Development Progress

Progress in economic conditions:

Sustained success against the odds in Mauritius

This paper was authored by Milo Vandemoortele with Kate Bird. The authors gratefully acknowledge inputs from Yousouf Ismael and Akilesh Roopun (BAI), Asha Kannan (UNDP), Rattan Khushiram (MOFED) and Ramakrishna Sithanen (Former Deputy Prime Minister and Minister of Finance). The authors would also like to acknowledge research support from Michael Gun-Why (ODI Intern), Madvee Muthu (MOFED Intern) and Lauren Walshe-Roussel (ODI Intern), networking support from Ervin Erriah (BAI) and Harry Jones (ODI), comments on an earlier draft from Nisha Agrawal (Oxfam), Rattan Khushiram (MOFED) and Alan Winters (DFID) and editorial support from Roo Griffiths. The views in this paper are those of the authors alone. The story is part of a larger project that includes 24 stories of progress on development, led by Liesbet Steer and Alison Evans on behalf of the Overseas Development Institute.

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List of abbreviations

AGOA	African Growth and Opportunity Act
APRM	African Peer Review Mechanism
BAI	British American Investment
BBC	British Broadcasting Corporation
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DFID	UK Department for International Development
EOE	Export-Oriented Enterprise
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFS	Government Finance Statistics (IMF)
GNI	Gross National Income
HDI	Human Development Index
ICT	Information and Communication Technology
IMF	International Monetary Fund
MDG	Millennium Development Goal
MFA	Multi-Fiber Arrangement
MOFED	Ministry of Finance and Economic Development
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNFCCC	UN Framework Convention on Climate Change
US	United States
WDI	World Development Indicators
WIID	World Income Inequality Database

1. Introduction

Mauritius has achieved what few other sub-Saharan African countries have been able to achieve since independence – sustained progress in economic conditions.[1] It has also accomplished what a minority of fast-growing economies have achieved – reductions in inequality. This is despite the fact that, at independence in 1968, the odds seemed stacked against the country – a remote island, culturally and ethnically diverse, a mono-crop economy, commodity-dependent, high population growth (see Meade, 1961).

In subsequent decades, it shared with other African countries the same factors providing competitive advantages (e.g. Lomé Convention, the African Growth and Opportunity Act (AGOA), the Multi-Fiber Arrangement (MFA), etc.), but was unique in its ability to take advantage of this privileged access to international markets to develop in a sustained and equitable manner. Mauritius has since been showcased as both a success story and a miracle (see Subramanian, 2009).

[1] Botswana is arguably the only other country that has been able to do so.

2. Context

Mauritius is a small, remote island state, with a population of 1.3 million people. It gained independence from the British in 1968, having previously been colonised by the French (until 1810) and the Dutch (until 1710). Prior to the Dutch colonial occupation, the island is thought to have been uninhabited (Sriskandarajah, 2005). Mauritius inherited some of the political institutions and economic structures of its British colonisers, such as a parliamentary democracy based on the Westminster model, a large plantation sector and heavy reliance on the rural economy.

Figure 1: Map and key statistics

Capital city: Port Louis

Area: 2,040 km²

Population: 1.3 million

Gross domestic product (GDP) per capita (purchasing power parity (PPP)): $12,715

Human Development Index (HDI): 0.804 (65 out of 177 countries)

Life expectancy at birth: 72.4 years

Adult literacy rate: 84.3%

Net enrolment ratio in primary education (2009)*: 94%

Political governance: Westminster type of parliamentary government

President: Sir Anerood Jugnauth

Prime minister: Navin Ramgoolam

Last election: 2010

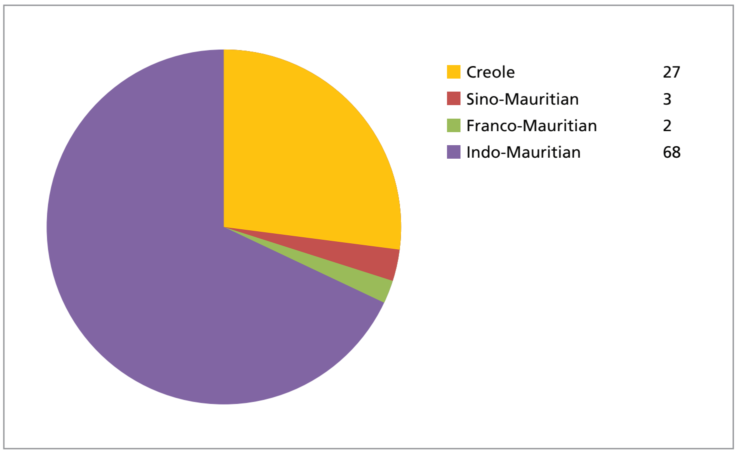
Source: UNDP Mauritius (2008), except *: MDG Database. Map source: US Central Intelligence Agency.

The country has progressed against the odds: 'Mauritius has surpassed all expectations and become a beacon of economic success, social cohesion and political democracy in an otherwise troubled region' (Sriskandarajah, 2005: 73). In the 1970s, Mauritius shared several challenges that characterised other African countries, and the country did not appear predestined for the progress that followed. These characteristics included the following.

Extreme cultural diversity, including Indo-Mauritians (Hindus and Muslims), Creoles, Chinese and Franco-Mauritians (see Figure 2). This is a result of large-scale migration to meet the colonisers' labour needs. The Creoles (peoples of African origin) experience both **extreme racial inequality** and social and economic exclusion. This is a legacy of slavery under the French and severe discrimination under the British system of indentured labour, which superseded slavery on the island (see Sriskandarajah, 2005). Tensions were manifest in violent outbursts around independence but, against expectations, Mauritius has since maintained social harmony (Sandbrook, 2005).[2]

[2] With the exception of the February 1999 riots, lasting three days, led by the Creole community (Sandbrook, 2005).

Figure 2: Ethnic groups in Mauritius



Source: Sriskandarajah (2005).

A mono-crop economy with power concentrated among a small elite group.[3] Just prior to independence in 1968, sugar production occupied 94% of all cultivated land and accounted for 93% of the country's exports. The sugar sector was dominated by 19 large plantations (Sandbrook, 2005), reflecting a highly unequal landholding structure.

High unemployment of 20% between 1968 and 1982 (Sandbrook, 2005) and **high population growth** of approximately 3% per year in the 1960s and 1970s, showcased as an example of Malthusian economics by Nobel Laureate Economist Meade (1961):

> *'Heavy population pressure must inevitably reduce real income per head below what it might otherwise be. That surely is bad enough in a community full of political conflict. But if, in addition, in the absence of other remedies, it must lead either to unemployment (exacerbating the scramble for jobs between Indians and Creoles) or to even greater inequalities (stocking up still more the envy felt by the Indian and Creole underdog for the Franco-Mauritian top dog), the outlook for peaceful development is poor.'*

Like most other African and Latin American countries, Mauritius was **suffering from an economic crisis**, experiencing a decline in its terms of trade, a worsening of the balance of payments, a tripling of the external debt throughout the 1970s, a reduction in output, high unemployment and persistent inflation (Sandbrook, 2005). In the early 1980s, it implemented a series of stabilisation programmes with loans from the International Monetary Fund (IMF) and World Bank. It did so in an unorthodox manner, counter to the typical Washington Consensus policies, and by 1983 it was well on its way to recovery.

Mauritius is considered **remote from world markets**: it is 'about 25 per cent farther away from the world's economic centre of gravity than the average African country and 30 per cent farther than the average developing country' (Subramanian, 2009).

It is also commodity-dependent. The literature points to adverse effects of being commodity-dependent, including vulnerability to variability associated with commodity prices, rent seeking and corruption. And Mauritius is actually in a much worse position than the average African economy in terms of commodity dependence: 'In 1970, the share of exports accounted for by commodities was nearly 30 per cent compared with the 18 per cent for the average of the African economy' (Subramanian, 2009).

Mauritius also exhibited low initial levels of human development: on most human development indicators (outside of life expectancy at birth in the 1970s), Mauritius fared either worse than or on a par with other African economies (Subramanian, 2009).

And yet, despite the multiple factors stacked against it, Mauritius achieved stellar progress in economic conditions.

[3] On taking over from the French, the British colonisers abolished slavery and employed incentives to create sugar plantations. By the 1860s, Mauritius had become the leading cane producer in the British empire (Sandbrook, 2005).

3. What has been achieved

3.1 Defining progress in economic conditions

Economic conditions, as defined here, include economic growth, improvements in equity and poverty reduction.[4] Improvements in economic conditions are important to achieve progress. However, their impact on improvements in human development depends on the distribution of benefits across the population. Equitable and sustainable progress in economic conditions means that the benefits of development are shared across the population and that the pattern of growth serves an equalising function.[5]

3.2 Progress in economic growth

Unlike most sub-Saharan African countries, Mauritius has seen sustained and substantial progress in economic conditions. Between 1977 and 2008, real GDP grew by on average 4.6% per year, compared with a 2.9% average in sub-Saharan Africa (WDI database). The wonders of compounding resulted in a threefold increase in the income of the average Mauritian over the 30-year period (from $1,706 to $4,813 in constant 2000 $), while that of the average sub-Saharan African increased by 5% (from $586 to $618 in constant 2000 $). Over the same time period, its GDP per capita averaged $2,921 (constant 2000 $), well above the sub-Saharan average of $540 (constant 2000 $) (WDI database).

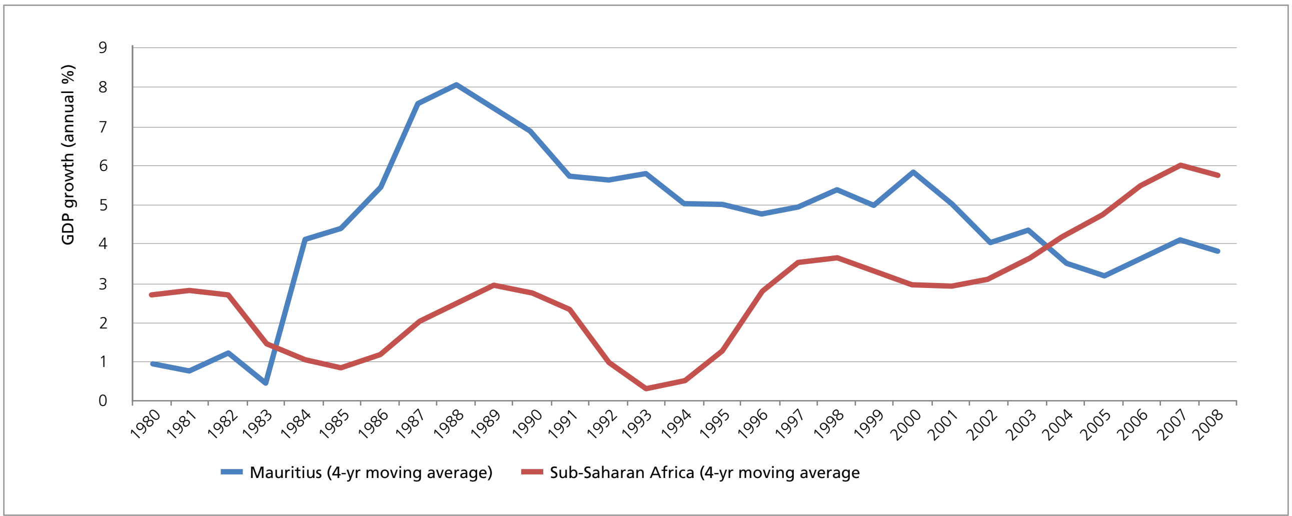
Figure 3 traces Mauritius' annual GDP growth rate and compares it with the sub-Saharan African average. It is clear that Mauritius has enjoyed high and sustained economic growth in the past three decades. The recent decline below the sub-Saharan African average is striking: this owes partly to challenges facing the Mauritian economy (Section 4.5) but may also be product of the measure of progress. GDP growth is measured relative to the size of the economy, thus a country with a smaller economy (per capita) will exhibit a higher GDP growth rate than a larger economy, despite both countries enjoying the same absolute expansion (per capita) of their economy. In 2008, Mauritius' GDP per capita was $4813.5 (constant 2000 $) compared with the sub-Saharan average of $617 (constant 2000 US) – almost an eightfold difference.

Mauritius' growth pattern has been stable. Between 1976 and 2006, consumer price inflation averaged 8.7% per year, while the average for Africa as a whole was 52%. The standard deviation of inflation was half that of Africa over the same time period (Subramanian, 2009). This sustained progress is unique to Mauritius (and Botswana): although 'several African countries, at various points in time, achieved high rates of growth […] very few such episodes have been long and sustained enough to lead to high levels of income and standards of living' (ibid).

4. Three aspects of improvements in economic conditions are: 1) growth; 2) poverty; and 3) inequality. Indicators used to capture these aspects include: 1) annual GDP growth rates and household final consumption expenditure per capita; 2) proportion of the population below the international and the national poverty lines; and 3) the Gini coefficient. As these indicators capture macro and average trends, distribution of progress remains concealed. Even the Gini coefficient, a measure of inequality, is relatively insensitive to changes in the middle range of a distribution. To identify examples of equitable and sustained progress in economic conditions, we used analysis drawing on complementary qualitative and quantitative data (e.g. trend analysis, calculating annual average rates of progress of quantitative indicators).

5. High inequalities undermine economic growth and its poverty-reducing potential. They are related to political and social instability and contribute to ill-health in the population.

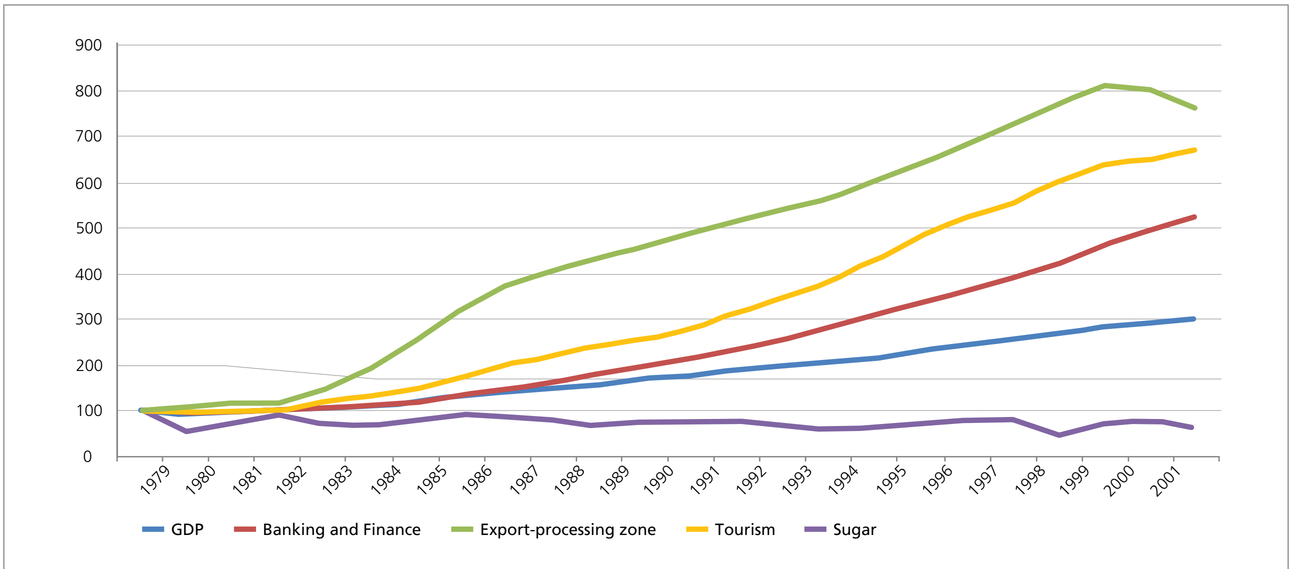
Figure 3: Annual GDP Growth – Mauritius vs. sub-Saharan Africa, 1977-2008 (%)



Source: Authors' calculation based on WDI.

Mauritius has gone through distinct phases in its economic development. In the early phase after independence, economic growth was driven largely by the sugar sector and by exports from the export processing zone (EPZ), predominantly textiles (1970s and 1980s). In a second phase, the impressive expansion of the EPZ contributed significantly to GDP growth, as did tourism. In a third phase, while the EPZ remained an important part of economic development, Mauritius aimed to diversify, away from sugar and textiles, into financial services and information and communication technology (ICT), as well as providing a seafood hub for the region and becoming a destination for medical tourism and a centre for academic excellence. Figure 4 provides a breakdown of the key contributors to economic growth in Mauritius from the late 1980s and 1990s into the early 2000s.

Figure 4: Key components of economic growth in Mauritius, 1979/80-2002/03 (GDP at constant 1992 prices, Index 1979/80=100)



Note: Fiscal years run from July to June.

Source: Mauritian authorities and IMF staff estimates, in Sacerdoti et al. (2005).

In the 1980s, GDP growth was accounted for mainly by sustained growth of the employed labour force. The labour force increased by on average 5% per year, with jobs created in sugar, textile EPZs and the burgeoning tourism sector. In the 1990s, growth of labour declined sharply, while physical capital and total factor productivity rose significantly – faster than in East Asia (excluding China) and Latin America (Table 1). This owed to the sharp rise in both capital inputs and total factor productivity (see Sacerdoti et al., 2005).

Table 1: Improvements in total factor productivity in Mauritius

	Period	Output	Output per worker
Mauritius	1983-1990	5.9	0.9
	1991-2001	5.6	4.3
Sub Saharan Africa	1980-1990	1.7	-1.1
	1990-2000	2.3	-0.2
East Asia (excluding China)	1980-1990	7.2	4.4
	1990-2000	5.7	3.4
Latin America	1980-1990	1.1	-1.8
		3.3	0.9

Source: Sacerdoti et al. (2005).

Despite the phasing-out of the European Union (EU) sugar protocol, the elimination of the MFA and rising commodity prices, Mauritius has been able to maintain its competitiveness on global markets. According to the 2008 Doing Business Report, Mauritius is the best-performing country in sub-Saharan Africa and is ranked 27th in the world (in Imam and Minoiu, 2008). An IMF assessment of the country's competitiveness reports that 'compared to other nations, [Mauritius] fares particularly well on institutional variables related to commerce and entrepreneurship, such as starting a business and securing a license' (Imam and Minoiu, 2008).

Box 1: Resilience in the face of the global financial crisis

Despite a significant portion of Mauritius' economy being reliant on the financial services sector, Mauritius exhibited resilience through the financial crisis that rocked markets across the world in 2008-2009. The table below, presenting recent trends on macroeconomic indicators, shows a macroeconomic resilience through the crisis. This owes largely to prudent management of the financial sector, as a respondent from the Ministry of Finance and Economic Development (MOFED) writes: 'Our financial system has not in any way been involved in sub-prime lending or any activity deriving directly or indirectly from that asset class. Our financial system is well regulated, solid and highly profitable.'

However, in the face of uncertain times ahead, banks are cautious in their lending operations and entrepreneurs are putting projects on hold (BAI, 2010). Mauritius is also likely to feel the implications of reduced demand in Europe and the US, which may spill over into national demand. Mauritian economic analysts anticipate that the slowing of the global economy, austerity measures being implemented in several European countries and the squeeze on labour markets in Europe and the US will significantly reduce European consumer spending. These are the main customers for Mauritius' tourism and manufacturing industries. This in turn will strain national labour markers, and job worries may cause national consumers, particularly those in the export sector, to reduce consumption.

Recent trends on macroeconomic indicators

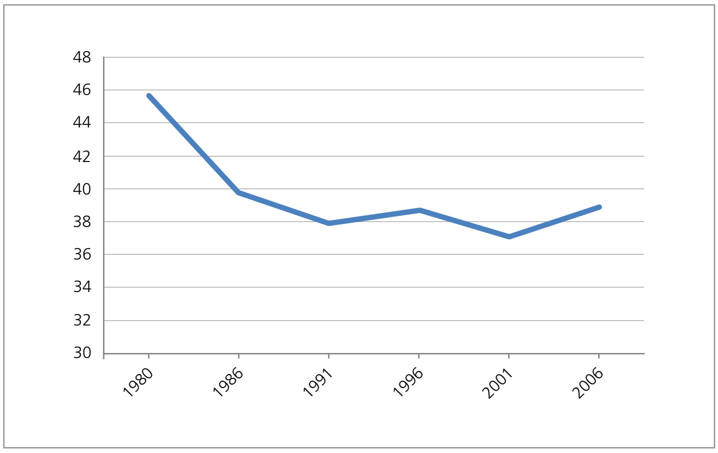
	Selected macroeconomic indicators				
	Unit	**2007**	**2008**	**2009**	**2010 (f)***
	National accounts				
GDP growth rate	%	5.5	5.1	3.1	4.2
	Inflation				
Inflation rate	CY, %	8.8	9.7	2.5	1.7*
	Public finance				
Government recurrent revenue	Rs bn	41.8	52.7	62.2	63.3
Government recurrent expenditure	Rs bn	44.1	48.4	64.8	74.8
External debt: central government	Rs bn	13.4	12.4	17.7	25.4
Budget deficit	FY, % GDP	4.3	3.3	4.2	4.5
	Balance of payments				
Balance of visible trade	Rs bn	-51.3	-64.2	-56.5	-63
Total imports (c.i.f.)	Rs bn	117.8	132.2	118.3	122.7
Total exports (f.o.b.)	Rs bn	72.8	68.0	61.8	67.5
Current account balance	CY, % GDP	-5.7	-10.5	-8	-8.6
Overall balance of payments	CY, Rs bn	13.9	4.6	12.1	5.4
Net international reserves	Rs bn	85.8	90.2	105.7	..
	Unemployment				
Unemployment rate	CY, %	8.5	7.2	7.3	7.5

Note: * 12 months ending June 2010.
Source: CSO, Bank of Mauritius, IMF.

3.3 Progress in inequality

Growth since the 1980s has been coupled with impressive reductions in inequality. The Gini coefficient fell from 45.7 in 1980 to 38.9 in 2006. The most notable drop, exhibited in Figure 5, occurred between 1980 and 1991 (from 45.7 to 37.9). Since then, inequality levels have hovered around the 38 mark. Mauritius' ability to restrain economic inequality during a time of high economic growth was largely the result of a concerted effort by the government – through large-scale and effective government spending on social welfare provision and on income and wealth redistribution (Sriskandarajah, 2005).

Figure 5: Inequality trends in Mauritius, 1980-2006 (Gini coefficient)



Source: WIID (accessed September 2010); 2006 figure: CSO (2009).

However, recent household survey results point to rising inequality, with the Gini coefficient rising from 37.1 to 38.9 between 2001 and 2006 (CSO, 2009). The share of total income going to the poorest quintile decreased from 6.4% to 6.1%, while the share held by the wealthiest quintile increased from 44% to 45.7% over the same time period (2001-2006). Respondents indicated that rising inequality is reflected along ethnic lines, with Creoles seeing a dip in their income.

3.4 Progress in poverty and human development

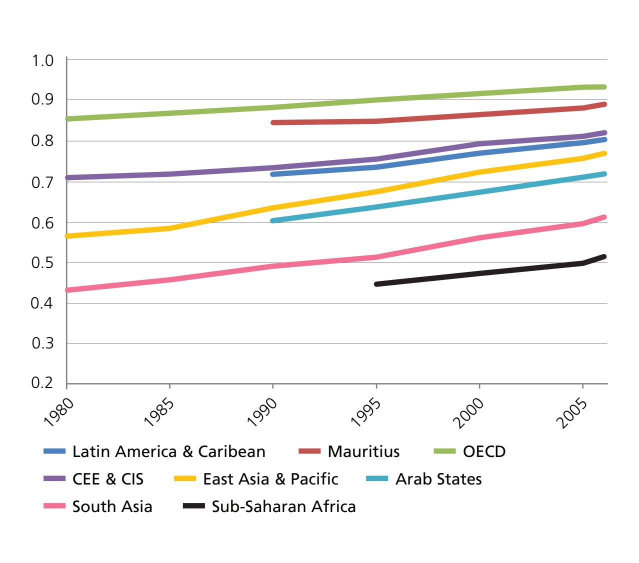
Improvements on poverty and human development indicators in Mauritius have been impressive. Mauritius' poverty rates remain low by sub-Saharan African and by international standards: less than 1% of the population is estimated to live on less than $1 a day (CSO, 2009). Mauritius does not have an absolute poverty line; rather, the government defines poverty in relative terms, as half the median monthly household income per adult equivalent. Recent data point to a marginal decrease in the number of those living in poverty according to this measure, from 8.7% in 1996/97 to 8.0% in 2006/07.[6] Mauritius is also the only country in the region where household expenditure increased significantly between 1990 and 2008. Mauritians have a higher standard of living (as measured by the HDI) and income per capita than the average in sub-Saharan Africa.

Malaria has successfully been eradicated from the island, and life expectancy at birth increased from 61 to 69.3 and 76.1 for men and women, respectively, between 1965 and 2008 (APRM, 2009; Subramanian, 2009). The country has maintained a high primary net enrolment ratio, several points above the 90% level (93.3% in 1991 and 94.0% in 2009).[7] Meanwhile, along with the Seychelles, Mauritius has the lowest under-five child mortality rates on the sub-continent (17 deaths out of 1,000 live births) and the highest rate of children immunised against measles (98% in 2008).[8]

Mauritius' performance on the HDI, which draws on data on three aspects of human development (income, education and health) to form a composite index, has been exceptional – not only by sub-Saharan African standards, but also by international standards when compared with South Asia, the Arab States and East Asia and the Pacific. The country has performed on a par with Latin America and the Caribbean (Figure 6 and Table 2).

6. www.gov.mu/portal/site/cso/?content_id=6dda3f48c654c010VgnVCM1000000a04a8c0RCRD (accessed December 2010).
7. MDG Database (accessed September 2010).
8. MDG Database (accessed September 2010).

Figure 6: HDI trends



Note: OECD = Organisation for Economic Co-operation and Development; CEE and CIS = Central and Eastern Europe and Commonwealth of Independent States.
Source: UNDP (2009).

Table 2: Trends in Mauritius' HDI, 1980-2007

	HDI
1980	0.654
1985	0.684
1990	0.718
1995	0.735
2000	0.77
2005	0.797
2006	0.801
2007	0.804
Rank in 2007	81

Source: 1980-1985 figures: Sriskandarajah (2005). 1990-2007 figures: UNDP (2009). Rank is out of 182 countries examined.

4. Drivers of progress

Mauritius, an unlikely candidate for success in the 1970s, has achieved notable progress in economic conditions and human development. Unlike many of its counterparts in sub-Saharan Africa, it has addressed structural challenges that have undermined progress in other countries (e.g. high population growth, ethnic diversity, remoteness), and has exhibited sustained and significant progress. How has Mauritius been able to achieve this exemplary progress, while other sub-Saharan African countries, facing similar challenges and with similar privileged access to international markets, have not?

Four key factors can be identified, and are discussed below. These factors are mutually reinforcing, and should not be considered independently of each other. The literature and our key informants mentioned additional factors, but these fall beyond the scope of this case study. The aim here is to focus only on the key factors that contributed to sustained progress.

4.1 A concerted nation-building strategy

> *'Perhaps the single-most important factor explaining the economic success of Mauritius is the achievement of a national consensus on the need to pursue a continuous process of structural adjustment'* (Government of Mauritius, 2008).

The state's concerted 'nation-building' in the early decades following independence set the foundations for sustained progress in Mauritius. Behind this were several factors. Fearing an autocratic government dominated by the Hindu majority, 44% of the population (virtually the entire non-Indian population) voted against independence, and rather to remain a British colony. Many were sceptical that Mauritius could maintain peace or achieve development, citing the challenges outlined above. There were also riots in the mid-1960s, including one in which 25 people were killed (Sriskandarajah, 2005). To ensure legitimacy and to assuage the misgivings of this group, a nation-building strategy was considered necessary for the post-independence era.

The strategy involved a strategic partnership between the major ethnic groups; negotiated economic redistribution; a better balance of economic power (previously concentrated within the minority Franco-Mauritian group) and political power; and the building of strong institutions to ensure economic redistribution and political representation (for the latter see Section 4.2, below).

Theory on state building indicates that sustainable development strategies 'rely on institutions and policies that can balance general and particular interests' (Sriskandarajah, 2005; also Jessop, 1990). It follows that, in multi-ethnic countries, such strategies need to manage real and perceived inequalities between ethnic groups, and to implement policies and programmes that reduce inequalities and counter ethno-political mobilisation.

Sensitive discussions on how to avoid embedding ethnic politics and ethnic conflict took place in the early post-independence years (Sriskandarajah, 2005). These resulted in institutional arrangements that bolstered the emergence of a democratic developmental state that could ensure economic redistribution and inclusive political representation. These included the following.

1. **A constitutional mandate for the inclusion of minorities**. Specifically, this meant an electoral system that encouraged all major parties to nominate candidates from both minority and majority communities (Sandbrook, 2005).
2. A system in the electoral process that ensures representation of ethnic groups, called the **'best losers' system**. In the decade after independence, this reassured non-Indian communities that they would not be left out. Essentially, an independent electoral commission appoints up to eight losing candidates to each new National Assembly to represent 'underrepresented' ethnic groups (Sandbrook, 2005). This system is still in place.

3. **An inclusive party system that does not have an ethnic basis**. Prior to independence, most parties had a distinct ethnic basis. Creoles, Muslims and Hindus each dominated their own party or parties. However, divisions within the majority Hindus (caste, regional and personal) undermined their ability to consolidate power under one Hindu party. The first national leader of Mauritius, Sir Seewoosagur Ramgoolam, set the example and recruited candidates from all communities into his Labour Party. Other parties followed suit, and communal appeals declined post-independence. The need to form coalitions to gain a majority in parliament has contributed to the further blurring of ethnic divisions in government: 'No ethnic group, with the major exception of the Afro Creoles, need fear that democratic processes will ignore their interests' (Sandbrook, 2005).
4. **A consultative approach to policy formation**. To ensure the buy-in of key stakeholders to the design and implementation of 'painful remedies,' the government consults major interests in the months leading up to a budget. The National Economic and Social Council, established in 2002, brings together representatives from employers, unions, youth organisations, women's groups, senior citizens, non-governmental organisations, universities and experts in various fields. It has been effective in building public support for policies and public trust in government (Sandbrook, 2005).

These institutional arrangements set the foundations for Mauritius' progress. They contributed to the establishment of strong and inclusive institutions, to high levels of and equitable investment in social welfare and human development and to a pragmatic development strategy of a heterodox liberalisation process. By keeping inter-ethnic inequality in check (at least until recently)[9] and maintaining social and political stability,[10] these arrangements also provided an enabling environment for attracting investment.[11]

This nation-building strategy enabled a long-term approach to policymaking. Thus, policy continuity enabled effective structural changes to the Mauritian economy, thereby maintaining its competitiveness. This policy continuity, with the long-term aim to diversify, liberalise and modernise the economy, is said to have 'played an important role in building strong business confidence among investors, domestic and foreign.'[12]

4.2 Strong and inclusive institutions that supported a social consensus

> *'Many other countries had started their economic transformation with better initial conditions. They were also mono-crop economies, enjoyed preferential access to exports markets and had free trade zones. But they failed where Mauritius succeeded. There must be other explanations besides openness and market access. Some economic analysts claim Mauritius' openness to FDI […] but this seems to be only part of the story for the ongoing bidding wars to attract FDI […] Functioning democratic traditions and institutions helped to develop a social consensus without which the continuous and consistent programme of economic liberalisation would not have been possible.'*[13]

A key outcome from the concerted nation-building strategy was strong and inclusive institutions that were able to redistribute political and economic power away from the wealthy minority (Franco-Mauritians), across the population and in particular to disadvantaged ethnic groups (Sriskandarajah, 2005). This fostered a social contract between the state and its citizens, as well as between ethnic groups, as it reassured citizens and ethnic groups that the government had the best of the nation at heart. A strong social contract that contributed to social and political stability helped deliver continuous and consistent progress on economic conditions, which in turn 'seems to have reduced the potential for ethnic conflict, at the very least by increasing the size of the economic pie' (ibid).

> *'This important determinant of growth, that is, the ability of our domestic institutions to manage distributional conflicts, triggered by local and external shocks, stands out markedly. The quality of our domestic institutions seems to override the other primordial factors affecting growth.'*[14]

[9]. With the exception of a few days of riots in 1999, instigated mainly by the urban Creole underclass when a popular Creole musician was found dead in police custody (Sriskandarajah, 2005).
[10]. Today, Mauritius is perceived as a politically stable nation. There has been an influx of investment from the more politically precarious countries of Madagascar and South Africa into Mauritius.
[11]. 'These institutions have ensured free and fair elections, the rule of law, a vibrant and independent press, and respect for property rights all of which have made Mauritius an attractive investment location' (Subramanian, 2009).
[12]. Interview with MOFED respondent.
[13]. Interview with MOFED respondent.
[14]. Interview with MOFED respondent.

Mauritius is a young country, celebrating its 40th anniversary in 2008. The progress it has achieved in terms of nation building and institutional arrangements is impressive:

> *'The country has gradually, but rapidly, acquired human and institutional capacities, and these have enabled it to establish a vision of planning its economic and social development and ensuring the diversification of its economic base, promoting its autonomy and instituting a resilient economy'* (APRM, 2009).

Respondents corroborate this, and highlight that Mauritius enjoys several institutions that guarantee the rule of law. Nonetheless, a need to strengthen institutions to achieve governance structures similar to those in democracies such as Canada and New Zealand was noted.[15]

Strong institutions contributed to maintaining Mauritius' competitiveness, economic resilience and stability. They supported a pragmatic development strategy of heterodox liberalisation and diversification (Section 4.4) and ensured that quota rents from EU and US markets were reinvested into strategic and productive sectors (Section 4.4). They also promoted a strongly regulated and well-capitalised banking and financial system, thus shielding it from toxic assets prior to the 2008 global financial crisis.

Strong and inclusive institutions also contributed to social stability, not only through inclusive political processes but also through inclusive social services and investments (Section 4.3), and were able to reduce vulnerability, poverty and inequality:

> *'Mauritian economic performance has been sustained by OECD-type social protection. This has taken several forms: a large and active presence of trade unions with centralized wage bargaining; price controls especially on a number of socially-sensitive items; and generous social security, particularly for the elderly and civil servants'* (Subramanian, 2009).[16]

4.3 High levels of and equitable public investment in human development

At independence, Mauritius inherited a system of free education and health services. The government, engaged in its nation-building strategy, determined to avoid social and political tensions and to support solidarity and equity, invested in these social services, and has continued to provide them at no cost. They have since been expanded, with an aim to 'broaden the circle of opportunities' for the population and to ensure 'inclusive growth.'[17]

The pool of unemployed, educated and easily adaptable labour was an essential input into the export-oriented strategy of the 1980s (Subramanian, 2009). Mauritians responded to opportunities with vigour: around 90% of entrepreneurs in the EPZ and the manufacturing sector were Mauritian nationals.[18] Indeed, businessmen and women had the human capital, the know-how and the education to exploit market opportunities. This contributed to an average real output growing at 7% between 1984 and 1988. The social infrastructure underpinning the flexible labour force in the 1980s was crucial to this. It consisted of free education and health services, a non-contributory basic retirement pension and an extensive set of social security schemes.

High investment in human development (around 30% of total government expenditure, according to Sriskandarajah, 2005) did not contribute only to progress in economic conditions. As part of the nation-building strategy, the government ensured that growth was coupled with improvements in human development. Indeed, the increase in per capita income documented above was achieved together with significant progress on all critical human development indicators, namely, the HDI, life expectancy, infant mortality and school enrolment.

15. Interview with MOFED respondent.

16. 'Unlike the OECD countries, however, generous social protection has thus far not necessitated high taxes, reflecting both strong growth and a favourable demographic structure with a high proportion of the population being of working age. The OECD affliction of a changing demographic structure, with a rising number of dependents, however, looms large for Mauritius in the coming years' (Subramanian, 2009).

17. Interview with MOFED respondent.

18. Interview with MOFED respondent.

4.4 Pragmatic development strategy: heterodox liberalisation and diversification

> *'It was the judicious use of home-bred policy prescriptions, the special Mauritian touch, with proper dosage and sequencing and relentless commitment towards policy continuity in policy reforms, that nurtured the gradual emergence of the "African cub-tiger"'* (Government of Mauritius, 2008).

By most accounts, Mauritius' progress in economic conditions (in the 1980s and 1990s) was driven by its export-oriented approach, underpinned by a heterodox set of liberalisation and diversification policies and strong government intervention. Essentially, through a specific package and sequencing of both highly protectionist as well as export-oriented policies, it was able to segment the export and import competing sectors. These were led by strong government intervention, which tailored their design and implementation to the nation's competitive advantages and political economy.

Mauritian trade policy was heterodox, as it involved the segmentation of the import from the export market – maintaining a closed import sector while opening the export sector (Sacerdoti et al., 2005). In addition, Mauritius' successful trade policies did not correspond to the orthodoxy of the Bretton Woods Institutions: 'Mauritius is not the poster boy for the Washington Consensus. Mauritius had a highly restrictive trade regime' (Subramanian, 2009). After all, imports were limited through high trade barriers, while extensive and selective intervention occurred on the export side, in a way that can be paralleled with the *dirigiste* approach of Korea, Taiwan and Japan (ibid). High levels of human capital and preferential access to US and especially European markets bolstered the success of Mauritius' pragmatic liberalisation strategy.

The government has played a strong and interventionist role in the country's development, acting as facilitator, operator and regulator in the liberalisation process. As facilitator, it provides the enabling environment for the private sector to thrive and develop. As discussed, it has used a consultative approach to economic policy formation – building on existing institutions but also diversifying into new areas – providing incentives for foreign direct investment (FDI). It has also invested in physical and human capital to support the shift of Mauritius' economy from a mono economy to an export-oriented one supported by a diversity of sectors. A key strength in the government's role in economic development was that leaders did not persist if a strategy did not work.[19]

As operator, the government mostly encourages competition. For example, the State Bank of Mauritius was established to avoid monopolisation of the banking sector by the Mauritius Commercial Bank, established in the mid-19th century by British merchants and traders. There are now 18 banks in the country: the two aforementioned banks control 70% of the market and HSBC and Barclays control 22% (APRM, 2009).

A regulator, the government protects the Mauritian economy from economic shocks, and vulnerable groups and sectors from changes in the economy. For example, as Mauritius' competitive advantage in sugar and textiles declines, a large numbers of jobs are being lost in these sectors. Their skills are not directly transferable to other sectors in the economy – finance and ICT, for example. The government provides a stipend to these workers, six months of training and assistance in their job search, to facilitate their reintegration into the economy. Transformation in the economy is slow, and 'the government must accompany people.'[20]

Mauritius' liberalisation process occurred in phases, adapted to the country's evolving advantages on the international market.

Phase 1: Profiting from sugar rents and establishing an EPZ (1970s)

Mauritius gained privileged access to EU markets through the Lomé Convention. This enabled colossal profits from sugar exports and attracted capital and FDI into the manufacturing sector.

Sugar sector: Negotiators were strategic when given the choice of a high world price and limited quotas versus higher guaranteed quotas at a lower domestic EU price. Many countries, expecting stable sugar prices, chose the high price. Mauritius chose guaranteed quotas. Between 1972 and 1974, international sugar prices quadrupled, enabling high earnings for Mauritius followed by high savings levels which were reinvested in manufacturing and textiles (Government of Mauritius, 2008).

Establishment of the EPZ: Mauritius boosted its production possibilities by pursuing an export-led strategy from the early 1970s and creating an EPZ for foreign investments to benefit from very favourable fiscal treatment. Privileged access to EU markets meant that large volumes of FDI poured into the EPZ for the establishment of a large number of manufacturing enterprises, mainly in textiles and oriented to European and other foreign markets. Both employment and the number of nationally owned enterprises expanded rapidly. Mauritius enjoyed an economic boom, with GDP growing at an average of 8.2% per year between 1971 and 1977.

19. Interview with MOFED respondent.
20. Interview with MOFED respondent.

In 1977-1983, the Mauritian economy was exposed to a world economic slowdown, a weakening sugar market and rising oil prices, all of which culminated in a crisis that resulted in a soaring budget deficit, declining terms of trade and high unemployment and inflation. In collaboration with the IMF and World Bank, structural adjustment policies were implemented: fiscal stabilisation, exchange rate alignment, income policy, heterodox trade liberalisation and financial consolidation. However, unlike many of its African counterparts, the government was able to resist typical Washington Consensus recommendations, and maintained free access to education, health care and other social services. It was also able to maintain a highly protected economy. By 1983, its economy was back on track.

Phase 2: Expansion of the EPZ, FDI and tourism (1980s-1990s)

Exports were the engine of growth in the mid-1980s, with EPZs accounting for 26% of GDP, 36% of employment, 19% of capital stock and 66% of exports (Subramanian, 2009). Rents accruing from preferential access to markets for sugar and clothing together amounted to 7% of GDP in the 1980s and 4.5% of GDP in the 1990s (Government of Mauritius, 2008). Capital and current accounts were liberalised, contributing to an investment and employment boom. The high inflow of FDI brought with it managerial know-how and market access (through Hong Kong investors).

In this period, factor accumulation (or the expansion of the factors of production: expanding employment, increasing investment) accounted for more than 90% of total output growth, while total factor productivity (e.g. the rise in output per person) accounted for less than 10% (Government of Mauritius, 2008). This changed in Phase 3. Expansion of the 'open' export sector was complemented by the relatively 'closed' status of the import of some products. This required high levels of government intervention: 'while imports were restricted through high trade barriers, extensive and selective intervention occurred on the export side' (Government of Mauritius, 2008).

Exploitation of potential for high-end tourism: The fiscal preference approach of the EPZ was replicated in the tourism sector. Domestic and foreign investments competed with each other to expand the hotel and tourism industry. The tourism sector 'sustains more than half a million tourists annually,' and has moved up the value chain to attract higher-end tourism for meetings, incentives, conferences and exhibitions (MICE).[21]

Phase 3: Broadening and deepening economic development through further diversification, liberalisation and investment (1990s-2010)

The government has made a concerted effort to broaden and deepen the economy: broaden here means diversification, and deepening relates to ensuring more high value addition.

Broadening the economy through diversification and liberalisation: Competitive advantages delivered by multilateral agreements are coming to end. Mauritius lost sugar preferences in 2004 and the MFA ended in January 2005. AGOA preferences will begin phasing out in 2012. Mauritius has been relatively successful in diversifying its economic activities by transitioning from its reliance on sugar and textiles into an economy providing financial intermediation, management consultancy and ICT services. This gradual diversification demonstrates its ability to identify and exploit emerging opportunities. However, recent diversification attempts are not producing the growth rates experienced in Phase 1 and 2.

Deepening economic development through liberalisation and investment: The second phase of expansion was marked by factor accumulation[22] rather than improvements in productivity. Indeed, 'most of the growth pattern has been from sheer perspiration, more brawn than brains' (Government of Mauritius, 2008). Herein lies the challenge of this third phase of development: diversification into highly skilled services and moving up the value chain. An example of success in moving up the value chain is reported in the textile and tourism industry. A respondent from the government reported that liberalisation and FDI to these sectors had enabled a shift, for example, in textiles, from production of low-value added garments (e.g. tee-shirts) to that of higher value-added services, such as fashion design and products for niche markets. In tourism, Mauritius has progressed to become a destination for higher-end tourism (e.g. MICE).

The well-educated labour force in the 1970s and 1980s had the skills and know how to take advantage of opportunities in the sugar sector and in low-level manufacturing (textiles). However, as Mauritius tries to move up the value chain, its labour force is proving less able to seize opportunities in the international market, which require a higher and more distinct skill set than that the Mauritian labour force currently offers.

21. Interview with MOFED respondent.

22. The expansion of the labour and capital 'stock' of the economy. Expanding labour through rising employment, or capital through increased domestic and foreign investment.

Progress in economic conditions was proximately driven by a pragmatic development strategy of heterodox liberalisation processes. Underpinning such progress, however, was the nation-building strategy, the country's strong institutions and equitable investment in human development. These factors are mutually reinforcing, with multiple and complex links. Naudé (2010) argues that 'Mauritius' good governance […] enabled its heterodox trade regime, with heavy reliance on import restrictions and promotion of exports through export processing zones to be successful.' Subramanian (2009) highlights that 'the role of institutions relates to the success of the EPZs in Mauritius compared with the rest of Africa […] [as they enabled Mauritius] to manage the rent seeking, corruption and inefficiency that is required to manage the high degree of selective interventionism embodied in EPZs.' Increasing revenues enabled the government to expand its social welfare services and invest in human development – which in turn enhanced the competitiveness and productivity of its labour force. Improvements in institutions are linked to economic development, as demand for better institutions tends to increases with equitable development (Rodrik and Subramanian, 2003).

4.5 The situation going forward

A number of key challenges that could potentially affect long-term progress include early indications the nation-building strategy is being de-prioritised, as well as a deteriorating competitive advantage and problematic micro fundamentals undermining long-term macroeconomic progress.

A de-prioritisation of the nation-building strategy and deterioration of the social contract are indicated by rising inequality, particularly between ethnic groups, as well as the emergence of ethnic politics and the increasing dominance of economic over political powers. Widening disparities in Mauritius appear to be a reflection of a vicious cycle, whereby policy decisions reflect unequal ethnic constituencies (thus perpetuating such inequalities) and widening ethnic inequalities propagate ethnic politics. Such widening disparities shorten the time horizons of policymakers, encouraging short-sighted policies and policies with a bias in the distribution of social spending.

Economic growth may have reduced the potential for ethnic conflict, as it provided all with improved living standards. However, there is concern that the positive impacts of economic development do not deliver sufficient nor adequately long-term solutions to prevent ethno-political conflict: 'What matter just as much, if not more, are real and perceived inter-ethnic disparities in access to key economic and political resources' (Sriskandarajah, 2005).

Recently, the government's efforts at nation building and fostering cooperation between ethnicities have appeared to be deteriorating.

> *'While official attention has been paid to the issue of social exclusion, it is unclear whether the government is willing or able to address the problem effectively […] There is also concern that, even if there is commitment to redistribution, any efforts may be hampered if growth rates slow down and general economic conditions worsen'* (Sriskandarajah, 2005).

One report accused the government of attempting to tackle the problems associated with social exclusion in a 'piece-meal and top-down manner' (UN, 2000, in Sriskandarajah, 2005). The Creole community in particular suffer from widening inequality: the group's underrepresentation among the political and economic elite of Mauritius has led to poor investment in their human development (APRM, 2009).

Reports indicate that the government's ability to regulate and redistribute economic power is waning. Evidence that policymakers are unable to rein in monopolistic tendencies and increase competition in a number of sectors highlights the dominance of economic power in Mauritian governance. There are reports of an 'over-concentration of the economy in the hands of a few groups. Descendants of French settlers still control much of the economy despite a recent initiative taken by the Government to "democratise the economy"' (APRM, 2009). Additionally, monopolistic tendencies in the tourism, sugar and energy sectors have reportedly prevented the diversification of these sectors away from EU markets.[23]

The all encompassing party system, built up in the post-independence era, also appears to be less inclusive. In the recent elections, candidates were using their ethnicity to leverage votes, pointing to increasing levels of ethnic politics. In its coverage of the 2010 elections, the BBC reported 'growing divisions between the country's majority Hindus and groups of Christians, Muslims, Creoles and Mauritians of European, mostly French, descent' (BBC, 2010). These are among several indications of disruptive ethno-political mobilisation, based in part on ethnic grievances about discrimination in the distribution of resources (Sriskandarajah, 2005).

23. Interview with MOFED respondent.

Deterioration of Mauritius' competitive advantage on the international market is of concern. The Mauritian economy has successfully diversified from a mono-crop economy to one focusing on five pillars (sugar, tourism, manufacturing, finance and ICT) and is looking further afield. It has also worked strategically to maintain its competitiveness. However, looking forward there is concern that this will be eroded: 'It will become increasingly difficult for our garments manufacturers, for instance, to compete with low-cost producers particularly when margins are being squeezed' (BAI, 2010). The 2007/08 Global Competitiveness Report identifies several factors as hampering Mauritius' continued competitiveness, including 'the relatively inefficient government bureaucracy, limited labor flexibility, and an underskilled workforce' (Imam and Minoiu, 2008). Indeed, Mauritius has embarked on ambitious plans to become a hub for business and financial services, medical tourism and education, but the education and skills level of the labour force of the 1970s and 1980s is no longer adequate to take advantage of emerging opportunities. Recommended actions to stimulate competition include the following: 'make labor markets more flexible, raise the average skill level and further reduce the cost of doing business' (ibid).

While macro fundamentals are performing well, micro fundamentals are cause for concern. Although macroeconomic indicators are reflecting a sound picture of recent progress in Mauritius, respondents indicate that challenges at the micro level may undermine medium- and long-term economic prospects. Microeconomic challenges include, but are not limited to, rising inequality, enclaved sectors, decreasing public revenue, rising unemployment and inappropriate skills among the labour force. In particular, the key sectors of the economy tend to be unusually enclaved: their value chain is not integrated into the economy through employment, building assets and access to goods and services. Indeed, the multiplier effects tend to be weak in sugar, finance, textile, tourism and ICT sectors. Meanwhile, in the past, the government has used rents from exports to reinvest in the economy; however, in response to deteriorating competitiveness, it has simplified and eliminated taxes, removed red tape and bureaucratic blockages and lowered or completely removed many tariffs (APRM, 2009). This undermines its ability to promote pro-poor growth and reduces its revenue, limiting the potential to investment in human development.

Risks to sustainable development of small island developing states posed by climate change and sea-level rise include unreliable agricultural production, falling domestic food production with rising imports, climate-related disasters (Mauritius is vulnerable to cyclones), increased risks in FDI and more: 'Mauritius is highly vulnerable to climate change impacts […] [as] it suffers considerable damage at regular intervals from cyclones, and serious coastal erosion is already evident' (UNEP, 1997). Moreover, climate experts predict tropical cyclones will become more intense in a warmer climate (McSweeney et al., 2009). Mauritius is also vulnerable to sea-level rise, which is projected to rise between 0.13 m and 0.56 m by 2090, depending on the model used (ibid). Given these risks, along with acute environmental awareness by the government, Mauritius was the first country to ratify the UN Framework Convention on Climate Change (UNFCCC).

5. Conclusions

Since independence, Mauritius' economy has developed equitably and beyond expectations. In 1968, it had the odds stacked against it. It was remote from world markets; it was commodity-dependent; it had extreme cultural diversity and racial inequality; it was a mono-crop economy with power concentrated among a small elite group; it had high unemployment and population growth; its terms of trade were declining; it was facing an economic crisis; and it had low initial levels of human development. Since then, it has developed into the leading performer in sub-Saharan Africa in terms of progress in economic and in human development. It has succeeded where other countries with comparable initial conditions and similar trade advantages have not. It has also exhibited notable resilience to the recent global financial crisis.

5.1 Key lessons

The Mauritian example demonstrates that reconciling high economic growth with reductions in inequality is possible, in this case with resolute effort by the government. It provides several lessons and policy recommendations on progress in development.

- **A concerted nation-building strategy** in the early decades following independence provided policy continuity, and set the institutional and infrastructural foundations to overcome several of the odds stacked against Mauritius.
- **Strong institutions** maintained a social consensus and enabled the redistribution of political and economic power across ethnic groups, as well as continuous and consistent progress on economic conditions.
- **Strong human capital foundation**, achieved through high, consistent and equitable investment in social welfare and human development, enabled Mauritius to exploit advantages and international market opportunities and to maintain its competitiveness in a fast-evolving international market.
- A **pragmatic development strategy** of heterodox liberalisation and diversification was adopted, whereby the liberalisation process was tailored to the country's competitive advantages and weaknesses and to its political economy, thus contributing to impressive economic progress.

5.1 Challenges

Key challenges remain in Mauritius, as seen above in Section 4.5. The major ones are listed below, with some recommendations for actions to address them.

- **Inequality is now rising, particularly between ethnic groups**. It is necessary for the government to reduce real and perceived inter-ethnic inequalities that are undermining political cooperation and ethnic accommodation in Mauritius, and also to ensure the benefits of economic processes reach the increasingly volatile Creole community. If left unaddressed, ethno-political mobilisation could threaten Mauritius' stability. Hopeful indications that the government understands the challenges that rising inequality poses is the recent establishment of a Ministry of Poverty Alleviation.

  In order to design effective policy and address tensions between ethnic groups, it is important that the government collect human development and economic indicators at a disaggregated level, by ethnic group:

  'Absence of systematic research and hard data on poverty and deprivation does not only make policy formulation difficult but also creates tension between different ethnic groups as a result of necessarily subjective and selective interpretations of levels of deprivation and poverty among different sections of the population' (UNDP, 2000, in Sriskandarajah, 2005).

- **There is increasing dominance of economic over political powers**. Government must strengthen regulatory institutions to keep economic power in check. Increasing collusion between economic and political powers is distorting policymaking and inhibiting competition on the island, as well as diversification into markets beyond the EU. To address lack of competition and monopolistic tendencies in several economic sectors, the government has recently set up a Competition Commission (APRM, 2009).
- **Mauritius' competitive advantage on the international market is shrinking**. It will be necessary to reform the education sector to upgrade the skills and know-how of the labour force so they are able to grasp opportunities higher up the value chain. To face the challenges of increasing global competition, Mauritius must move up to provide services and produce goods with higher value addition. To do so, it has to invest in upgrading the skills level of its work force. Respondents from the government highlighted three areas that need investment: tertiary academic education; technical, vocational and professional training; and on-the-job training. Another comment went as follows:

  'Our education system has become too archaic to respond successfully to the emerging challenges and opportunities. In a sense, it has failed to deliver [...] it [has] become self-evident that the education system has to be reformed towards greater access, equity and efficiency.'

- **Microeconomic developments threaten to undermine medium- and long-term macroeconomic progress**. The Mauritian government must address micro fundamentals, by encouraging a deeper and wider integration of economic development into the Mauritian economy. For example, it should ensure strong links of emerging sectors into the wider economy through taxes and transfers, employment, enabling households to build assets and increasing access to goods and services.
- **Climate change and sea-level rises are posing risks to the sustainable development of small island developing states**. Engaging in adaptation approaches to climate change provides some risk mitigation. However, eliminating the risk of climate change goes beyond the scope of Mauritius, and is a global responsibility.

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Data annex

General economic indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP growth rate* 5 calendar year (%)	9.7	5.2	2.6	4.4	4.8	2.3	5.1	5.52	5.2	2.7 4
GDP (market prices)* 5 calendar year (Rs m)	120,290	132,146	142,484	157,394	175,598	185,348	206,328	235,520[2]	265,199[2]	277,285[4]
GNI (market prices)* 5 Calendar Year (Rs m)	119,507	132,539	142,880	156,561	175,207	185,109	207,961	242,543	270,099	278,485
GNI per capita (market prices)* 5 calendar year (Rs)	100,666	110,434	118,036	128,003	142,020	148,857	165,972	192,389[2]	212,701[2]	218,069[4]
Inflation rate* fiscal year ended June (%)	5.3	4.4	6.3	5.1	3.9	5.6	5.1	10.7	8.8	6.9
Inflation rate* calendar year (%)	4.2	5.4	6.4	3.9	4.7	4.9	8.9	8.8	9.7	n.a.
Unemployment rate* 8 calendar year (%)	6.5	6.8	7.2	7.7	8.4	9.6	9.1	8.5	7.2	8.1[4]
Current account balance fiscal year ended June (Rs m)	-1,451	4,257	7,458	3,554	1,383	-6,321	-10,188	-17,415	-22,232[3]	-25,466[4]
Current account balance calendar year (Rs m)	-899	8,038	7,472	2,658	-3,181	-9,570	-19,399	-13,248	-27,633[3]	n.a.
Overall balance of payments 6 fiscal year ended June (Rs m)	2,141	5,107	5,908	9,099	3,225	-3,133	-3,019	6,603	9,110	2484[4]
Overall balance of payments 6 calendar year (Rs m)	6,415	-1,314	10,198	6,205	-857	-4,888	-4,573	13,880	4,624	n.a.
Net international reserves 9 end-June (Rs m)	25,214	31,760	40,551	50,236^	54,746	65,805	64,740	83,499	83,946	97,802
Total imports (c.i.f.)* 7 fiscal year ended June (Rs m)	55,048	56,204	58,151	66,267	69,586	84,324	101,148	117,797	130,671[2]	123,342[3]
Total exports (f.o.b.)* 7 fiscal year ended June (Rs m)	38,845	45,222	47,938	53,247	54,203	57,857	64,082	72,840	67,673[2]	66,889[2]
Government recurrent revenue**@ fiscal year ended June (Rs m)	22,605	24,149	24,826	29,912	32,988	35,192	38,509	41,818	52,744	62,216[2]
Government recurrent expenditure**@ fiscal year ended June (Rs m)	25,435	31,398	27,881	31,538	34,885	38,042	41,915	44,122	48,423	64,823[2]
Ratio of budget deficit to GDP at market prices**@ fiscal year ended June (%)	-3.8	-6.7	-6.1	-6.2	-5.4	-5	-5.3	-4.3	-3.3	-3[2]
External debt: central government** 8 end-June (Rs m)	10,190	7,168	8,785	9,074	8,445	9,232	8,535	13,452	12,451	17,666

Source: Bank of Mauritius Statistics Division Selected Economic Indicators: http://bom.intnet.mu/, accessed 12 November 2009.

Key

1. Excluding Agalega and Saint Brandon
2. Revised
3. Provisional
4. Forecast
5. National Accounts data based on 2002 Census of Economic Activities
6. As from fiscal year 2001-02 and calendar year 2002, valuation changes are excluded from reserve assets transactions.
7. As from 2002, data on imports and exports include transactions through the Mauritius Freeport
8. Data as from 2000 derived from the Continuous Multi-Purpose Household Survey
9. Prior to June 2005, include the Net Foreign Assets of 11 former Category 1 banks. With effect from June 2005, include the Net Foreign Assets of banks, adjusted for transactions of Global Business Licence Holders

@ As from fiscal year 2008/09, figures have been compiled using the IMF's GFS Manual 2001

^ Data for end-June 2003 based on methodology of the IMF's Depository Corporations Survey framework. Data prior to 2003 based on the previous manual 'IMF Guide to Money and Banking Statistics 1984'

n.a. Not available

* Source: CSO

** Source: MOFED

*** Source: Ministry of Tourism, Leisure and External Communications

General social indicators	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Total population[1]	Mid-year	No.	1,233,386	1,243,253	1,252,698	1,260,403	1,268,565	1,275,034
• Female	Mid-year	%	50.5	50.6	50.6	50.6	50.6	50.7
• Urban	Mid-year	%	42.2	42.1	42.1	42	41.9	n.a
Population growth rate	Year	%	0.81	0.85	0.66	0.65	0.56	0.51
Life expectancy at birth								
• Male		No. of years	68.9	68.9	69.1	69.2	69.3	n.a
• Female		No. of years	75.6	75.7	75.9	76.1	76.1	n.a
Age composition of population								
• Under 15 years	Mid-year	%	24.8	24.4	23.9	23.3	22.8	n.a
• 15-59 years	Mid-year	%	65.8	66	66.4	66.7	66.9	n.a
• 60-64 years	Mid-year	%	2.9	3	3.1	3.3	3.5	n.a
• 65 years and over	Mid-year	%	6.5	6.6	6.6	6.7	6.8	n.a
Dependency ratio	Mid-year	Per 1,000 population	457.1	450.6	440.3	430.2	419.4	n.a
Sex ratio	Mid-year	Men per 100 women	97.9	97.8	97.8	97.7	97.6	97.4
Crude birth rate	Year	No. per 1,000 population	15.6	15.1	14.1	13.5	12.9	12.7
Crude death rate	Year	No. per 1,000 population	6.9	7	7.3	6.7	7.1	7.1
Marriage rate	Year	No. per 1,000 population	18.5	18.2	18.3	18.3	17.7	17.5
Infant mortality rate	Year	Per 1,000 live births	14.4	13.2	14.1	15.3	14.4	14.6
Under-five mortality rate	Year	Per 1,000 live births	16.5	15.8	16.9	17.1	16.6	n.a
Maternal mortality rate	Year	Per 1,000 live births	0.16	0.21	0.17	0.36	0.37	n.a
Total fertility rate	Year	Births per women	1.87	1.82	1.7	1.66	1.58	n.a
Population per doctor	Year	No.	950	930	897	876	877	n.a
Population per bed	Year	No.	291	294	292	297	299	n.a
Crime rate [2]	Year	Per 1,000 persons	4.3	4.8	4.7	5.4	5.1	n.a
Drug offence rate [3]	Year	Per 1000 persons	2.5	2.9	3.1	3.5	3.3	n.a
All offence rate	Year	Per 1000 persons	146.1	128.1	151.8	153.7	140.4	n.a
Mobile cellular telephone subscriber	As at year end	Per 1000 persons	442.6	526.2	614.8	734.3	812.3	n.a
Total internet subscribers	As at year end	Per 1000 persons	63	103	114.2	131.3	156.8	n.a
Total final energy consumption	Year	Kilotonne of oil equivalent (ktoe)	838.1	846.1	876.3	857.5	841.6 b	n.a
Mean annual rainfall	Year	Millimetres	2,270 b	2,372 b	1,914	1,954	2,382	n.a
Forest land as % of total land area	Year	%	25.4	25.4	25.4	25.3	25.3	n.a

Education	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Public spending on education as % of GDP	Year ending June	As at end of June	3.8	3.8	3.6	3.2	3.1	3.1 9
Gross primary enrolment ratio								
• Total	Year	%	102	102	102	101	101	101
• Male	Year	%	103	103	102	101	101	100
• Female	Year	%	101	102	101	101	101	101
Apparent intake rate	Year	%	96.8	99	97.3	97.6	97.2	98.4
Progression to secondary school	Year	%	79	81	84	81	82	n.a
Secondary enrolment ratio [4]								
• Total	Year	%	71	73	75	74	74	73
• Male	Year	%	69	71	73	72	71	71
• Female	Year	%	74	75	77	77	76	76
Pupil-teacher ratio								
• Primary	Year	No.	29	30	29	28	29	29
• Secondary	Year	No.	17	16	16	16	16	15
Tertiary enrolment[5]	Year	No.	17,856	16,852	16,773	18,224	18,466	n.a
• Male	Year	%	42.6	44.6	47.1	42.1	42.2	n.a
• Female	Year	%	57.4	55.4	52.9	57.9	57.8	n.a
Labour force (including foreigners)								
• Both sexes	Year	000's	548.8	559.1	565.1	570.5	583.4	587.9
• Male	Year	%	65	64.2	63.7	64.1	63.5	63.2
• Female	Year	%	35	35.8	36.3	35.9	36.5	36.8
Activity rate [6]								
• Total	Year	%	59.4	59.8	59.7	58.9	59.2	59.1
• Male	Year	%	79	78.4	77.7	77.2	76.6	76.1
• Female	Year	%	40.4	41.9	42.2	41.2	42.4	42.7
Unemployment rate[7]								
• Total	Year	%	8.4	9.6	9.1	8.5	7.2	8.1
• Male	Year	%	5.8	5.8	5.5	5.3	4.1	4.6
• Female	Year	%	13.4	16.4	15.5	14.4	12.7	14.1
Employment by sector								
• % Primary	Year	%	9.8	9.6	9.4	9.1	8.7	n.a
• % Secondary	Year	%	35.1	33.6	33.4	33.4	32.7	n.a
• % Tertiary	Year	%	55.1	56.8	57.2	57.5	58.6	n.a

Labour force participation rates and unit cost	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Unit labour cost (Rs)								
• Change over previous year								n.a
• Economy		%	4.5	4.6	3	6.7	8.7	n.a
• Manufacturing		%	4.1	9	-0.7	11.2	10.1	n.a
• EPZ		%	3	13.2	-2	5.4	3.4	n.a

Industry	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Growth of sugar sector	Year	%	10.6	-9.2	-2.9	-13.6	3.7	18.2
Growth of EPZ/EOE8	Year	%	-6.8	-12.3	4.6	8	3.6	-0.8
Investment in EPZ/EOE	Year	Rs m	2,508	2,376	2,245	4,301	2,164	1,480
EPZ/EOE exports	Year	Rs bn	32	29	33.6	37.8	34.9	n.a
EPZ/EOE exports as % of total exports of merchandise goods	Year	%	58.3	45.9	45.4	54.2	51.3	n.a

Industry	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Growth of sugar sector	Year	%	10.6	-9.2	-2.9	-13.6	3.7	18.2
Growth of EPZ/EOE8	Year	%	-6.8	-12.3	4.6	8	3.6	-0.8
Investment in EPZ/EOE	Year	Rs m	2,508	2,376	2,245	4,301	2,164	1,480
EPZ/EOE exports	Year	Rs bn	32	29	33.6	37.8	34.9	n.a
EPZ/EOE exports as % of total exports of merchandise goods	Year	%	58.3	45.9	45.4	54.2	51.3	n.a

Tourism	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Tourist arrivals	Year	No.	718,861	761,063	788,276	906,971	930,456	835,000
Growth of hotels and restaurants sector	Year	%	2.4	5.6	3.5	14	2.7	-8.8
Tourist arrivals increase over previous year		%	2.4	5.9	3.6	15.1	2.6	-10.3
Gross earnings from tourism	Year	Rs m	23,448	25,704	31,942	40,687	41,213	38,173
Gross earnings per tourist	Year	Rs	32,618	33,774	40,521	44,860	44,293	45,716

Exchange and interest rates	Period	Unit	2004	2005	2006	2007	2008	2009[a]
US dollar (average of buying & selling)	Year	Rs	27.75	29.23	31.15	31.37	28.36	n.a
Euro (average of buying & selling)	Year	Rs	34.1	36.29	39.51	42.92	41.61	n.a
Pound sterling (average of buying & selling)	Year	Rs	50.97	53.14	57.83	62.86	52.73	n.a
Bank rate*	As at end June	%	4.74	6.13	7.3	10.98	7.45	4.76
Prime lending rate*	As at end June	%	7.50-8.00	8.00-8.75	9.20-10.25	10.70-11.75	10.15-11.50	8.05-9.00
Interest rates on savings*	As at end June	%	4.00-4.50	4.50-4.63	5.70-6.27	7.20-7.60	6.25-7.25	4.00-4.75

Stock market data	Period	Unit	2004	2005	2006	2007	2008	2009[a]
Market indices								
SEM-7 (March 1998=100)	As at end December		149.67	175.43	264.41	477.4	267.22	n.a.
SEMDEX (5 July 1989=100)	As at end December		710.77	804.03	1,204.46	1,852.21	1,182.74	n.a.
SEMTRI (5 July 1989=100)	As at end December		1,619.92	1,951.94	3,060.71	4,868.61	3,233.74	n.a.
Market capitalisation	As at end December	Rs bn	67	80	117	173.1	109.3	n.a.
Market capitalisation as % of GDP	Year	%	38.2	43.2	56.7	73.5	41.4	n.a.
Annual turnover	Year	Rs m	2,819.00	4,548.00	5,992.20	11,825.50	11,405.40	n.a.

Source: CSO Dashboard (Tableau de Bord): http://www.gov.mu/potal/site/cso, accessed 13 November 2009.

Key

a. Forecast
b. Revised
1. Mid-year population excluding Agalega and St. Brandon
2. Figures exclude drug-related offences
3. Offences under Dangerous Drug Act 2000 and Psychotropic Substances Act 1974
4. Academic and prevocational
5. Source: CSO Annual Survey in Public Funded Tertiary Institutions
6. Ratio of Mauritian labour force to that of Mauritian population aged 16 and above
7. Ratio of unemployed to that of Mauritian labour force
8 Export-oriented enterprises includes enterprises formerly operating with Export Enterprise Certificates
* Figures as at end of June
n.a. Not available