, has stabilized for the first time in 30 years. Major educational reforms are under way, with the Government transitioning to a nine-year continuous basic education system from the current system in the next year. While education at all levels is affordable and accessible, educational reforms aim to alleviate the skills mismatch in the labour market.

Given the country's strategic orientation towards high-value-added sectors that demand specialized skills with a backbone of a dynamic small and medium-sized enterprise sector, reforms in the education sector will need to be appropriate to the needs of emerging industries and adaptable to changes. Current educational reforms and skill-development programmes are an important step in this direction, but additional policies and institutions may be needed to ensure that Mauritians are equipped with the skills that they need for the jobs of tomorrow.

2

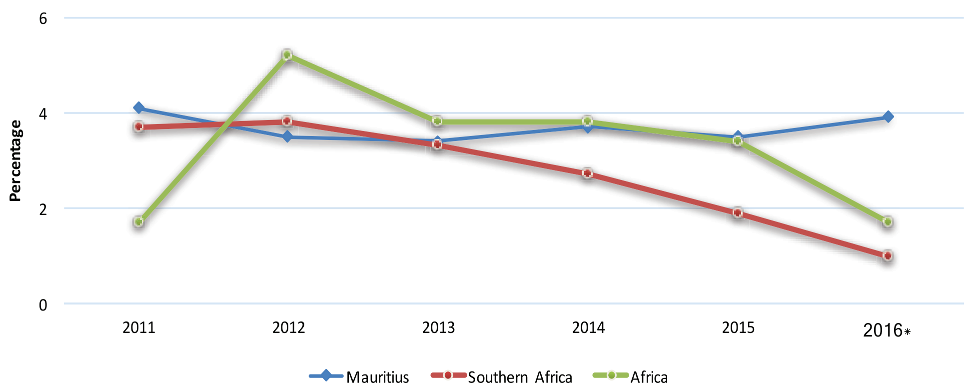
National and subregional context

Real GDP growth in Mauritius has consistently outperformed southern Africa since 2013, and in 2015 was higher than the continental average, registering 3.5 per cent, compared with 3.4 per cent for Africa as a whole (see figure 1). In 2016, real GDP growth is estimated to have diverged further, with Mauritius anticipated to have grown 3.9 per cent, compared with only 1.0 per cent for southern Africa and 1.7 per cent for the entire continent (Statistics Mauritius, 2016g; Department of Economic and Social Affairs, 2017).

The economic structure of Mauritius differs from that of most other southern African countries in terms of the important role of manufacturing and the small role played by commodity exports, primarily sugar. Global economic developments therefore affect the island nation in ways that differ significantly from its counterparts in SADC and COMESA, of which the country is a member.

Lower growth estimates for southern Africa in 2016 are largely the result of continued low commodity prices, which in many cases have contributed to substantial currency depreciation and resultant inflation, as well as severe drought caused by the El Niño phenomenon. These factors have had a minimal impact on Mauritius, which has been affected more by anaemic global growth, which has had an impact on demand for its

Figure 1: **Real GDP growth: Mauritius, Southern Africa and Africa, 2011-2016 (Percentage)**



Source: Statistics Mauritius (2016g) and United Nations Department of Economic and Social Affairs (2017).

* Data for 2016 are estimated.

exports. World gross product, which is expected to have expanded by 2.2 per cent in 2016, has created a lacklustre environment in which Mauritius's export-oriented economy is facing headwinds (Department of Economic and Social Affairs, 2017).

Moreover, as the United Kingdom of Great Britain and Northern Ireland is the top destination for Mauritian exports in 2015, the decision of that country to leave the European Union could have an impact on the Mauritian economy through multiple channels, including a less competitive exchange rate relative to the weaker British pound and lower demand for Mauritian products. Tourism from the United Kingdom, which accounted for 9.8 per cent of tourist arrivals in the first half of 2016, the third highest number after France and Reunion, could also potentially be affected (State Bank of Mauritius, 2016; Statistics Mauritius, 2016j). To help manufacturers cope with uncertainty in the eurozone, the Government has instituted a 40 per cent reduction in air freight costs to Europe on Air Mauritius over a two-year period (Ministry of Finance, 2016b).

Owing to slow growth and increased uncertainty in its traditional export markets, integration with the African continent has become a cornerstone of the country's economic strategy. Mauritius aims to position itself as a hub between Africa and Asia and seeks to capitalize on this position in multiple sectors, including trade, finance, tourism, health care and education.

Total trade with Africa grew by 28 per cent in the past five years, with exports growing nearly 40 per cent, from 13.1 billion rupees ($446 million) in 2011 to 18.3 billion rupees ($514 million) in 2015, led by clothing and textiles, sugar and printed materials (Statistics Mauritius, 2016d). member States of SADC and COMESA account for a substantial share of those trade flows, amounting to 14.7 billion rupees ($412 million) and 8.2 billion rupees ($229 million) of exports in 2015, respectively. The fastest growing African export markets for Mauritian products in 2015 were South Africa and Madagascar (Statistics Mauritius, 2016f).

Mauritius is hoping to leverage its geographical position between Africa and Asia to enhance its role as a logistics platform for trade. Its Freeport, a duty-free zone established in 1992 with warehousing facilities, processing units, cold rooms and exhibition and office spaces, has helped Mauritius gain a strong foothold as a trans-shipment hub for Africa. Activities in the Freeport grew 5.1 per cent between 2011 and 2015 and are estimated to contribute 0.7 per cent to overall GDP in 2016 (Ministry of Finance, 2016e). Proposed amendments to the Freeport Act include addressing current regulatory and administrative constraints, reducing the restriction of annual export value from 80 per cent to 50 per cent for exporters to Africa, and expanding the scope of companies catered for. This will increase the range of both markets and products targeted by the Freeport and promote the export of service activities. In addition, investments of more than 6 billion rupees ($166 million) over the next five years aimed at enhancing and expanding port infrastructure and reclaimed land earmarked for the development of a petroleum port at Albion are further measures that the Government is taking to position Mauritius as a trans-shipment and logistics hub in the region (Ministry of Finance, 2016b).

In the financial sector, Mauritius is attempting to deepen its offerings to compete as an international financial centre. Having established itself as a strong offshore financial services jurisdiction, Mauritius is using its financial and legal architecture to position itself as a financial link between Asia and Africa. It is hoped that new measures, such as tax holidays for companies holding a global headquarters administration licence,[1] will attract companies to structure investments in the region using Mauritius as a platform. Efforts to develop Mauritius as an international arbitration centre seek to solidify the legal institutional framework to establish the country as a regional investment hub. The country's network of agreements with African countries facilitate the ease of doing business with the continent. Mauritius currently has 15 double taxation avoidance agreements and eight investment protection and promotion agreements in force with African countries (Ministry of Finance, 2016e). Finally, the goal of developing Mauritius as a renminbi clearing centre for the Africa region seeks to further increase trade, investment and financial flows between Asia and Africa (Ministry of Finance, 2016a).

Mauritius is increasing its tourism marketing to Africans, with the aim of attracting newly wealthy tourists from the continent. The recently launched Africa-Mauritius-Singapore-Asia air corridor is an initiative by the Government to stimulate the growth of passenger and cargo traffic through Mauritius and Singapore to enhance the country's connectivity and establish it as an aviation hub linking the two continents. With increasing tourist arrivals, more qualified doctors than the public sector can absorb and an expanding availability of private health-care options, Mauritius has begun promoting medical tourism as another prong of its regional strategy, with a focus on attracting African patients. The number of foreign patients seeking medical treatment in Mauritius grew from 1,500 in 2007 to 16,042 in 2015. The majority of foreign patients came from Reunion, Seychelles, France, Madagascar, the United Kingdom and South Africa. The Government has set an ambitious target of 100,000 foreign patients by 2020 (Ministry of Health, 2016b).

Mauritius has seen a significant increase in the number of registered private tertiary education institutions, which now amount to 53, in addition to the 10 publicly funded ones (Tertiary Education Commission, 2016). The country aims to attract more foreign students to make Mauritius an educational hub for the African continent. Of the 2,500 foreign students in Mauritius in 2015, 47 per cent were African, with most hailing from Nigeria, South Africa and Madagascar (Ministry of Finance, 2016e).

On the African continent itself, Mauritius plans to establish special economic zones through joint ventures with other African Governments. The Mauritius Africa Fund, which was launched in 2014 with 500 million rupees ($16.1 million) in seed capital by the Government, will execute the projects on behalf of the Government, which has signed agreements in the

1 A global headquarters administration licence as defined by the Financial Services Act of 2007 can be issued to entities that provide at least three of the following services to at least three related corporations: administration and general management, business planning and development and coordination, economic or investment research and analysis and services related to international corporate headquarters in Mauritius.

past year with Senegal, Madagascar and Ghana. In Senegal, where the special economic zone project has progressed furthest, 40 hectares of land have been allocated for the project (Ministry of Finance, 2016b). Africa's continued strong growth prospects, coupled with underwhelming investment levels in Mauritius, have led the country to look for new markets in which Mauritian companies can establish a foothold.

Box 1 outlines Mauritius's performance and progress on regional integration as assessed by the Africa regional integration index, a joint project of AfDB, the African Union Commission and ECA, which is designed to measure how far each country in Africa is meeting its commitments under pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty.

Box 1: Africa regional integration index - Mauritius

Overall rank*:
Ninth in SADC (score: 0.47). Best performer in SADC is South Africa (score: 0.74). Sixth in COMESA (score: 0.47)

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
Fourth in SADC (score: 0.66) Best performers in SADC are Seychelles and Swaziland (score: 0.70) Third in COMESA (score: 0.46)	Eighth in SADC (score: 0.51) Best performer in SADC is South Africa (score: 1). Eleventh in COMESA (score: 0.55)	Twelfth in SADC (score: 0.26) Best performer in SADC is Zimbabwe (score: 0.74) Twelfth in COMESA (score: 0.39)	Ninth in SADC (score: 0.44) Best performer in SADC is Botswana (score: 0.82) Fifth in COMESA (score: 0.48)	Sixth in SADC (score: 0.45) Best performer in SADC is South Africa (score: 0.91) Fourth in COMESA (score: 0.47)

Mauritius ranks moderately-to-poorly within both COMESA and SADC in the overall index, attaining sixth and ninth place, respectively.

Free movement of persons: Good score (fourth in SADC, third in COMESA). Mauritius has not yet ratified the relevant SADC and COMESA instruments concerning free movement of persons, rights of establishment and free movement of workers. However, 86 per cent of other SADC member States may enter Mauritius visa-free, and the remaining 7 per cent may enter with a visa on arrival, while a quarter of COMESA member countries may enter Mauritius with a visa on arrival and 55 per cent of other member States may enter Mauritius visa-free.

Trade integration: Moderate-to-poor score (eighth in SADC, eleventh in COMESA). Mauritius has an average applied tariff of around 0.004 per cent on imports from COMESA, the fifth-lowest in the bloc (based on data for 2014). Over the period 2010 to 2013, imports from the rest of SADC accounted for only 4.2 per cent of Mauritius GDP, which was the fifth-lowest among SADC members. On the other hand, Mauritius exports to SADC as a share of GDP averaged 3.1 per cent over the same period (the fifth-lowest level among SADC member countries). Over the same period exports to COMESA averaged around 1.7 per cent of GDP, which was the ninth-lowest level among the COMESA members.

* A continent-level ranking system in which the performance ratings of all African countries in terms of regional integration are compared is currently under development and will be included in future updates of this country profile.

Productive integration: Poor score (twelfth in both SADC and COMESA). Mauritius is weakly integrated into regional value chains. Its trade is moderately complementary with that of its partners. Mauritius had a UNCTAD merchandise trade complementarity index of 0.23 vis-à-vis the rest of SADC between 2010 and 2013. This indicated that there was a relatively encouraging correlation between the country's exports and the SADC import structure. The share of intermediates in imports to Mauritius from SADC was 14.4 per cent over the same period (the third-lowest in the bloc), while 9 per cent of the country's imports from COMESA were intermediates (second-lowest among COMESA member countries for which data was available). The country's share of intermediates in total exports to the SADC region averaged 13.7 per cent (the ninth-highest share in the bloc), while 21 per cent of its exports to COMESA were intermediates (eleventh-highest level among COMESA members for which data was available).

Infrastructure: Moderate-to-poor score (ninth in SADC, fifth in COMESA). The country ranked third among SADC members in its average performance in the AfDB infrastructure development index between 2010 and 2012. Around 32 per cent of international flights to and from Mauritius are intra-SADC, which is the lowest such ratio among SADC members, while 18 per cent of its international flights were intra-COMESA (the lowest such ratio among COMESA members). Intra-African mobile phone roaming is relatively less costly in Mauritius (the third-lowest roaming rate among SADC members for which data was available).

Financial integration and macroeconomic policy convergence: Good to moderate score (sixth in SADC, fourth in COMESA). The inflation rate in Mauritius is relatively low — it is the third-lowest in SADC and seventh-lowest among COMESA member countries.

Overall, Mauritius performs moderately-to-poorly, with better performance in the area of financial integration and macroeconomic policy, but moderate to poor performance in the areas of infrastructure, free movement of persons, trade integration and productive integration. To boost its performance, Mauritius could consider ratifying the SADC and COMESA instruments on free movement of persons, allowing visa-free entry for the nationals of a greater number of countries within the region and looking into other measures to boost intraregional trade in goods and services.

3

Economic performance

3.1 Economic growth

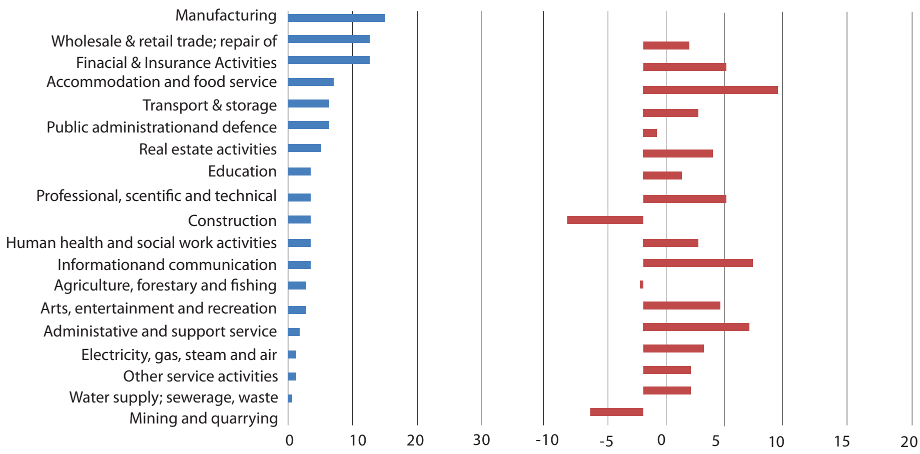
In 2015, the GDP of Mauritius was 409.5 billion rupees ($11.5 billion) — 324,278 rupees ($9,106) on a per-capita basis. Overall real GDP growth in Mauritius in 2015 was 3.5 per cent, slightly down from 3.7 per cent in 2014. Growth has remained in the 3 per cent range since 2012, far below the average 5.0 per cent growth the country experienced during the 2000s (Statistics Mauritius, 2016g). The slowing pace of growth, which is due to low investment, an aging population and increased global competition in manufacturing, has led the Government to pursue new strategies to revive the country's growth prospects.

In 2015, services accounted for 74.8 per cent of output, compared with 21.5 per cent for industry and just 3.7 per cent for agriculture, forestry and fishing, and mining and quarrying. The largest components of the Mauritian economy are manufacturing, the largest share of industry, and wholesale and retail trade and motor vehicle repair and financial and insurance services in the service sector (Statistics Mauritius, 2016k).

The strongest performing sectors in 2015 in growth terms were accommodation and food service activities, information and communications technology and administrative and support service activities. Strong performance in accommodation and food service activities was driven by a 10.9 per cent increase in tourist arrivals (Statistics Mauritius, 2016j). Financial and insurance activities contributed the most to overall GDP growth, followed by accommodation and food service activities and wholesale and retail trade.

The construction industry, which has contracted each of the last five years as operators in the sector deleveraged, is expected to remain flat in 2016 as increased residential building offsets expected declines in the non-residential building and other construction work subsectors. The 3.4 per cent decline in the miniscule mining and quarrying sector in 2015 was directly linked to the woes facing the construction industry as aggregates, including crushed basalt, used for construction projects are the primary output of the sector (Statistics Mauritius, 2016k; United States Geological Survey, 2013). Figure 2 shows the relative importance and growth rates of sectors in the economy.

Figure 2: Sector shares and growth in Mauritius, 2015 (Percentage)

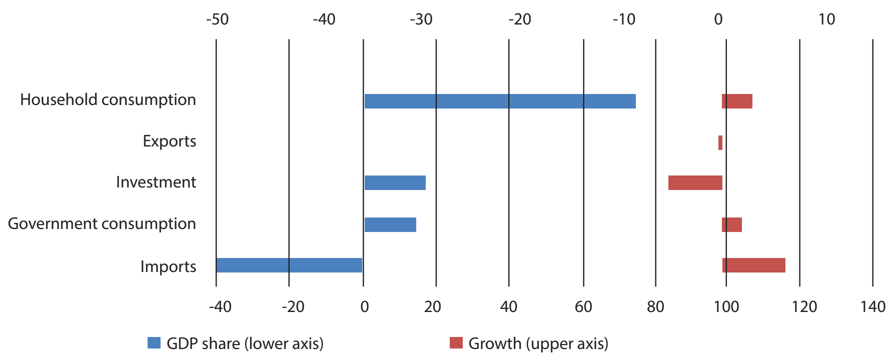


Source: Statistics Mauritius (2016k).

Household consumption is the largest portion of the economy, accounting for 74.8 per cent of GDP (see figure 3). Mauritius has a highly open economy in which trade accounts for a large portion of output, with imports amounting to 58.9 per cent of GDP and exports totalling 49.0 per cent of GDP in 2015. Investment and government consumption play relatively smaller roles in total output, accounting for 17.4 per cent and 14.8 per cent, respectively (Statistics Mauritius, 2016k).

Household consumption has grown steadily, increasing by 2.9 per cent in 2015. Exports of goods and services grew sharply by 10.9 per cent in 2014, but fell by 0.3 per cent in 2015. The decrease in 2015 was due mainly to a lower export value of fuel to foreign vessels and

Figure 3: Demand shares and growth in Mauritius, 2015



Source: Statistics Mauritius (2016k).

aircraft and does not reflect significant changes in the country's productive capacity. While imports of goods and services grew slightly less than exports in 2014, by 8.5 per cent, in 2015 they grew by 6.2 per cent in real terms. Private sector investment has been falling consistently since 2012, decreasing by 8.4 per cent in 2014 and 7.6 per cent in 2015 owing to high corporate indebtedness and deleveraging (Statistics Mauritius, 2016k, and Bank of Mauritius, 2016c).

Statistics Mauritius estimates real GDP growth in 2016 to be 3.9 per cent, owing to strong growth in financial and insurance activities, particularly monetary intermediation, and continued strength in accommodation and food services due to tourism and robust consumer demand. Box 2 assesses forecasts of the country's real GDP growth provided by various organizations.

Box 2: Comparing economic forecasts for Mauritius

Economic forecasts provide essential information for decision makers in the public and private sectors. Reliable economic forecasts inform and support a country's decision-making process. A number of organizations currently produce forecasts on economic growth for Mauritius. These include AfDB, EIU, IMF and the World Bank. The forecasts produced by those organizations at times matched but sometimes diverged from each other by as much as 4.3 percentage points for the years 2008-2016 (see figure A). EIU provided the most optimistic forecasts of growth, averaging 4.2 per cent over the period 2008-2016. Looking forward, the most optimistic growth rate forecasts for 2016 are from EIU (3.9 per cent), followed by the World Bank (3.7 per cent), AfDB (3.6 per cent) and IMF (3.5 per cent).

The degree of accuracy of those forecasts is an important issue and ECA has therefore carried out an analysis to assess the reliability of the forecasts, using the root mean square error and the mean absolute error, which are the most common measures used to evaluate forecasts. Generally, the higher the value of the errors, the less accurate the forecasts. ECA analysis of forecasts over the period 2008-2014 indicates that IMF forecasts are relatively more accurate, followed by those from AfDB and the World Bank, while EIU forecasts had relatively high forecast errors (see figure B).

Figure A: Forecasted real GDP growth rates, by institution

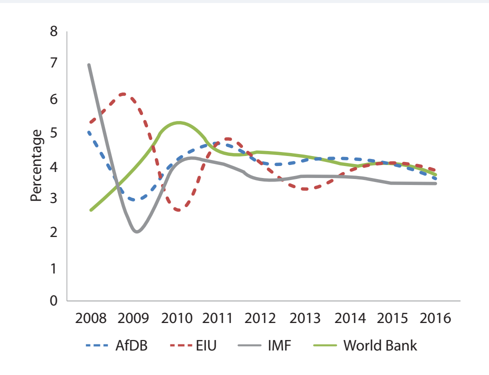
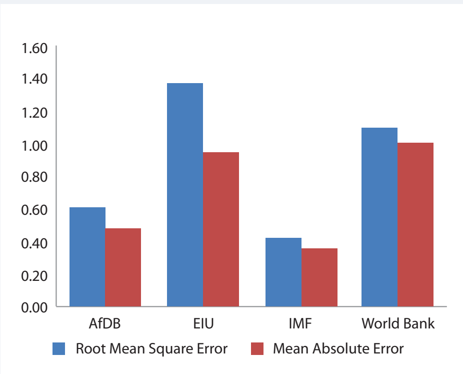


Figure B: GDP growth forecast accuracy, by institution



* For more information on these terms and the ECA approach to evaluating the accuracy of forecasts, see ECA (2015).

3.2 Fiscal policy

The Government of Mauritius finances the vast majority of its operations through tax revenue. Of the 88.7 per cent of total government revenue accounted for by tax revenue in fiscal year 2015/16, VAT accounted for 64.1 per cent of tax revenue, followed by taxes on income, profits and capitals gains at 24.5 per cent. Other revenue streams accounted for 7.2 per cent of total revenue, and grants from foreign Governments and international organizations amounted to only 0.4 per cent of government revenue in the fiscal year 2015/16 (Ministry of Finance, 2016c).

Total government revenue[2] increased by 7.5 per cent in fiscal year 2015/16 compared with 2014/15, from 82.1 billion rupees ($2.5 billion) (20.6 per cent of GDP) to 88.2 billion rupees ($2.4 billion) (20.9 per cent of GDP). The increase was due mainly to a 6.3 per cent increase in tax revenue, from 73.6 billion rupees ($2.2 billion) to 78.2 billion rupees ($2.2 billion) (Statistics Mauritius, 2016i). For the fiscal year 2016/17, total revenue is expected to be 16.1 per cent higher, at 102.4 billion rupees ($2.8 billion), with 84.7 billion rupees ($2.3 billion) in tax receipts and 6.4 billion rupees ($177 million) in external grants (Ministry of Finance, 2016c).

Mauritius has built its substantial offshore global business sector through its 43 taxation treaties, which allow investors to pay negligible taxes in Mauritius on investments in other countries that are channelled through the island. While the sector's success lies in the low tax rates faced by investors, the global business sector's 6.1 per cent contribution to GDP in 2015 is a boon to State coffers through corporate taxes on financial services companies that operate in the sector and income taxes levied on the estimated 3,000 direct and 6,000 indirect jobs in the industry (Statistics Mauritius, 2016k; the Africa Report, 2016). Mounting regulatory and political pressure has forced Mauritius to expand its range of financial services, as the future viability of the global business sector as it is currently configured is uncertain.

Total government expenditure in fiscal year 2015/16 was 103.2 billion rupees ($2.8 billion) (24.4 per cent of GDP), representing a 6.5 per cent increase compared with 2014/15 (Ministry of Finance, 2016c; Statistics Mauritius, 2016i). The largest percentage of expenditure goes to social sectors, which accounted for 53.2 per cent of total expenditure in 2015/16. The wage bill amounted to 25.4 per cent of outlays. Total public sector investment, including projects financed by the Government, parastatal bodies and public enterprises, remained in the 5 per cent of GDP range between 2011 and 2015/16 (Ministry of Finance, 2016e).

In fiscal year 2016/17, the Government expects to use 102.9 billion rupees ($2.8 billion) for recurrent expenditure and 14.1 billion rupees ($399 million) for capital expenditure, an increase in total spending of 13.8 per cent (Ministry of Finance, 2016c). A 12.7 billion-rupee ($353 million) four-year grant from the Government of India has been earmarked to finance the Metro Express Project, digital tablets for students in grades 1 and 2, partial financing for

2 The figures in this section refer to the finances of the Budgetary Central Government.

the construction of a new Parliament House and government offices, a new ear, nose and throat hospital and social housing (Ministry of Finance, 2016b).

In fiscal year 2015/16, the budget deficit was 3.5 per cent, compared with 3.2 per cent in the half-year budget during the first half of 2015 and fiscal year 2014. The budget deficit in 2016/17 is expected to decrease slightly to 3.3 per cent of GDP (Ministry of Finance, 2016c). Table 1 shows the country's fiscal accounts in greater detail.

Regulations applying to public sector debt are framed by the Public Debt Management Act of 2008, which stipulates that debt should not exceed 60 per cent of GDP at current market prices at the end of each fiscal year and requires that the debt level be reduced to 50 per cent

Table 1: **Fiscal accounts (Millions of Mauritius rupees)**

	2012	2013	2014	2015 (January - June)*	2015	July 2015-June 2016**
Revenue (including grants)	73 791	78 211	79 674	40 138	18.7	88 236
Tax revenue	64 919	67 990	71 727	36 569	8.3	78 224
Social contributions	1 051	1 269	1 284	659	10.4	1 375
Grants	2 395	1 394	407	1 196		336
Other revenue	5 426	7 558	6 256	1 714		8 301
Total expenditure	80 045	91 058	92 213	46 443	20.8	103 154
Operating expenditure	70 429	79 896	82 686	42 876	11.6	97 167
Compensation of employees	18 684	22 717	24 025	12 122	9.2	26 208
Use of good and services	6 516	7 070	7 547	3 623		8 363
Interest (accrual basis)	10 303	9 638	10 105	4 871		10 119
Subsidies	1 147	1 471	1 578	838		1 768
Grants	16 007	18 459	18 080	8 943		20 101
Social benefits	14 364	15 400	17 504	11 393		25 023
Other expenses	2 322	2 373	3 037	1 087		5 585
Net acquisition of non-financial assets	2 322	11 162	9 528	3 567		5 987
Budget balance	-6 254	-12 847	-12 539	-6 304	1.0	-14 918
Percentage of GDP	-1.8%	-3.5%	-3.2%	-3.2%	0.4	-3.5%
Public sector debt	199 58	219 37	238 33	251 904	-2.1	274 397
Percentage of GDP	57.0%	59.3%	60.9%	63.1%	-0.3	65.1%

Source: Ministry of Finance (2016c and 2016d) and Statistics Mauritius (2016i).

Note: Interest on debt is calculated on an accrual basis. All other figures are on a cash basis.

* The Government of Mauritius changed its fiscal year in 2015 from the calendar year to the period July to June. The first half of 2015 was budgeted for separately owing to the change in the fiscal year.

** The figures for fiscal year 2015/16 are provisional actuals.

by the end of 2018, with exceptions in the case of natural disasters or other emergencies, timely or prudent large public sector investment projects and fiscal stimulus in the event of economic downturns (Ozeer, 2015).

Over-indebtedness has been a persistent concern for the country, owing in particular to the imminent statutory debt limit. Total public sector debt, which includes central Government debt and public enterprise debt obligations, is currently estimated to be 65.0 per cent of GDP, according to international standards of measurement.[3] Public sector debt for the purpose of the debt ceiling[4] is estimated to be 55.6 per cent of GDP as of September 2016 (Ministry of Finance, 2016d).

While the overall level of debt has been a cause for concern, a number of the debt's characteristics lessen the potential risk it poses for the country. Public debt in Mauritius is largely domestically held, with external debt accounting for only 23.1 per cent of the total debt stock in 2015, reducing its currency risk profile. In addition, the maturity profile of the country's debt is largely long-term, with short-term debts accounting for only 13.7 per cent of the total burden (Ministry of Finance, 2016d).

3.3 Monetary policy

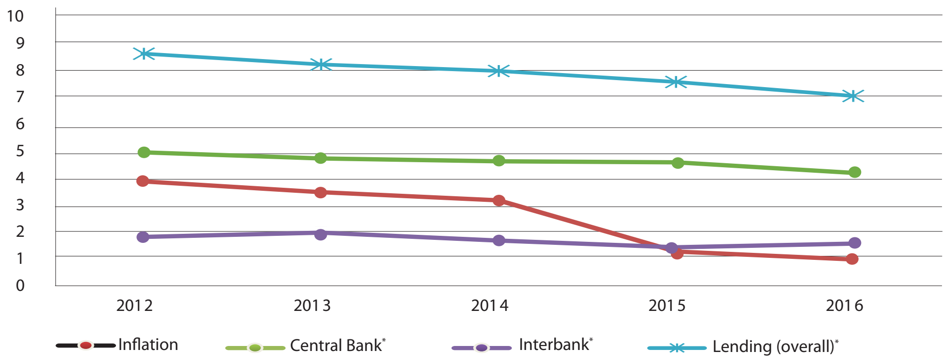
While headline inflation averaged 5.8 per cent between 2001 and 2010, in the years from 2011 to 2016 it has declined to an average of 3.2 per cent. The average headline inflation rate in Mauritius in 2016 was 1.0 per cent, slightly below the 1.3 per cent registered in 2015. While vegetables, meat, fish, fruit, restaurants, spirits, cigarettes, school tuition fees, health-care costs and footwear contributed to headline price increases, lower energy prices, housing loan interest costs and milk and grain prices partially offset those rises (Statistics Mauritius, 2017). Core inflation, which excludes food, beverages and tobacco, mortgage interest on housing loans, electricity, gas, other fuels and items whose prices are controlled, averaged 2.2 per cent in 2016, the same as 2015, illustrating the strong impact of those items, particularly energy prices, on lower headline inflation (Bank of Mauritius, 2016b).

Interest rates have trended downwards in recent years, albeit at a slow pace (see figure 4). The Bank of Mauritius, whose dual mandate is to ensure price stability and orderly and balanced economic development, lowered its policy rate to 4.40 per cent in November 2015 in its first rate change since May 2013. In July 2016, the policy rate was lowered further by 40 basis points to 4.00 per cent to give an added boost to the economy, which has experienced weak private investment and subdued export performance. Downward revisions to global growth forecasts and low domestic inflation provided further support for the decision (Bank of Mauritius, 2016a).

3 International standards of total public debt are governed by the 2014 Government Financial Statistics Manual of IMF.

4 The measure of the public debt for the purpose of the debt ceiling excludes long-term debt liabilities of IMF special drawing rights, government securities issued for sterilization operations aimed at mopping up excess liquidity and discounts on some public enterprise debt in accordance with the guidelines of the Public Debt Management Act of 2008.

Figure 4: Inflation and interest rates in Mauritius, 2012-2016 (Percentage)



Source: Interest rates from Bank of Mauritius (2016b); headline inflation from Statistics Mauritius (2016a).
* Through November 2016.

In 2015, the weighted average lending rate was 7.60 per cent and in 2016 it declined to 7.08 per cent through November. Lending rates vary greatly by sector. Rates range as low as 1.92 per cent for some in the trading sector to 19.25 per cent for some financial and business services companies. Deposit rates have come down as well, barely reducing the interest rate spread from 490 basis points in 2013 to 464 basis points in 2016. Real interest rates have increased, despite a fall in nominal rates due to the more rapid decline in inflation. The weighted average real deposit rate went from negative to positive in December 2014 and was 1.31 per cent in November 2016. Private sector credit grew 2.8 per cent year on year in 2016 through November, with the largest increases in ICT and agriculture and fishing, to which credit expanded 18.6 per cent and 13.9 per cent, respectively (Bank of Mauritius, 2016b).

In 2015, the Mauritius rupee depreciated 14.6 per cent against the dollar and 6.6 per cent against the pound, but rose by 4.1 per cent against the euro. In 2016, the rupee stabilized, depreciating 2.0 per cent against the dollar and 1.8 per cent against the euro. The rupee rose 9.5 per cent against the pound in 2016 after the pound fell sharply in the second half of the year (Bank of Mauritius, 2016b).

3.4 Current account

The current account (see figure 5) has been in deficit since 2003, but the deficit as a percentage of GDP has shrunk rapidly, going from 13.8 per cent of GDP in 2011 to 4.8 per cent of GDP in 2015. The current account deficit was 19.7 billion rupees ($553.3 million) in 2015 and 21.8 billion rupees ($702.6 million) in 2014. In the first half of 2016, the current account deficit amounted to 7.2 billion rupees ($198 million), which is 38 per cent lower than the 11.5 billion rupees ($330 million) registered in the first half of 2015 (Bank of Mauritius, 2016b).

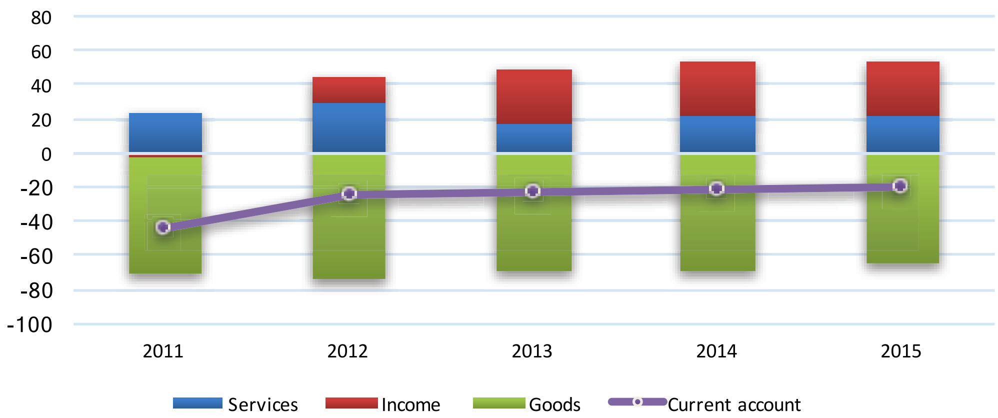
The main factor underlying the reduction in the current account deficit has been a sharp decline in merchandise imports, due largely to the lower price of oil. While the surplus in the services account remained stable between 2014 and 2015, its value grew 34 per cent in the first half of 2016 owing largely to higher tourism earnings. The country's consistent surplus in services illustrates the success that it has had in transforming itself into an exporter of services.

The surplus in the income account fell by 3.4 per cent between 2014 and 2015, owing largely to net outflows of direct investment income. However, through the first half of 2016 the surplus in the income account has grown 26.6 per cent year on year as inflows of direct investment income in the global business sector have increased.

The merchandise trade deficit of Mauritius narrowed between 2014 and 2015, falling from 77.3 billion rupees ($2.5 billion) in 2014 to 74.0 billion rupees ($2.1 billion) in 2015 owing to falling imports and stable export volumes. Total merchandise exports declined 0.7 per cent in 2015 to 94.1 billion rupees ($2.6 billion), owing largely to a 41.2 per cent decline in ships' stores and bunkers, which mostly consists of fuel products for foreign vessels and aircraft. Domestic exports grew 2.1 per cent and re-exports, which account for 28.6 per cent of total exports, grew by 15.9 per cent. The Freeport, which serves as a duty-free logistics, distribution and marketing hub for the region, contributed 81 per cent of the country's re-exports in 2015 (Statistics Mauritius, 2016e and 2016f).

The largest increase in exports between 2014 and 2015 was in the telecommunications equipment subsector — the result of re-exports of mobile phones imported from Viet Nam and China to the United Arab Emirates. Manufactured goods rose 6.0 per cent owing largely to exports of processed diamonds. Exports of clothing and textiles also increased markedly, by 5.3 per cent. Despite strong increases in exports in the manufacturing sector, exports by export-oriented enterprises fell by 0.8 per cent, indicating vulnerabilities in the sector.

Figure 5: Current account balance, 2011-2015 (Billions of Mauritian rupees)



Source: Bank of Mauritius (2016b).

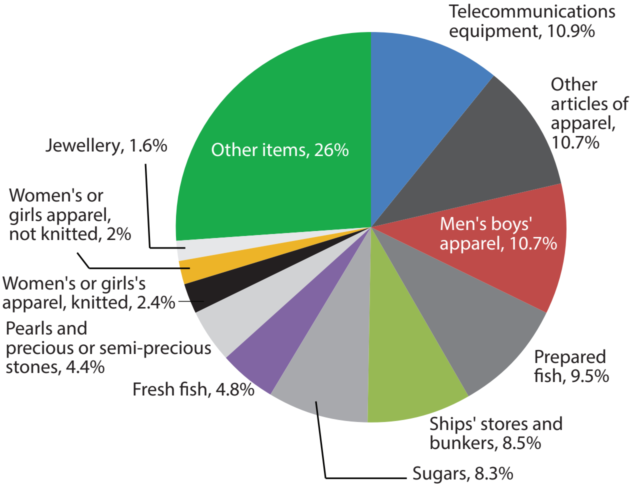
The top exports from Mauritius in 2015 (see figure 6), including re-exports, were telecommunications equipment, men's or boys' apparel, other articles of apparel and prepared fish, which accounted for 10.9 per cent, 10.7 per cent, 10.7 per cent and 9.5 per cent, respectively. Figure 6 shows the composition of the country's export basket (grouped according to the Standard International Trade Classification) in 2015.

European markets are the primary destination of Mauritian goods, accounting for 42.1 per cent of exports in 2015 (Statistics Mauritius, 2016e). At the country level, top export destinations in 2015 were the United Kingdom (12.6 per cent), the United Arab Emirates (12.5 per cent), the United States of America (10.6 per cent), France (9.4 per cent) and South Africa (8.7 per cent). Exports to the United Arab Emirates grew by 23.5 per cent in 2015, owing largely to re-exports of mobile phones (see above). Within the region, exports to South Africa grew by 30.0 per cent, owing largely to apparel exports, while exports to Madagascar increased by 6.5 per cent on account of a higher export volume of textiles and other manufacturing inputs (Statistics Mauritius, 2016d).

In the first half of 2016, exports were 10.9 per cent lower than in the corresponding half of 2015 owing to a 25.3 per cent drop in re-exports. Domestic exports decreased 0.4 per cent year on year. While exports of cane sugar grew, declines in exports of apparel and clothing accessories, pearls and precious and semi-precious stones drove the slight decrease (Statistics Mauritius, 2016f).

Merchandise imports to Mauritius fell by 2.3 per cent in 2015 compared with 2014 to 168.1 billion rupees ($4.7 billion), owing largely to a 25.3 per cent decline in refined petroleum products. The decline was offset in part by increased imports of staple food products and

Figure 6: **Mauritius export composition in 2015 (Percentage of total exports)**



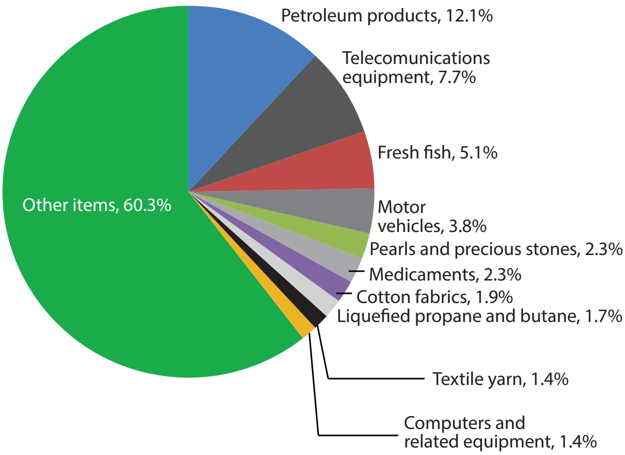
Source: Statistics Mauritius (2016d).

manufactured goods. In terms of manufactured goods, imports of industrial and construction materials such as iron and steel and cement, as well as cotton fabrics and pearls and precious or semi-precious stones, were particularly large (Statistics Mauritius, 2016e). Figure 7 shows the import composition of Mauritius in 2015.

The primary source of most of the country's imports is Asia, which accounts for 55.5 per cent of all imports. The top four sources of imports in 2015 were China (18.0 per cent), India (17.7 per cent), France (7.1 per cent) and South Africa (6.6 per cent). Imports from China grew by 9.1 per cent. Imports from India fell sharply by 19.9 per cent, and those from France fell by 8.6 per cent in 2015 (Statistics Mauritius, 2016e).

Imports during the first half of 2016 declined by 5.1 per cent compared with the first half of 2015. The decrease was due primarily to a 26.3 per cent decrease in mineral fuels, lubricants and related products (Statistics Mauritius, 2016f).

Figure 7: **Mauritius import composition in 2015 (Percentage of total imports)**



Source: Statistics Mauritius (2016d).

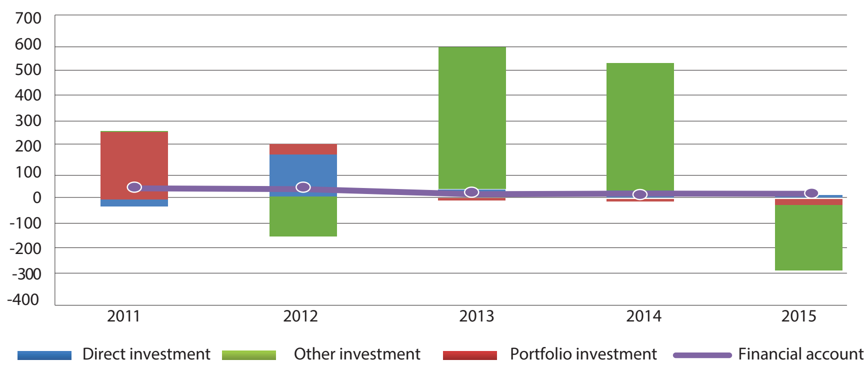
3.5 Capital and financial accounts

The capital and financial account balance (see figure 8), inclusive of international reserves, in 2015 registered a surplus of 17.9 billion rupees ($502 million), compared with 18.6 billion rupees ($598 million) in 2014, a decline of 3.8 per cent (Bank of Mauritius, 2016b).

Portfolio investment registered a net outflow of 24.6 billion rupees ($692 million), down 89.2 per cent from 2014. The primary reason for the decline was the steep decrease in equity security liabilities, which dropped from 24.5 billion rupees ($789 million) to 10.0 billion rupees ($281 million). Other investment surged, growing 34.2 per cent between 2014 and 2015 owing to high growth in bank assets, which was partially offset by growing long-term liabilities in other sectors (Bank of Mauritius, 2016b).

Net direct investment experienced a decline of 5.1 billion rupees ($144 million), 30.5 per cent, on account of significant increases in outward direct investment. Total net direct investment in Mauritius in 2015 was 11.7 billion rupees ($329 million). Exclusive of global business transactions, direct investment into Mauritius in 2015 is estimated to have been 9.7 billion rupees ($272 million). The top sectors for inward direct investment were real estate, accommodation and food service activities and construction, illustrative of the crucial role of tourism in the economy. The top sources of inward foreign direct investment in Mauritius in 2015 were France, South Africa, the United Kingdom and Switzerland (Bank of Mauritius, 2016b).

Figure 8 **Financial account balance, 2011-2015 (Billions of Mauritian rupees)**



Source: Bank of Mauritius (2016b).

Outward direct investment is also substantial, and is estimated to have been 2.4 billion rupees ($68 million) in 2015. The top sectors for outward investment were finance and insurance, human health and social work activities, real estate and accommodation and food service. The recipient of the largest amount of investment was Mozambique, followed by Switzerland, Kenya, France and the United Arab Emirates (Bank of Mauritius, 2016b).

Gross official international reserves amounted to 179 billion rupees ($5.0 billion) at the end of December 2016, 17.0 per cent higher than at the end of 2015. This is equal to nine months of import cover, well within the SADC macroeconomic convergence criteria of six months (Bank of Mauritius, 2016b).

4

Social developments

The African Social Development Index (see box 3) was developed by ECA in response to a call from African States for an African-specific indicator of exclusion. The Index is built on the premise that economic growth should result in the improvement of human conditions for all. Adopting a life-cycle approach, the Index focuses on six key dimensions of well-being: survival, health, education, employment, means of subsistence and decent life. Using available national data, the tool will assist in mapping and assessing the effectiveness of social policies in reducing human exclusion at the national and subnational levels.

The Index will also support countries in improving their data collection and strengthening their capacities to monitor progress on poverty and exclusion. As a policy tool, it will complement member States' efforts to devise more inclusive social policies and facilitate the implementation of Africa's Agenda 2063 and the 2030 Agenda for Sustainable Development, which place a high premium on inclusiveness as a driver of sustainable and equitable development.

Box 3: African Social Development Index - Mauritius

Consistent with overall social development performance, Mauritius shows a slight improvement in its African Social Development Index score between 2000 and 2013. The value of each of the six indicators that compose the Index ranges between 0 and 1, and the aggregate value of the Index lies between 0 and 6. The higher the value, the higher the extent of human exclusion.

Starting from 2000 as its baseline, Mauritius has a relatively low human exclusion value of 1.36. Between 2000 and 2013, the value declined by 2.1 percentage points, from 1.38 in 2000 (figure A). The marginal decline in the Index value could reflect the country's robust and comprehensive social protection programmes, which are focused on nearly the entire population and have helped to reduce levels of vulnerability across the island State. Indeed, Mauritius has one of the strongest welfare states in the world.

In addition, companies under the corporate social responsibility framework are mandated by law to contribute 2 per cent of their profits to poverty alleviation, human development and environmental protection (AfDB and others, 2014).

Human exclusion by gender is relatively low for both sexes, although males had a slightly higher score in 2000 relative to women (see figure B). The increase in the exclusion of women over the period is due entirely to a relative increase in the female youth unemployment rate relative to that of men, partly explained by increased retrenchments in the textile and clothing manufacturing industry following the end of the Multi Fibre Agreement in 2004, which had been a major source of employment for women.

Figure A: African Social Development Index in Mauritius, 2000-2013

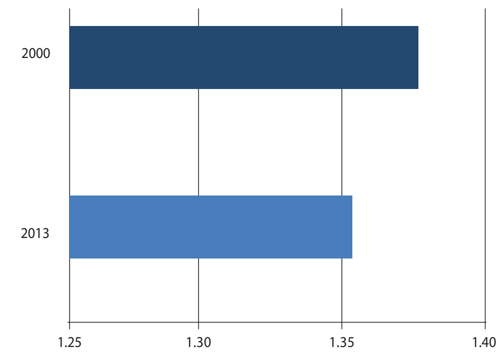
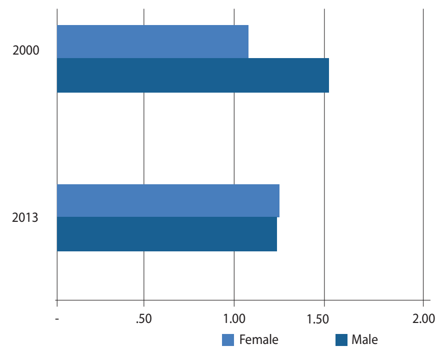


Figure B: Human exclusion in Mauritius by gender, 2000-2013



Source: ECA computations using national data.

The major drivers of human exclusion in Mauritius are neonatal mortality and youth unemployment rates (see figure C). The contribution of neonatal mortality to overall exclusion increased between 2000 and 2013, accounting for more than 43.5 per cent of the Index value in 2013, despite the fact that the neonatal mortality rate fell from 12.6 deaths per 1,000 live births in 2000 to 9.8 in 2012. In addition, there was a marginal increase in the contribution of child stunting and poverty to exclusion between 2000 and 2013. This stands in contrast to the reduction in the impact of education and youth employment on overall exclusion, reflecting increases in educational access and job opportunities for young people over the period, although there is still much room for improvement.

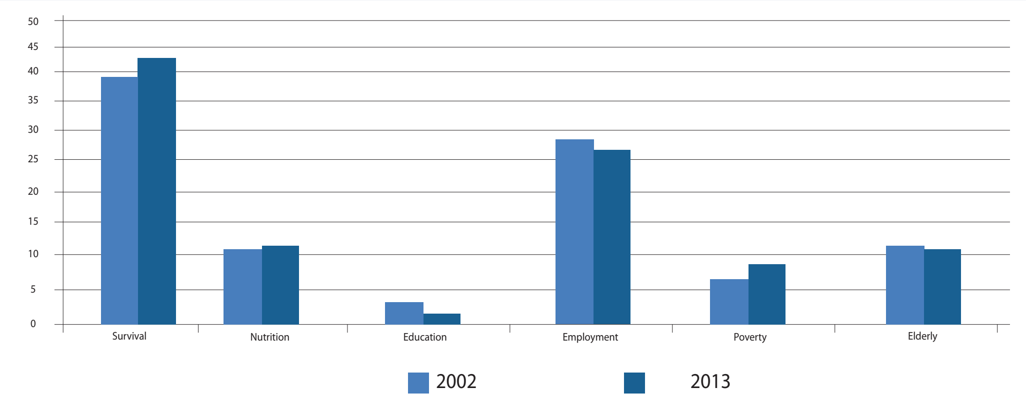
Policy considerations

In order to address youth unemployment and other vulnerabilities in Mauritius, the country has a robust social protection programme that takes the form of in-kind transfers*, active labour market programmes**, social aid and cash transfers (basic pensions). These policy instruments are administered by various ministries, foundations and special funds with clear guidelines. In addition, the country has two mandatory income-related contributory schemes, namely, a national pension fund and a national savings fund, while parastatals and the private sector administer different schemes for their employees. The Government's commitment to social protection is exemplified through its high budgetary expenditure of 22 per cent, while many countries in the region hardly go beyond 5 per cent. The Ministry of Social Security is responsible for managing and distributing cash transfers in the form of social aid, non-contributory pensions and unemployment hardship relief.

Furthermore, the Government's free services (education, health care and transport) have contributed significantly to reducing poverty, with education taking the lead in redistribution. It is estimated that without government free services, poor households would need to spend 33 per cent of their income on education, 21 per cent on health care and 3 per cent on transport, leaving them with 43 per cent for living expenses (Ministry of Finance and Economic Development, 2015).

The country has also made significant progress in reducing infant and under-5 mortality rates, with massive investments in primary health care. The Government has also intensified its immunization efforts against infectious diseases. For example, in 2015 the percentage of children immunized against measles was 89 per cent, compared with 76 per cent in 2000. Several other measures have been outlined to improve child health in the island State through strengthening maternal and child health care, including the implementation of the national sexual and reproductive health action plan, enhancing the expanded programme on immunization against vaccine-preventable diseases and a scheme for the physical presence of specialists, including paediatricians, gynaecologists and anaesthetists, in the five regional hospitals on a 24-hour basis (Government of Mauritius, 2013).

Figure C: Drivers of human exclusion in Mauritius (Percentage)



Source: ECA computations using national data.

* Wheelchairs, hearing aids, spectacles, textbook loan schemes, overseas medical care and support for persons with disabilities.

** Including public works programmes, training for persons with disabilities and remedial and vocational education.

4.1 Demography

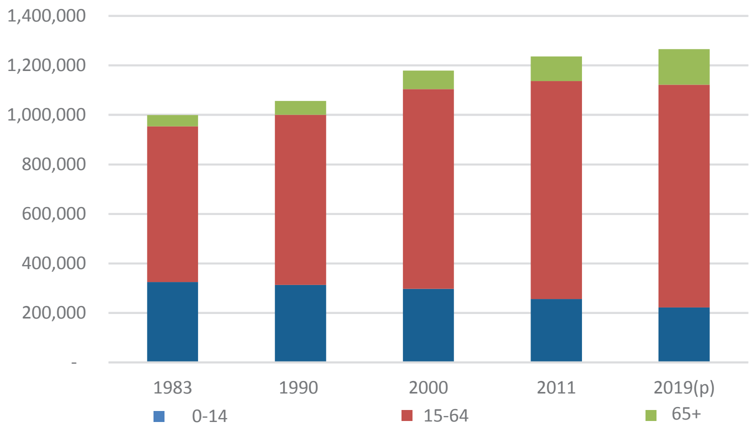
The population of Mauritius was estimated to be 1,262,588 on 31 December 2015, with 1,220,530 residents on the island of Mauritius and 42,058 on the island of Rodrigues. Females outnumbered males on both islands, with 97.9 males for every 100 females. This gender population disparity has persisted since the late 1990s, and is due largely to the fact that overall population aging favours females, whose life expectancy is longer than males. Mauritius is the sixth most urbanized country in SADC, with an estimated 40.9 per cent of the population residing in urban areas (Statistics Mauritius, 2016n).

The population growth rate in 2015 was only 0.1 per cent, a result of the low fertility rate of 39.1 live births per 1,000 women aged 15 to 49 and of out-migration. The population growth rate is the lowest in the post-independence era, having peaked in 1978 at 1.8 per cent (Statistics Mauritius, 2016l).

The dependency ratio[5] in Mauritius has been decreasing steadily, from 787.2 soon after independence in 1972 to 408.6 in 2015 as the median age has risen (Statistics Mauritius, 2016i). The proportion of the population aged 0 to 14 currently stands at 19.6 per cent, while those aged 15 to 64 make up 71.0 per cent and the proportion aged 65 and above is 9.4 per cent (Statistics Mauritius, 2016i). As the Minister of Finance explained in the 2016/17 budget speech, there are currently six employees to support one pensioner and by 2030 there will be only three.

Population projections by Statistics Mauritius anticipate a population increase of 0.4 per cent in 2019 compared with 2014 levels (see figure 9), followed by a gradual shrinking of the

Figure 9: **Population by age group, Mauritius, 1983, 1990, 2000, 2011 and 2019**



Source: Statistics Mauritius (2015a).

5 The dependency ratio is defined as the combined child population (under 15 years) and population aged 65 years and over per 1,000 of the working age (16-64 years) population in a particular year.

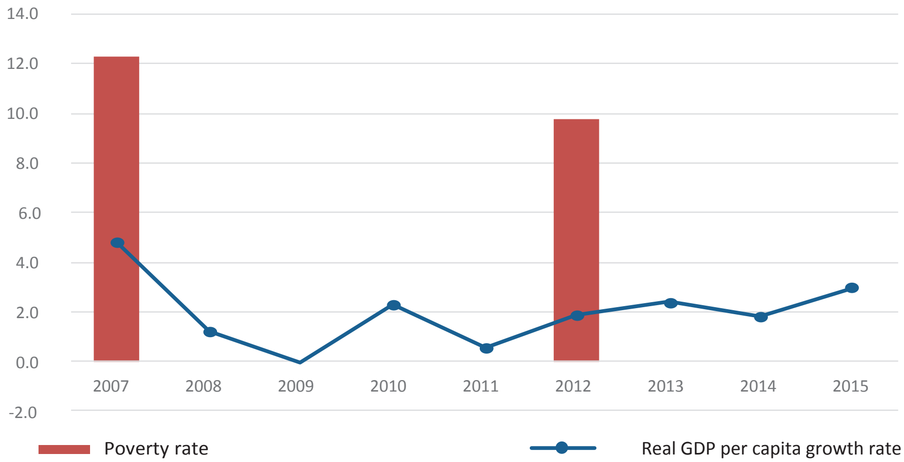
population, which will have implications for the country's pension scheme, the health-care system and the labour force (Statistics Mauritius, 2015a).

4.2 Poverty and employment

With a real GDP per capita of 324,278 rupees ($9,106), Mauritius is classified as an upper-middle-income country. Real GDP per capita has grown steadily since a brief decline in 2009, but pockets of poverty remain. Absolute poverty is low in Mauritius, with the proportion of poor persons (defined as those living on less than $2 per day) making up less than 2 per cent of the population in 2012, the date of the most recent measurement. Mauritius does not have an official national absolute poverty line, but if the 2012 relative poverty line is used as a fixed threshold,[6] the incidence of poverty rises to 9.8 per cent of the population, or 122,700 persons (see figure 10). This is a 2.5 per cent, or 29,900 persons, improvement from the 2006/07 incidence of 12.3 per cent (Statistics Mauritius, 2016b).

There are large income disparities between urban and rural areas, with urban household income outpacing rural household income by 19.4 per cent in 2012. However, the gap has decreased over time. At the same time, national income inequality has been on the rise. The Gini coefficient was 0.388 in 2006/07 and rose to 0.414 when it was last measured in 2012 (Statistics Mauritius, 2015c). This level of inequality is lower than all SADC counterparts for which data is available, with the exception of Madagascar.

Figure 10: **Poverty and real GDP per capita growth rate in Mauritius, 2007-2015 (Percentage)**



Source: Statistics Mauritius (2015a and 2016k).

6 The relative poverty line is defined in terms of the poverty of a lower income group relative to a higher income group, set at 50 per cent of the median monthly household income per adult equivalent. Households with monthly income per adult equivalent below this poverty line are considered to be in relative poverty. By adjusting the relative poverty line with price inflation, benchmarked to a given year, the equivalent poverty lines for other years can be obtained. For example, the 2012 relative poverty lines are adjusted for price changes to obtain equivalent poverty lines for 1996/97, 2001/02 and 2006/07.

The Government has begun to take significant steps to tackle the remaining vestiges of deprivation in the country through its Marshall Plan Against Poverty, a mix of programmes and targeted interventions. A new scheme will provide a monthly subsistence allowance to every adult on the Social Register. In addition, financial incentives are aimed at encouraging students from low-income families to achieve higher levels of education. The construction of more affordable housing and measures to enhance access to land and housing are additional pillars of the Government's holistic strategy to eliminate poverty. Finally, the Plan includes policies that increase funding and services for those with disabilities and special needs (Ministry of Finance, 2016b).

The labour force participation rate in Mauritius was 60.4 per cent in 2015, with men accounting for 60.4 per cent of the workforce and women comprising the remaining 39.6 per cent. At the sectoral level, manufacturing is the largest employer, accounting for 19.7 per cent of jobs. Wholesale and retail trade and repair of motor vehicles is the second-largest, accounting for 17.6 per cent. Construction and agriculture, forestry and fishing are a distant third and fourth, accounting for 8.2 per cent and 8.0 per cent of employment, respectively (Statistics Mauritius, 2016m).

Wage employment is the most common working arrangement in Mauritius, accounting for 79.0 per cent of the workforce. Own-account workers and employers account for 14.5 per cent and 4.0 per cent. The remaining 2.5 per cent of the workforce are identified as contributing family workers (Statistics Mauritius, 2016h).

The unemployment rate in 2015 was 7.9 per cent overall, and has hovered between 7.6 per cent and 8.0 per cent since 2010. Persistent unemployment in Mauritius is largely structural, the result of a mismatch between the skills of jobseekers and available positions. There are deep inequalities in the labour market, and unemployment disproportionately affects women and young people. Unemployed women are generally more qualified than their male counterparts, with higher rates of secondary and tertiary educational attainment. However, the unemployment rate is 11.6 per cent for women, compared with 5.5 per cent for men. The gender disparity is even more striking among youth.[7] While the overall youth unemployment rate was 26.3 per cent in 2015, the unemployment rate of young women was 32.7 per cent, compared with 21.6 per cent for young men (Statistics Mauritius, 2016h). In addition, there is a gender wage gap. On average, Mauritian men earn 5,600 rupees ($157) per month, 36 per cent more than women. The gender discrepancy is largest in elementary occupations in which women earn less than half of what men earn (Statistics Mauritius, 2016o).

From the 1970s onwards, the country's labour-intensive manufacturing sector absorbed increasing numbers of women, but as the economy has become more service-oriented and knowledge-based, many of the lower-skilled jobs have been lost, increasing the gender unemployment gap. In addition, inflexible working hours and inadequate childcare options have had an impact on the decisions of many women to enter the labour force (Tandrayen-

7 "Youth" is defined as those between 16 and 24 years of age.

Ragoobur and others, 2011). However, given that gender disparities persist among those seeking work with higher levels of education, discriminatory hiring practices may also underlie the differences observed.

4.3 Health

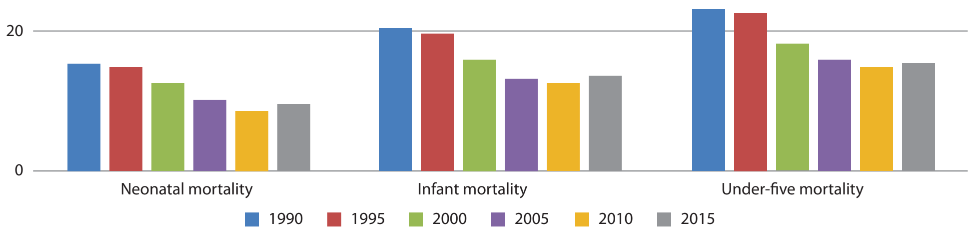
Standards of health care are high in Mauritius, with free health-care services provided to all citizens. Access to health care has improved, as reflected in the sharply declining number of people per doctor. In 2010 there was only one doctor per 834 people, whereas in 2015 there was a doctor for every 495 inhabitants. The importance of the private health-care sector is growing, with private expenditure on health accounting for more than half of total health-care spending in 2013 (Ministry of Health and Quality of Life, 2016c).

Overall life expectancy in Mauritius was 74.5 in 2015, 77.8 for women and 71.2 for men. Indicators of childhood mortality registered a small uptick in 2015 from their 2010 levels after having declined steadily over the past two decades (see figure 11). The most common causes of child deaths in 2015 were congenital anomalies, bacterial infections and respiratory distress. Child nutritional indicators are strong, with less than 2 per cent of children aged 3 to 5 reported as underweight.

The maternal mortality ratio was 0.47 per 1,000 births in 2015. There were 12,057 live births in 2015 and 79,036 antenatal attendances in public clinics. In all, 91 per cent of antenatal first attendances in public clinics on the island of Mauritius take place within the first six months of pregnancy (Ministry of Health and Quality of Life, 2016a).

Non-communicable diseases account for the majority of the country's disease burden. Of all deaths recorded in Mauritius in 2015, 24.1 per cent were due to diabetes, 19.9 per cent to heart diseases and 13.3 per cent to cancers (Ministry of Health and Quality of Life, 2016a). In 2015, for the first time in 30 years, diabetes prevalence was found to have stabilized during the six years since it was last measured (Baker IDI and Ministry of Health, 2016).

Figure 11: Neonatal, infant and under-five mortality rates in Mauritius, 1990-2015 (Per 1,000 live births)



Source: Ministry of Health and Quality of Life (2016a).

The incidence rate of HIV/AIDS peaked at 74.1 cases per 100,000 people in 2005, owing largely to injection drug use, as opposed to sexual transmission. Since then, the incidence rate has decreased significantly, registering 20.8 new cases per 100,000 people in 2015. Malaria has been eradicated on the island nation, and current incidences of the disease reflect imported cases (Ministry of Health and Quality of Life, 2016a).

In the 2016/17 budget, expenditure on health care accounts for 9.3 per cent of total expenditure. The 10.9 billion rupee ($301 million) allocation to the Ministry represents a 12 per cent increase over the previous year's allocation (Ministry of Finance, 2016b).

4.4 Education

Strong educational attainment has formed the basis of the developmental successes of Mauritius, with the country having achieved near-universal primary education even before it became compulsory in 1991 and high secondary enrolments following the elimination of fees in 1976. Tertiary enrolments have also increased significantly in recent years. Major reforms are under way to ensure that the nature of educational attainment matches the developmental needs of the country.

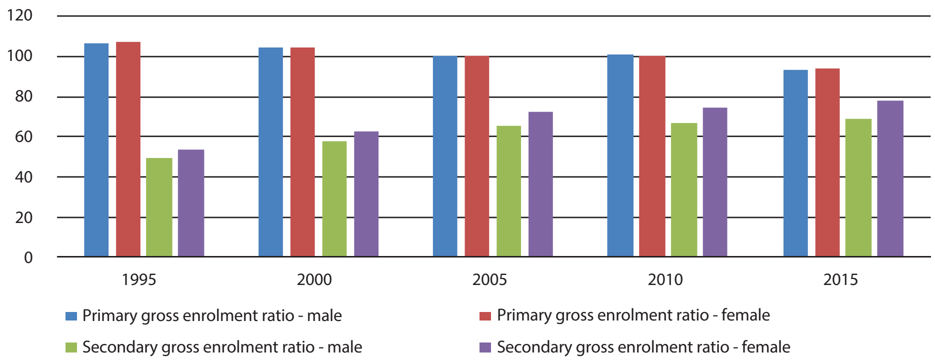
The overall literacy rate for citizens aged 10 and older in Mauritius is 89.2 – 91.3 per cent for men and 87.1 per cent for women. Literacy is highest among the youngest age group, those 10 to 14 years of age, at 98.5 per cent, and decreases with each subsequent cohort to 64.0 per cent among those 65 and older. Literacy rates are marginally higher for women than for men in each cohort between 10 and 44 years of age, but lower in all age groups 45 and older (Statistics Mauritius, 2011).

In 2015 the gross enrolment ratio[8] was 97 per cent at the primary level (6 to 11 years) and 92 per cent at the secondary level (11 to 17 years). At the tertiary level, the gross enrolment ratio was 47 per cent in 2015. Primary enrolment skews slightly male, with 50.5 per cent of primary school attendees identified as boys, while females account for 52.2 per cent of those enrolled at the secondary level (see figure 12) (Statistics Mauritius, 2016c and 2016p). Falling gross enrolment ratios at the primary level between 2010 and 2015 are a reflection of fewer over- and under-age students, as the primary net enrolment ratio increased slightly from 96 to 98 per cent over the period.

Despite a sharply increasing transition rate of students progressing from primary to secondary and pre-vocational programmes from 84 per cent in 2011 to 96 per cent in 2015, primary completion rates increased only four percentage points, from 71 per cent to 76 per cent, over the same period. Pass rates at the primary level improved slightly in 2015, from 68.6 per cent

8 Based on the UNESCO definitions of Gross and Net Enrolment Ratios, i.e. Gross: total enrolment in a specific level of education, regardless of age expressed as a percentage of the eligible official school-age population; and Net: the number of children enrolled in primary school who belong to the age group that officially corresponds to primary schooling, divided by the total population of the same age group.

Figure 12: Education in Mauritius, 1995-2015 (Percentage)



Source: Statistics Mauritius (2016c).

in 2011 to 74.2 per cent.[9] At the secondary level, the pass rate has trended downwards in the past five years from a peak of 79.3 per cent in 2011 to 75.3 per cent in 2015. Females fare consistently better, with pass rates 12.8 and 5.8 percentage points higher than their male counterparts at the primary and secondary levels, respectively (Statistics Mauritius, 2016c). Pupil-teacher ratios at the primary level have fallen steadily from a peak of 36 pupils per teacher in 2000 to 25 in 2016, and declined from 19 to 15 at the secondary level over the same period.

The Government has announced a move to a nine-year continuous basic education system, which will change the modes of assessment, reform the technical and vocational education sector and develop a system of polytechnic education. It is anticipated that these reforms will cost approximately 2 billion rupees ($55 million) over the next five years (Ministry of Finance, 2016b).

In fiscal year 2015/16, education is estimated to have accounted for 12.2 per cent of government spending. A total of 16.1 billion rupees ($444 million) have been allocated to the Ministry of Education, Human Resources, Tertiary Education and Scientific Research for the fiscal year 2016/17, representing an 11 per cent increase compared with the previous year (Ministry of Finance, 2016b).

9 When those retaking exams, an option introduced in 2013, are removed from the pass rate, it falls to 70.3 per cent in 2015.

4.5 Gender equality and women's empowerment in Mauritius

The status of gender equality and women's empowerment is measured in terms of the key areas indicated in the circular chart below. These areas are important for the improvement of women's lives and their contribution to sustainable and inclusive growth in Africa.

To assess the actual extent of gender inequality and to achieve the goal of measuring gender equality and women's empowerment in Africa, ECA has developed a monitoring tool, the African Gender Development Index (AGDI), which allows policymakers to evaluate their own performance in implementing policies and programmes geared towards ending women's marginalization.

The calculation for the scoring is based on data used to compile the Gender Status Index, one of the components of the African Gender Development Index. For each key indicator, the score is calculated as an unweighted arithmetic average by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, 5 represents the middle parity level and 10 equates to perfect parity. Parity levels exceeding 10 represent situations in which women have outperformed men, irrespective of the level of development of the area being assessed.

Most data used to calculate scoring are drawn from the latest nationally available data sources. However, for a few indicators where the country has no disaggregated data, international data are used.

Box 3: Gender equality and women's empowerment – Mauritius

In Mauritius, gender equality is observed in the literacy rate of 15-24 year olds, child health (the under-5 survival rate) and the share of population without HIV. In the education sector, women have outperformed men. In terms of the tertiary and secondary school enrolment and literacy rates for those aged 15 to 24, the percentage of women surpasses that of men, with parity scores of 13 and 11, respectively. The life expectancy of women exceeds that of men (see sect. 4.3 above).

In relation to access to credit and employment, the data indicate above middle parity score. The parity score for women and men who hold accounts in financial institutions is 9 and for those who have borrowed from financial institutions it is 6. The parity score for employment in the non-agricultural sector is 7.

Gender inequality exists in the categories of "Business" and "Women in politics". The representation of women in parliament is lower than that of men. Of a total of 78 members of parliament, only 8 are women. Similarly, only 3 women hold ministerial positions compared with 21 men.

Employment

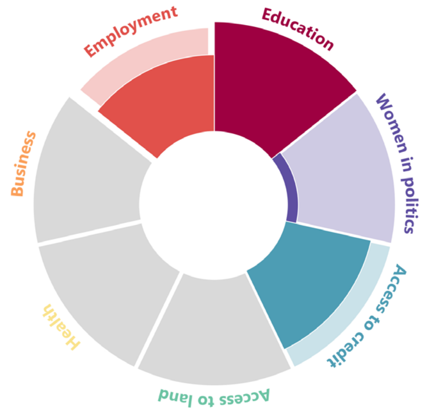
Employment in nonagricultural sector	7
Labour force participation rate	6

Business

Top management in firms	No data
Ownership in firms	3

Health

Under-five survival rate	10
Children under age five who are not stunted	No data
Life expectancy at birth	11
Share of population without HIV	10



Education

Youth literacy rate	10
Enrolment ratio in secondary education	11
Enrolment ratio in tertiary education	13

Women in politics

Representation in parliament	1
Ministerial positions-cabinet	1

Access to credit

Account at a financial institution	9
Borrowed from a financial institution	6

Access to land

Access to land	No data

Stand-alone indicators

Access to drinking water source within 15 minutes (urban)	99.8
Access to drinking water source within 15 minutes (rural)	99.5
Improved sanitation (urban)	99.9
Improved sanitation (rural)	99.7
Maternal mortality ratio	52

Source : African Union Commission and ECA, 2015.

5

Thematic analysis: Generating jobs for a new era of development - addressing the skills mismatch

5.1 Introduction

Mauritius is often cited as a strong example of structural transformation because of its successful transition from a mono-crop agricultural commodity exporter to a modern economy powered by a strong manufacturing sector. After independence in 1968, the Government adopted an outward-looking strategy based on manufactured exports produced in its export processing zone. In addition to numerous financial incentives encouraging investors to establish enterprises in the zone, an abundance of cheap labour was a competitive advantage and helped Mauritius attract significant foreign direct investment. The sugar boom of the 1970s also created a pool of available capital that was used to finance investments in the emerging tourism industry (Ragoobur, 2016).

After economic difficulties in the late 1970s and early 1980s, the country experienced an economic turnaround in the mid-1980s, achieving rapid growth and full employment. Greater diversification in the 1990s, in particular in the financial services industry, helped the country consolidate its economic success. However, the export processing zone, which continued to serve as the primary engine of growth and employment, started to show signs of decreasing competitiveness by the middle of the decade. The emphasis in manufacturing shifted towards the use of more capital-intensive methods of production and relied more on foreign labour to counteract rising wages for Mauritians.

After averaging 5.0 per cent annual real GDP growth in the 2000s, Mauritius has experienced multiple years of growth in the 3 per cent range, indicating weaknesses in the country's traditional economic pillars. As an upper-middle-income country, Mauritius can no longer rely on a large stock of cheap labour to remain competitive in the manufacturing sector (Statistics Mauritius, 2016k). Private investment has been lagging, having declined for a fourth straight year in 2015, and unemployment, which rose following the global financial crisis, has been hovering near 8 per cent over the past five years. The country's current economic strategy aims to develop new pillars of growth based on a mix of upgrading existing strengths and leveraging new technologies, all set on a backbone of a strong small and medium-sized enterprise sector.

In order to achieve the greatest potential from new opportunities, the necessary skills and experience must be developed. To help alleviate the problem of structural unemployment, the Government is taking a multitrack approach. This includes the promotion of the small and medium-sized enterprise sector, fundamental changes to the educational and training system and targeted job creation measures. It is hoped that together, these initiatives will generate a workforce that is prepared to perform the tasks necessary for the transition of Mauritius to the next phase of its economic development.

5.2 Policies for skill development and job creation

Despite the fact that an increasing number of jobseekers have a tertiary degree, youth unemployment has continued to rise. The skills mismatch has been acknowledged as a root cause of unemployment in Mauritius and the Government is implementing reforms and skill development programmes to bridge the gap between the characteristics of the workforce and the requirements of emerging growth industries.

The Ministry of Education and Human Resources, Tertiary Education and Scientific Research is launching three new polytechnics, whose goal is to bring education closer to the world of work. One polytechnic, to be based in Réduit, will offer courses in middle management, ICT and ICT-related fields. Another will focus on tourism and hotel management. The third will focus on courses in the health-care sector.

In the technical and vocational education and training sector, all training programmes will be reviewed in collaboration with industry, the quality of training equipment will be improved and teachers will receive additional training. The goal is also to enhance vocational training at the secondary level so that those with fewer years of education can attain technical skills applicable in the job market. Current programmes educate students to the semi-skilled, skilled and technologist levels, but the proposed reforms would ensure that students could graduate at the skilled level after a two-year programme.

A number of employment programmes also aim to provide the on-the-job training and experience necessary to launch successful careers. The Youth Employment Programme of the Ministry of Labour, Industrial Relations and Employment and Training, which provides unemployed youths with training and placement for a year with the possibility of permanent employment, will be extended to an additional 2,000 young people during the current fiscal year. More than 50 per cent of the 17,000 young people who have participated in the programme since its inception in January 2013 have found a job (Le Defi Media Group, 2016).

A national skills development programme, which targets unemployed workers between 16 and 35 years of age, will provide technical training and internships to participants with a stipend and transport allowance. The programme will target 4,000 Mauritians and will focus on the ICT, tourism, health-care, construction and manufacturing sectors (Ministry of Finance, 2016b).

The Graduate Training for Employment Scheme is a programme to retrain jobless graduates. Companies develop a training programme based on their needs and establish their own criteria for employability. Admission to the programme guarantees a job upon completion. The scalability of the programme remains a problem, however, owing to the labour-intensive nature of reaching the graduates and the customized nature of training required, putting the future of the initiative in doubt.

The Government is also launching a scheme to place trainee engineers in public sector organizations and fill vacancies in the civil service. Institutionally, an umbrella national employment agency will be set up to ensure implementation and a skills development authority established to regulate technical and vocational education and training. These and other measures in the 2016/17 budget are projected to create 21,400 jobs, equivalent to 3.4 per cent of the labour force (Ministry of Finance, 2016b).

The 2016/17 budget emphasizes a number of measures to support the small and medium-sized enterprise sector as another prong in its strategy to boost employment. In Mauritius the sector is essential as a source of both employment and output, accounting for 45 per cent of jobs and 41 per cent of GDP (Statistics Mauritius, 2016m; PWC, 2015). In addition to numerous financial measures to support the sector, the establishment of a small and medium-sized enterprise incubator scheme aims to train and support young entrepreneurs (Ministry of Finance, 2016b).

5.3 Additional considerations for addressing the skills mismatch

The Government has shown a willingness to address structural unemployment, and measures to reform the educational system, create jobs and training opportunities in specific sectors and support entrepreneurs in small and medium-sized enterprises are important steps towards bridging the gap between available jobs and the skills of the workforce. In framing a holistic solution to the issue, additional considerations will need to be addressed.

The Government's goal of bringing education closer to the world of work through the emerging polytechnic system is a critical step. According to cross-country research by McKinsey, 60 per cent of young people say that on-the-job training and hands-on learning are the most effective instructional techniques (McKinsey, 2012). The sectors of focus for the new polytechnics — ICT, tourism and health services — may be strategically important and have growth potential, but efforts should be made to ensure that businesses in sectors that currently provide the most employment are resilient, even as the economy transitions into higher value added subsectors.

In 2015, the top sectors by employment were manufacturing, and wholesale and retail trade and repair of motor vehicles, which accounted for 19.7 per cent and 17.6 per cent of all employment, respectively (Statistics Mauritius, 2016m). Many of those businesses are small and medium-sized enterprises. Some such enterprises in Mauritius struggle to raise finance because of poor business planning, and there is a lack of guidance for existing businesses (KPMG, 2015). If such businesses are to thrive, therefore, it will be important to ensure that they have resources that go beyond financing and encompass management, marketing and strategic assistance.

The gender dimension of structural unemployment will also need to be addressed. The rate of female unemployment is more than twice that of male unemployment, even among jobseekers with tertiary-level education (Statistics Mauritius, 2016q). Although some effort has been made to increase female labour market participation through programmes such as the Back to Work Programme of the Ministry of Labour, Industrial Relations, Employment and Training, which targets women over 30 year of age, a thorough understanding of the reasons behind disproportionate female unemployment in all age groups and levels of qualification, and targeted interventions to help resolve the imbalance, are required.

The private sector also has an important role to play in eliminating the skills mismatch. Companies that interact with educational institutions and prospective hires are more likely to get the talent they require. Frequent and meaningful interaction with tertiary educational institutions, in particular the new polytechnics, can lead to a situation in which both job seekers and employers are better off. The earlier and more intensively the educational and employment organizations interact to ensure that curricula reflect labour market needs, the better the chances that graduates will obtain the skills required for employment. The Joint Working Group, co-chaired by the Ministry of Education and Human Resources, Tertiary Education and Scientific Research and Business Mauritius, is a good example of collaboration between the public and private sectors, but the continued involvement of individual employers will be essential.

If this optimal scenario for both employers and employees is to be achieved, it is important that the incentive environment be supportive. Students need good information on training programmes and the career options that lead from such programmes if they are to make informed decisions. ICT tools that provide information on job opportunities and can assist in the matching process can be useful for both employers and prospective employees. In addition, one-stop-shop career centres and communication between educational institutions and individual teachers with the private sector can facilitate the matching process between jobseekers and employers (European Centre for the Development of Vocational Training, 2015).

Cost-sharing between educational institutions, trainees and employers can lessen the financial burden for each party. Hybrid funding models such as these can be customized to ensure that the needs of each stakeholder are met. To help entice investment and guarantee that the skill needs of employers are met, Mauritius could consider customized training courses for companies that will create jobs.

Addressing the skills gap in Mauritius will require a comprehensive approach that deals with the issue from all angles. This includes identifying mismatches where they occur, coordinating education and training programmes, ensuring the responsiveness of the education sector to the needs of the labour market and eliciting the perspectives and cooperation of employers.

Current programmes are a significant first step in the right direction towards alleviating the drag of unemployment, but innovative solutions and continued active collaboration between Government and the private sector will be necessary. If done effectively, such programmes have the potential not just to create jobs, but to increase the country's growth trajectory in new sectors, ushering in a new phase in the country's economic development.

6. National data quality evaluation

Methodological note: The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is "good"; yellow, "satisfactory"; and red, "needs improvement".

The evaluation focused on the transparency and accessibility of the national data sources, while taking into account the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the data to the general public, the format of the data and the ease with which the data can be downloaded and shared. In addition, data citations, together with references to primary or secondary sources, were assessed. Lastly, the completeness of metadata for data release and the clarity of documentation and notes were evaluated.

Demography	Value	Evaluation
Population	1,262,862 (2015)	1
Urban population (%)	41.0 (2015)	1
Child (%, 0-14 years)	19.6 (2015)	1
Adult (%, 15-64 years)	71.0 (2015)	1
Aged (%, 65+ years)	9.4 (2015)	1
Growth rate (%)	0.1 (2015)	1
Fertility rate (live births per 1000 women aged 15-49)	44.3 (2015)	1
Crude death rate (deaths per 1000 population)	7.7 (2015)	1
Crude birth rate (births per 1000 population)	10.1 (2015)	1

Key Macroeconomic and Sectoral Performance	Value	Evaluation
Real GDP growth rate (%)	3.9 (2016)	1
GDP, current prices (millions Rs)	437,099 (2016)	1
Inflation rate (%)	1.5 (2015)	2
Current account balance (millions Rs)	-19,704 (2016)	2

Economic trends and Performance Indicators	Value	Evaluation
Inward flows of foreign direct investment (billions Rs)	118,817 (2015)	1
Total exports (FOB, millions Rs)	86,108 (2015)	1
Total imports of goods (CIF, millions Rs)	168,077 (2015)	1

Education, employment, and living conditions	Value	Evaluation
Literacy rate (%, 10 years old and older)	89.2 (2011)	3
Net enrolment rate in primary education (%)	98 (2015)	1
Unemployment rate (%)	7.9 (2015)	2
Youth unemployment rate (%)	26.4 (2015)	1
Labour force participation rate (%)	60.4 (2015)	1
Population below national poverty line (%)	9.8 (2012)	1
Poverty gap ratio (%)	2.3 (2012)	1

Health	Value	Evaluation
Life expectancy at birth (years)	74.5 (2015)	4
Under 5 mortality rate (per 1,000)	15.5 (2015)	4
Maternal mortality ratio (per 100,000 live births)	0.47 (2015)	4
Neo-natal mortality rate (per 1,000 live births)	9.5 (2015)	4
Infant mortality rate per (per 1,000 live births)	13.6 (2015)	4
Proportion of births attended by skilled health personnel (%)	99.8 (2015)	4
Incidence and death rates associated with malaria (%)	0.0 (2015)	4

Data Sources Code Index

1. Statistics Mauritius
2. Bank of Mauritius
3. Mauritius Housing and Population Census
4. Ministry of Health and Quality of Life

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