MULTI-ANNUAL INDICATIVE PROGRAMME FOR MAURITIUS
Accompanying Measures for Sugar Protocol Countries 2011-13
(MIP AMSP 2011-13)

1. EXECUTIVE SUMMARY

Accompanying Measures for Sugar Protocol countries (AMSP) 2006-10, financed from the EU budget combined with the 9th and 10th European Development Funds (EDFs), have been supporting the Government of Mauritius' overall economic reform programme since 2006, in line with Article 17(1) of the DCI Regulation. For the AMSP 2006-10 a total amount of EUR 141 475 000 was committed for Mauritius. So far[1] EUR 102 323 000 has been disbursed through general and sector budget support.

For historical, economic and political reasons the sugar industry continues to play a very important role in Mauritius, although its contribution in terms of GDP has been decreasing, falling from 4.4 % in 2000 to 3.7 % in 2006 and 2.2 % in 2009. Implementation of the MAAS is well under way, though some delays have occurred in the following areas: (i) energy, (ii) ethanol, (iii) restructuring of CESS, (iv) the Field Operations, Regrouping and Irrigation Programme (FORIP) and (v) de-rocking. In 2010 the Government of Mauritius conducted a mid-term review, assessing the achievements so far and proposing amendments to the MAAS and its action plan accordingly. The necessary amendments will serve as a basis for informing the Government on major policy issues for the future, in order to take corrective policy measures wherever appropriate.

An indicative appropriation of EUR 139 588 000 has been allocated to Mauritius for the AMSP 2011-13, which will serve to support the Government of Mauritius' economic reform programme. The funds will be disbursed as general budget support (GBS) in addition to the 10th EDF and EU general budget lines. In 2011, the third year of the GBS programme Promoting Sustainable and Equitable Development will be implemented. The GBS programme for 2012 and 2013 will be drawn up in 2011. Priority areas to be supported are the sugarcane cluster, including energy, sugar/environment, socio-economic empowerment and education.

2. CONTEXT AND REVIEW OF THE MIP AMSP 2007-10

2.1 Setting the context

In June 2006 the Government of Mauritius launched a comprehensive ten-year economic reform programme, which aims to strengthen Mauritius' abilities to compete in a globalised environment. The programme is geared to strengthening the competitiveness of the sugarcane sector and the economy at large. It also seeks to facilitate structural change and economic diversification. The EU, the World Bank, the African Development Bank, the UNDP and the *Agence Française de Développement* are all providing financial and technical support for programme implementation at the Government of Mauritius' request (Appendix 5). The EU and the World Bank have collaborated closely during the programming of their respective appropriations, and have drawn up a joint results matrix for the period 2008 to 2013 based on the Government's reform results matrix; the latter served as a basis for compiling the 10th EDF Country Strategy Paper (CSP) and the Multi-annual Indicative Programmes for Accompanying Measures for Sugar Protocol countries (MIP AMSP) 2007-2010.

The Mauritius-EU Sugar Response Strategy 2006-2013 has been established on the basis of the Mauritius Multi-Annual Adaptation Strategy (MAAS) for the sugar sector, which is in line with Article 4 of Regulation No 266/2006 as well as Articles 17(1) and 19(4) of the DCI Regulation No

[1] Up to the end of August 2010

1905/2006. The MAAS, whose overall objective is to ensure the commercial viability and sustainability of the sugar sector, so that it can continue fulfilling its multi-functional role in the Mauritian economy, forms an integral part of the comprehensive ten-year economic reform programme.

In line with the EU's development policies,[2] the EU Sugar Response Strategy 2006-2013 and the 10th EDF Country Strategy Paper[3] pursue the common global objective of contributing to the sustainable economic development of Mauritius. The aim of the EU Response Strategy is to contribute to financing Mauritius' own development plan, which is preparing the country to overcome the old system of trade preferences while maintaining and improving performance in social sectors. The strategy has been developed for all sources of financing (EDF, sugar and other budget lines), such that they will be mutually reinforcing in supporting the country's economic reform programme. The latter is also being supported by the World Bank, the *Agence Française de Développement* and the African Development Bank, using general budget support as the delivery instrument (see Appendix 2).

Funds from the Accompanying Measures for Sugar Protocol countries (AMSP) 2006[4] and 2007-10[5], together with the 9th and 10th European Development Funds (EDFs) and the European Union's general budget lines, have been supporting the Government of Mauritius' overall economic reform programme since 2006 through sector and general budget support. For the AMSP 2006/2007-10 an indicative appropriation of EUR 141 475 000 was allocated to Mauritius. Up to the end of August 2010, 100 % of the AMSP 2006/2007-10 had been committed and a total of EUR 102 323 000 had been disbursed through sector and general budget support (Table 1 in Appendix 2).

2.2 Review of the MIP AMSP 2007-10

2.2.1 Implementation of the Multi-Annual Adaptation Strategy (MAAS) for sugar: 2006 and 2009 comparison

Since 2006 various global and international developments have triggered the re-shaping of Mauritius' economic environment, namely rising oil and food prices, the global economic and financial crisis, the end of the Multi-Fibre Agreement and of the ACP-EU Sugar Protocol, and the signing of the interim Economic Partnership Agreement between the EU and Eastern and Southern Africa. The GDP growth fell from an average of around 5% annually for the period 2006-2008 to 3.1% in 2009. Key export oriented sectors, namely tourism and textile, were among the most affected with a reduction of 2.9% and 5.7% respectively in 2009. The foreign direct investment registered a 25% decrease in 2009.

The EU and Mauritius share a long history in external trade. To this date, the EU remains the biggest trading and investment partner for Mauritius. Concluding a comprehensive EPA is of great political and economic importance to Mauritius. While 63.5% of Mauritian exports went into the EU in 2006, this share increased to almost 70% in 2009 (and decreased again to around 61% in 2010), 35% of Mauritius's imports originated in the EU in 2006 and decreased to around 27% in 2009. Due to the high level of dependence on the EU market, the Government of Mauritius is aiming to diversify its trade structure with more balanced geographical distribution. Mauritius recently concluded a free trade agreement with Turkey, and is negotiating other agreements with countries in the region.

[2] As set out in its Strategic Partnership for Africa and European Consensus for Development and the 10th EDF Country Strategy Paper.
[3] The 10th EDF National Indicative Programme 2008-2013 for Mauritius has a budget of EUR 74.3 million, representing EUR 51 million for the A allocation and EUR 23.3 million for the B allocation (includes the EUR 10.9 million allocation under Vulnerability FLEX for 2009).
[4] For the AMSP 2006 a total of EUR 40 million was committed for 18 Sugar Protocol countries.
[5] For the AMSP 2007-10 a total of EUR 670 million was tentatively committed for 18 Sugar Protocol countries.

With the end of the ACP Sugar Protocol the contribution of the sugar sector in the GDP decreased from 3.7% in 2006 to 2.2% in 2009 and its share will continue to decrease further and probably stabilise at around 1%. This was accompanied with a decline in area harvested, namely from around 66700ha in 2006 to around 60500ha in 2009. However, Mauritius has invested heavily so as to increase the competitiveness of its sugar sector and is since the 2009 crop exporting refined white sugar and special sugars for direct consumption.

The reform of the sugar sector has been implemented in accordance with the Government of Mauritius' MAAS since early 2006. It has been accompanied by revision of the Sugar Efficiency Act (SIE) 2001 in February 2007 and a deal struck on 5 December 2007 between the Government of Mauritius and the Mauritius Sugar Producers' Association (MSPA). The Government of Mauritius' Stimulus Package for the Economy of December 2008 as well as the 2009 and 2010 Budget Speeches also contain measures to restructure the sugar industry with the aim of ensuring its long-term sustainability. The status of the main projects is outlined below (see the Mid-Term Review of 2010 of the MAAS 2009-2015 for a detailed report).

Additional revenue. Mauritius (through the Mauritius Sugar Syndicate — MSS) has secured a renewable Long-Term Partnership Agreement with the German company Südzucker covering the period 1 July 2009–30 September 2015 for the yearly supply of up to 400 000 t of sugar, essentially, but not solely, in the form of refined sugar. Two factories, Omnicane and FUEL, have invested some EUR 50 000 000 for the construction of refineries with yearly capacities of some 180 000 t each. Exports of refined white sugar started in early 2010.

Centralisation and factory closure. Four sugar factories have closed down so far. The target is to have 4 sub-clusters (Omnicane — *south*, FUEL — *centre/east*, Medine — *west* and Belle Vue — *north*). Deep River Beau Champ, St Aubin (the former producing plantation white sugar and the latter cane juice) and Mon Loisir (under judicial review) are scheduled to be closed down. Transport economics, the refining activity and the high social costs associated with factory closure have for the time being reshaped the thinking behind factory closure.

Rightsizing of the labour force. The Government of Mauritius has prompted and financed the re-skilling and retraining of retrenched workers to the extent possible (cost of around EUR 102 000 000 up to 2010). As at January 2009, 6 628 workers had opted for the Voluntary Retirement Scheme II (VRS 2) (employees benefited from cash and in-kind compensation), of whom 1 590 completed training programmes aimed at re-skilling them. It was found that a significant percentage of the retrenched workers had been redeployed in other economic sectors, including a small number who had become self-employed. Most employees were hired by contractors, some had become gardeners, landscapers and security guards (security services is a rapidly expanding market in Mauritius). The cash compensation has worked very well according to all stakeholders, but retrenched workers complain from time to time about the in-kind compensation (i.e. land assignment and preparation) because of the different steps involved, which may take a number of years before infrastructure work is completed and the beneficiaries receive the title deeds. The Government of Mauritius is aware of this lengthy process and has taken a number of corrective measures to shorten the time needed.

Electricity production from bagasse. This is to be doubled, from 300 GWh in 2006 to 600 GWh in 2015. In 2009 production was 350 GWh. Under the 5 December 2007 deal, the Government of Mauritius and the MSPA appointed, in 2009, an independent expert to reassess the Power Purchase Agreement (PPA) with Independent Power Producers (IPPs) in terms of balance of risks, returns commensurate with risks taken and other aspects of PPAs such as the power generation process and competitiveness when compared to local and international power generators. While the independent study is being carried out and the two parties are holding discussions, it is also important that these different views are reconciled as a matter of priority and urgency to eliminate the uncertainty and pave the way for further investment by the private sector in the energy sector.

Regrouping/de-rocking/irrigation (FORIP) scheme. Implementation of the FORIP scheme is meant to improve the competitiveness of the small and medium-sized planter sector. Out of the 30 000 ha currently cultivated by small and medium-sized planters, the MAAS had expected that some 15 000 ha would ultimately be covered by the FORIP. As at 30 December 2009, some 3 044 ha had been de-rocked and regrouped, although this area could be reduced with land conversion to IRS/RES.[6] In order to overcome the shortcomings encountered during implementation of the FORIP project, a Technical Committee and a Site Management Committee were set up in 2010 to improve communication/coordination among all stakeholders and ensure the presence of planters during decision making.

Production of ethanol from molasses. Output of 30 million litres of ethanol is targeted by 2015 to allow production of a 20/80 (E20) ethanol/gasoline blend. A pilot project for E10 (10 % ethanol/90 % gasoline) tested on 25 vehicles during a three-month winter period in 2006 proved conclusive. The Long-Term Energy Strategy 2009-2015 refers to the introduction of E10 in 2012 and possibly E20 in 2014, but no concrete steps have been taken so far. It is therefore urgent to tackle this component decisively.

Restructuring of CESS.[7] The global CESS was MUR 601.6 million for the 2005 crop year and MUR 587 million for crop year 2006. By 2015 global CESS should be reduced to between MUR 200 and 300 million. For crop year 2008 global CESS increased to MUR 650 million following the salary increase after the 2008 review and for the 2009 crop year it amounted to MUR 542.8 million. The Government of Mauritius has commissioned a report from the private consultants KPMG on the restructuring of the Service Providing Institutions (SPIs) for the sugar industry. All the parties concerned have yet to agree to implement the recommendations of the KPMG report. SPIs had in 2009 1 832 employees, a small decrease of around 3 % in comparison to 2006.[8] It is therefore urgent to tackle this component decisively.

Between 2006 and 2009 the contribution of the sugar industry to GDP fell from 3.7 % to 2.2 %; the number of small planters decreased by 13.4 %, whereas the area harvested by small planters decreased by 23.1 %; the total area harvested decreased by almost 10 % (the 2015 target of 60 000 ha was achieved already in 2009). The decrease in harvested area might eventually represent a concern. The yield increased by 8 % in general (sugar estates: +7 %, small planters: +6 %, metayers: +9 %), the production of special sugars increased by 8 % and the production of refined white sugar started in 2009 (see Table 2 in Appendix 2).

Implementation of the MAAS is coordinated by the Ministry of Agro Industry, with the Mauritius Sugar Authority (MSA) being the main implementing agency. The MSA also coordinates the work of relevant institutions, namely the Mauritius Sugar Industry Research Institute, the Cane Planters and Millers Arbitration and Control Board, the Farmers Service Corporation, the Sugar Insurance Fund Board, etc., and closely coordinates with the Mauritius Chamber of Agriculture, the Mauritius Sugar Producers' Association and the Mauritius Sugar Syndicate. The High Level Steering Committee provided for in the MAAS, which was supposed to coordinate implementation of the MAAS, met only once and was disbanded after the conclusion of the December 2007 Government of Mauritius-MSPA deal.

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[6] IRS/RES: Integrated Resorts Scheme/Real Estate Scheme.

[7] CESS is a tax on revenue from sugar proceeds, which is paid by the sugar planters directly. Service Providing Institutions (SPIs) are either fully or partly funded by CESS. The SPIs are: (1) the Mauritius Sugar Authority, (2) the Mauritius Sugar Industry Research Institute, (3) the Cane Planters and Millers Arbitration and Control Board, (4) the Sugar Planters Mechanical Pool Corporation, (5) the Farmers Service Corporation, (6) the Mauritius Sugar Terminal Corporation, (7) the Sugar Industry Labour Welfare Fund and (8) the Mauritius Sugar Syndicate.

[8] This number includes the employees of the Sugar Industry Labour Welfare Fund, which has not been one of the SPIs since 2008.

2.2.2 EU Response Strategy to the MAAS

In view of the challenges that key sectors of the Mauritian economy are facing (including sugar), the Government of Mauritius requested that resources under accompanying measures and the 10th EDF be made available as general budget support. The country *continues to qualify for budget support* since it fulfils the eligibility criteria set out in Article 61(2) of the Cotonou Agreement.[9] The macroeconomic environment remains sound and there is a well-defined macroeconomic policy framework. The PFM framework is solid and a new Public Expenditure and Financial Accountability (PEFA) assessment is scheduled to be undertaken by the end of 2010. Using GBS as a prime instrument under the accompanying measures, the 10th EDF and other EU budget lines have also reinforced the already well-developed dialogue with the Government of Mauritius and other development partners.

Since 2006 one sector budget support programme and three GBS programmes have been drawn up for Mauritius, and these have been financed from two main sources, namely the EDF and the AMSP (see Appendix 4). Three general conditions govern the disbursement of fixed tranches under each individual GBS programme:

(i) **National Reform Strategy**. The policy framework for assistance through GBS is the Government of Mauritius' economic reform programme, the implementation of which has been ongoing since 2006. The four-pillar programme lays down the foundations for a new socio-economic model, driven by competitiveness and the creation of opportunities for all. It is well thought-out and credible, in addition to being entirely home-grown and fully owned. The Government of Mauritius continues to demonstrate strong commitment to and ownership of the reform programme.

(ii) **Soundness of the macroeconomic framework**. The macroeconomic framework remains stable, as evidenced by IMF Assessment Letters and annual Article IV consultation reports (the latest as of February 2010). The economic reform strategy initiated in 2006 has borne fruit and has put the economy back on a higher and balanced growth path, despite the turbulences in the world economy.

(iii) **Public Finance Management (PFM)**. The Government of Mauritius remains committed to further strengthening the PFM system. The PEFA assessment in 2007 was generally positive. Nevertheless, the Government of Mauritius published an Action Plan to follow up the PEFA assessment, the implementation of which is regularly monitored by the Government of Mauritius. A new Public Procurement Act was proclaimed in January 2008. A second PEFA assessment was planned for 2010 to evaluate the progress made.

All the commitments were made according to the tentative schedule and there were no substantial delays in payments. Slight delays occurred twice:

- As regards the variable tranche of the SBS programme, due to the political deadlock the deal between the Government of Mauritius and the MSPA was struck late and time was needed to implement the agreement, hence the disbursement request was sent later than scheduled (disbursement effected in July 2008);
- Under 'Improved Competitiveness for Equitable Development (ICED) II', the disbursement request was sent three months late (the disbursement scheduled for Q2 of 2009 was effected in November 2009).

Lessons learned

Mauritius is considered to have been the 'best pupil' during the first period of the AMSP, as it not only benefited from around 20 % of the global allocation, but also achieved very good results. As a

[9] Namely that public expenditure management is sufficiently transparent and accountable and effective, well-defined macro-economic or sectoral policies are established by the country itself and public procurement is open and transparent.

consequence, Mauritius is often used as a showcase for other ACP Sugar Protocol countries. GBS as an aid delivery method has proven very appropriate as it has enhanced the overall quality of EU-Mauritius cooperation and the corresponding policy dialogue ever since it began to be used. It has promoted ownership by the Government of Mauritius, enhanced alignment, increased harmonisation and facilitated mutual accountability. Beyond the restructuring of the sugar sector, GBS in Mauritius has made parallel contributions to the country's economic reform programme, which in turn has led to a more diversified and competitive economy.

2.2.3 Assessment of the results under the MIP AMSP 2007-2010

Under **Pillar 1 'Consolidate fiscal performance and improve public sector efficiency'**, the EU assistance has (for a detailed assessment see Appendix 3):

(a) contributed to the improvement (in terms of quality and effectiveness) of public expenditure (including the assessment of public finance systems under PEFA, and the use of programme budgeting in a Medium-Term Expenditure Framework as from 2007/08);
(b) enhanced public sector efficiency (including that of state-owned enterprises);
(c) encouraged the reform of the civil service.

Under **Pillar 2 'Improving trade competitiveness'**, the EU assistance has:

(a) contributed to further restructuring of the sugar sector, in line with the 'Mauritius Sugar Response Strategy 2006-2013', which includes increasing the productivity of sugarcane and diversifying the revenue base of the sugar industry via restructured clusters;
(b) encouraged the emergence of new and sustainable cost-effective energy producers/suppliers. The Government has finalised a coherent energy policy, fully integrating the role of the sugarcane cluster and ethanol development on the basis of economic, financial and environmental analyses;
(c) supported the emergence of new economic sectors that bring value-added to the economy.

Under **Pillar 4 'Democratising the economy'**, the EU assistance has:

(a) supported the implementation of the Empowerment Programme via: job creation for the unemployed, retraining of retrenched workers (in particular from the sugar industry, and this in addition to financing the social packages) and enhanced economic opportunities for the lower-income groups and self-employment;
(b) assisted in the reform of the education sector, with emphasis on increasing sector efficiency, taking into consideration cost-benefit parameters.

Millennium Development Goals (MDGs)

The Government of Mauritius' commitment to social development is reflected in the progress achieved in meeting the MDGs, especially those related to health. The under-five mortality rate (per 1 000 live births) has decreased by 28 % over the past 17 years, from 23.1 in 1990 to 16.6 in 2008. Further, the infant mortality rate (per 1 000 live births) has decreased by almost 30 %, from 20.4 to 14.4 over that period. The coverage rate for immunisation against measles has increased from 76.1 % in 1990 to 90.1 % in 2008. The maternal mortality ratio was 36 per 100 000 live births in 2007. This ratio stood at 66 in 1990 and hit an all-time low of 15 in 2002. It is also worth noting that the proportion of births attended by skilled health personnel, 91 % in 1990, stood at 99.5 % in 2008. Mauritius will probably meet all the core MDGs by 2015 except for HIV/AIDS prevalence. HIV/AIDS prevalence among the 15-24 age group increased from 0.01 % in 2000 to 0.15 % in 2008. The Government of Mauritius has drawn up a strategic plan for HIV/AIDS with a number of measures to curb this trend among the population in general. However, there is little evidence that the trend will be reversed in the near future.

2.2.4 Dialogue and monitoring

The EU is the only development partner that directly supports the restructuring of the sugar sector into a sugarcane cluster. The EIB supports implementation of the MAAS through a project approach (see EIB under point 3.8), and the AFD is supporting the irrigation component of the FORIP project.

However, the World Bank, the AFD and the African Development Bank are supporting the Government of Mauritius' overall economic reform programme through general budget support.

The Government of Mauritius' economic reform programme includes a results matrix that allows each pillar to be monitored over the FYs 2007-13 (Appendix 6). This matrix has served as the reference for the choice of strategic outcome indicators since it constitutes the common results framework that has been used to monitor the overall Government Programme by all donors involved, in order to ensure aid alignment and aid effectiveness. In this connection the EU has held regular dialogues with all stakeholders, namely Government of Mauritius representatives, the implementing agencies, representatives of the small planters, the corporate sector, civil society and development partners in the context not only of the sugar reform but also of the overall economic reform programme.

3. MIP AMSP 2011-13

As confirmed by the Assessment of the AMSP 2010, the Mid-Term Review (MTR) of the 10th EDF CSP and the MTR of the MAAS in 2010, both the MAAS and the EU response strategy thereto are still valid. The Government of Mauritius undertook an MTR of the MAAS in 2010 in order to review the implementation process and take into account new developments and amend the strategy accordingly. The MIP 2011-2013 takes into account these new developments and amendments.

3.1 Specific objectives

The AMSP 2011-13 will continue to support overall implementation of the economic reform programme, which includes restructuring the sugar sector. The programme lays down the foundations for a new socio-economic model, driven by competitiveness and the creation of opportunities for all. It is well thought-out and credible, in addition to being entirely home-grown and fully owned and endorsed by the country's development partners. The EU support will be supplemented with other sources of finance, namely the 10th EDF and the EU general budget lines.

3.2 Programmes to be implemented in pursuit of these objectives and the type of assistance to be provided

The AMSP 2011-13 will continue to support the Government of Mauritius' overall economic reform programme using GBS as the aid delivery method, together with interest-rate subsidies linked to the investments in Mauritius financed by the financial development banks. In 2011 implementation of the PSED GBS programme 2010-12 will be ongoing, financed from the AMSP 2011 allocation and the remaining funds under the 10th EDF (i.e. EUR 10 million). The 2011 AMSP allocation will finance the 2011 fixed tranche, and the 2011 variable tranche will be financed from the remaining 10th EDF funds and partially from the 2011 AMSP allocation, so as to achieve a ratio 60% vs. 40%.

Like under the Improved Competitiveness for Equitable Development (ICED) and Promoting Sustainable and Equitable Development (PSED) programmes, assistance under the future General Budget Support programme 2011-13 will focus on four main areas, namely restructuring of the sugar industry into a sugar cluster; the *Maurice Ile Durable* initiative, encompassing sustainable development and renewable energy; socio-economic empowerment; and education.

3.3 Financial allocation

An indicative allocation of EUR 139 588 000 has been earmarked for Mauritius for the period 2011-13. These funds will be supplemented by the A allocation of the 10th EDF (EUR 10 000 000 remains to be committed) and the EU general budget lines.

3.4 Expected results

The General Budget Support programme, funded by the AMSP and the EDF, will support the four main pillars of the ten-year economic reform programme and *Maurice Ile Durable,* in coordination with other development partners and in line with the Paris Declaration on Aid Effectiveness and the corresponding guidelines on streamlined conditionalities.

Under Pillar 1 'Consolidate fiscal performance and improve public sector efficiency' the EU is expected to:

(i) contribute to sound public finance management, via a second PEFA assessment and follow-up of the post-PEFA Action Plan.

Under Pillar 2 'Improving trade competitiveness' the EU is expected to:

(i) contribute to the restructuring of the sugar industry into a sugarcane cluster by supporting the implementation of the MAAS and MTR MAAS, including global CESS reduction, the implementation of FORIP, the production of value-added products and by-products (i.e. ethanol) and a project promoting a fair trade label.

Under Pillar 4 'Democratising the economy' the EU is expected to:

(i) contribute to improving educational outcomes and the quality of education;

(ii) contribute to widening the circles of opportunities available to the most vulnerable groups through economic empowerment.

Under Pillar 5 '*Maurice Ile Durable*' the EU is expected to:

(i) contribute to mitigating the negative impacts of the reform process on the environment;

(ii) contribute to, complement and reinforce the support in the field of sustainable development.

3.5 General and specific conditions and performance indicators

The AMSP 2011-13 will support the following priority areas of the reform programme agreed between the Government of Mauritius and the EU. The programme will form the basis for identifying and formulating the specific conditions and performance indicators with their respective targets, so as to measure key results in the priority areas.

Restructuring of the sugar industry into a sugar cluster

For the period 2011-13, performance on the other components of the MAAS will have to be closely monitored to ensure that the adaptation strategy for the sugar industry delivers on its objectives. In this connection, the following proposals could be considered: (i) producing value-added products such as direct consumption sugars, (ii) implementing the FORIP component coupled with the fair trade label project, (iii) promoting ethanol, (iv) implementing the action plan for the energy strategy, and (v) reducing global CESS and restructuring the CESS-financed institutions.

MID initiative

The *Maurice Ile Durable* initiative was launched in 2008 by the Government of Mauritius to ensure that environmental considerations are mainstreamed into policies as a means of achieving balanced development. MID addresses the challenges facing Mauritius as a Small Island Developing State, especially in the context of promoting sustainable development by reducing the country's dependence on fossil fuels and correspondingly increasing the use of renewable energy (the Long-Term Energy Strategy adopted in October 2009 sets the target for renewable energy, currently at 20 % of the energy mix, at 35 % by 2025). Due to its scale, the MID concept entails a paradigm shift and calls for a long-term vision that extends far and wide and includes many components such as energy efficiency and the use of renewable energy, climate change, finance, social welfare, biodiversity and marine protection, waste management, land management, agriculture, food security, poverty alleviation, public infrastructure and sustainable transportation. Since 2008 the Government of Mauritius has undertaken various initiatives in the energy sector and several projects are being implemented in other sectors under a Roadmap for Sustainable Development. The Government of

Mauritius will formulate a National Policy with clear objectives, guiding principles and mechanisms that should form the basis for future legislation. The policy will be accompanied by an Action Plan and an Investment Plan for the sustainable development of Mauritius.

Socio-economic empowerment

The National Empowerment Foundation (NEF) is a new structure set up by the Government of Mauritius in 2009 to review, design and implement programmes for the vulnerable groups. The objective is to ensure better coordination and greater synergies for increased efficiency and effectiveness of alleviation programmes through (i) the Trust Fund for the Social Integration of Vulnerable Groups, (ii) the Empowerment Programme, (iii) the Eradication of Absolute Poverty Programme, (iv) corporate social responsibility, and (v) community capacity development.

Participation of key stakeholders, namely public and private agencies, NGOs and civil society as well as the development partners is embedded in these programmes. The programmes focus on the following: training and placement of the unemployed, provision of social housing, treatment and rehabilitation of substance abusers, remedial classes for slow learners in primary school, initiating women to small income-generating activities, assistance to handicapped children, medical screening and referral for treatment, vocational training for school drop-outs and adult literacy for empowerment and capacity building.

Education sector

The Ministry of Education, Culture and Human Resources has earmarked the pre-primary sector, special educational needs and tertiary education as its three priority areas over the medium term until 2013.

- Pre-primary education plays a pivotal role in building foundations upon which all future learning ultimately depends. Enrolment in pre-primary school of children aged 3 and 4 years rose from 85 % in 2005 to about 94 % in 2010, although a number of constraints and challenges still persist. There is a need to ensure that a proper regulatory framework is in place with suitable norms and standards to overcome disparity in pre-schools, so that all children start primary schooling on an equal footing and with a degree of readiness enabling each child to make an effective transition to primary schooling.
- The main objective of the Special Educational Needs (SEN) Programme is to advocate the integration/inclusion of learners with special educational needs/disabilities into the regular school system at all levels in order to enable them to contribute to their own welfare and that of the country. Although measures have been taken to address the issue of access to schools for SEN children, the sector has not been sufficiently looked into, especially with regard to pro-active measures for the early detection of children with special needs and for addressing such needs, and supporting the integration of SEN children into the regular school system. The success of the measures put in place recently by the Government of Mauritius will be evidenced by the increase in school enrolment of children with disabilities.
- The main challenge is to improve the relevance of tertiary education in order to make it more responsive to the needs of the labour market and to improve the effectiveness and efficiency of tertiary education institutions. The Gross Tertiary Enrolment rate will have to be carefully monitored over the coming years.

In 2011 implementation of the PSED GBS programme 2010-12 will be ongoing, financed from the AMSP 2011 allocation and the remaining funds under the 10th EDF (i.e. EUR 10 million). The fixed tranche is conditional upon the fulfilment of the three general conditions and the specific conditions related to CESS reduction and energy generation. The 2011 variable tranche is conditional on 5 Key Performance Indicators (KPIs), namely (i) Export 50 % of the crop as white sugar (baseline 0% in 2008), (ii) Increase the number of male and female job seekers registered with the National Empowerment Foundation who have been trained and placed/found a job/joined a business network/become self employed to 8 400 cumulative (baseline 7000 in 2008), (iii) Increase the enrolment rate in pre-primary schools of children aged 3 and 4 years to 90.5 % (baseline 87.5% in 2008), (iv) Increase the number of new household connections to the public sewer system to 72 200 cumulative (baseline 64700 in 2008) and (v) Reduce the percentage of cane area subjected to planned and controlled burning by the sugar corporate sector prior to harvest to 19.75 % (baseline 22% in average 2007/2008).

The KPIs for 2012 and 2013 will be defined and agreed with the Government of Mauritius during the preparation of the AAP 2012.

3.6 Integration of cross-cutting themes

3.6.1 Good governance, human rights

The underlying principles of Cotonou, namely democracy, the rule of law and respect for human rights, are well respected in Mauritius. This was re-confirmed during the Mid-Term Review of the 10th EDF CSP in 2009. During the AMSP 2007-2010 programming period Mauritius was the focus of several international reviews (inter alia Mo Ibrahim, Economist Intelligence Unit, and World Bank) highlighting that the country is well perceived in terms of good political, economic and social governance. Mauritius has a generally good track record for protecting and upholding human rights. The Universal Periodic Review of Mauritius undertaken by the UN Human Rights Council in June 2009 was positive. Several projects were funded under the 9th EDF in the area of good governance and human rights.

3.6.2 Environmental sustainability

Environment and energy are focal areas of the 10th EDF CSP and the MAAS and are supported through GBS and technical assistance (TA). A Strategic Environmental Assessment (SEA) conducted in 2007 was used as a starting point for defining the key performance indicator in the GBS PSED 2009-11, namely reduction of planned sugarcane burning by the corporate sector. TA was provided to the Government of Mauritius in 2009 to devise a Lagoonal Water Quality Index.

The formulation and adoption of the national Long-Term Energy Strategy governed disbursements of the fixed tranches under GBS programmes ICED II and PSED. Sustainable development and energy efficiency are also supported under the GBS Global Climate Change programme for Mauritius 2010-11.

3.6.3 Gender equality

The GBS programmes ICED II and PSED focused on empowerment, with emphasis on women. Recent years have witnessed a significant increase in the number of women joining the labour force, leading to the need for more economic opportunities for women in order to prevent a high level of female unemployment. Through ICED I and II women were provided with training and placement and offered the opportunity to open small businesses. A specific project component of MAAS, namely VRS II, also targeted women.

3.7 Consultative process

In the context of development cooperation there has been a continuous policy dialogue between the EU and the Government of Mauritius as well as with the development partners (EIB, World Bank, AFD and ADB). In the more specific context of the Mauritius sugar reform process and this programming exercise for the sugar accompanying measures, the dialogue has been enhanced and extended to include the MSA, the Service Providing Institutions, the private sector, small planters' associations, trade unions, journalists and members of the National Assembly. Despite representing only 2.2 % of GDP, the sugar sector continues to play a very important role in economic, social and political life.

3.8 Link to relevant activities under other EU instruments in the country

Funds from the Accompanying Measures for Sugar Protocol countries (AMSP) 2006-10 together with the 9th and 10th European Development Funds (EDFs), the EU's general budget lines and EIB loans have been supporting the Government of Mauritius' overall economic reform programme since 2006.

Vulnerability FLEX 2009
In reaction to the international economic and financial crisis, the EU issued a Communication *Supporting development countries in coping with the crisis* (COM(2009) 160 final), which announced inter alia the creation of a Vulnerability FLEX mechanism to provide additional funds to support ACP countries hit by the crisis. An amount of EUR 500 million was set aside for 2009 and 2010. Mauritius was found eligible for 2009 and was allocated EUR 10.9 million in September 2009. The funds were disbursed in December 2009 as a fixed tranche within the 9th EDF GBS programme *Improved competitiveness for equitable development*. The global economic and financial crisis has affected Mauritius primarily through a sharp decline in the export-oriented sectors, namely tourism and textiles (down 5.3 % and 2.9 %), and a reduction in the inflow of foreign direct investment (down 25 %). As a result, economic growth fell to 3.1 % in 2009 as compared to an average of 5 % over the period 2006-2008.

Global Climate Change Alliance
As part of the effort to mitigate the effects of global climate change, the *GBS Global Climate Change (GCC) programme* not only aims to contribute to sustainable development and preservation of the environment, highlighting the sustainable development aspects of the ongoing EU PSED GBS programmes, but also complements and reinforces the support provided by the *Agence Française de Développement* in the field of sustainable development, thus resulting in greater donor complementarity and coordination. A total of EUR 3 million is committed for this two-year programme, under which EUR 2.8 million will be disbursed as general budget support after the Government of Mauritius achieves some strategic results in the legal framework for energy efficiency and sustainable buildings. In addition, EUR 0.2 million will be used to provide technical assistance for priority projects in the sustainable development field.

European Investment Bank (EIB)
The EIB is providing a EUR 15 million loan to Omnicane and a EUR 13 million loan to FUEL to build sugar refineries as part of the EU's wider support for reform in the Mauritius sugar industry. Both loans comprise an interest subsidy funded from the 10th EDF as decided by the ACP-EU Council of Ministers in 2006[10] (the Port Moresby declaration).

Interim EPA and sugar safeguard mechanism in place until 2015
In August 2009 Mauritius signed an interim EPA-ESA agreement, which mainly covers trade in goods. Mauritius is still continuing to negotiate within the Eastern and Southern Africa (ESA) region a comprehensive regional EPA. Sugar and rice are the only products that do not qualify for duty-free and quota-free access to the EU market as from 1 January 2008 under the EPA regime. In both cases a transitional period applies. In the case of sugar the transition is made up of two phases before full liberalisation can occur on 1 October 2015.

[10] This the first initiative that implements the 2006 Port Moresby declaration, through which the ACP-EU Council of Ministers agreed to mobilise EUR100 million in the form of interest subsidies for loans to the private sector and other stakeholders in the context of their respective multi-annual adjustment strategies and plans.

- **From 1 October 2009 to 30 September 2015** free access for ACP sugar under EPAs is subject to an automatic safeguard mechanism to be applied to non-LDC ACPs only. Free access will be suspended when two conditions are simultaneously met: (i) total imports from ACPs reach 3.5 million t **and** (ii) imports from ACP non-LDCs reach 1.38 million t in 2008/09, 1.45 million t in 2009/10 and 1.6 million t per marketing year in 2010/11-2014/15. ESA regional safeguard thresholds are 1.38 million t for 2009/10, 1.45 million t for 2010/11 and 1.6 million t for 2011/12 and beyond.
- As **from 1 October 2015 onwards, access to EU market will be totally free,** and the regular EPA safeguard will apply, adjusted to take account of the sensitivity of sugar.

4. Appendices

Appendix 1: List of acronyms
Appendix 2: Tables
Appendix 3: Assessment of results under the MIP AMSP 2007-10
Appendix 4: Budget Support Programmes 2006-2011
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Appendix 6: Updated Joint Government Reform Matrix
Appendix 7: Logical framework for the action

List of relevant documents:

- 10th EDF Country Strategy Paper 2008-13 (CSP 2008-13)
- Mid-Term Review of the 10th EDF Country Strategy Paper 2008-13 (MTR CSP 2008-13)
- Regulation (EC) No 1905/2006 establishing a financing instrument for development cooperation (DCI)
- Multi-Annual Adaptation Strategy and Action Plan 2006-15: Safeguarding the future through consensus (Multi-Annual Adaptation Strategy 2006-15)
- Multi-annual Indicative Programme for Accompanying Measures for Sugar Protocol countries 2007-10 for Mauritius (MIP AMSP 2006-10)
- Mid-Term Review of the Multi-Annual Adaptation Strategy 2006-15 (MTR of the MAAS)
- Mid-Term Review of the Multi-Annual Adaptation Strategy 2010
- EU's Programming guidelines for the MIP AMSP 2011-13

- **Appendix 1: List of acronyms**

AFD	*Agence Française de Développement*
AMSP	Accompanying Measures for Sugar Protocol countries
CSO	Central Statistics Office
CSP	Country Strategy Paper
DCI	Development Cooperation Instrument
EDF	European Development Fund
ERS	Early Retirement Scheme
ESA	Eastern and Southern Africa
FORIP	Field Operations, Regrouping and Irrigation Programme
GBS	General Budget Support
GCC	Global Climate Change
GDP	Gross Domestic Product
ICED	Improved Competitiveness for Equitable Development
iEPA	Interim Economic Partnership Agreement
IRS/RES	Integrated Resorts Scheme/Real Estate Scheme
KPI	Key Performance Indicator
LTES	Long-Term Energy Strategy
MAAS	Multi-Annual Adaptation Strategy
MCA	Mauritius Chamber of Agriculture
MDGs	Millennium Development Goals
MID	*Maurice Ile Durable*
MIP	Multi-annual Indicative Programme
MSA	Mauritius Sugar Authority
MSPA	Mauritius Sugar Producers' Association
MSS	Mauritius Sugar Syndicate
MTR	Mid-Term Review
NEF	National Empowerment Foundation
PBB	Programme-Based Budgeting
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PPA	Power Purchase Agreement
PSED	Promoting Sustainable and Equitable Development
SBS	Sector Budget Support
SEN	Special Educational Needs
SIFB	Sugar Insurance Fund Board
SPIs	Service Providing Institutions for the sugar industry
VRS	Voluntary Retirement Scheme

Appendix 2: Tables

Table 1: Commitments and disbursements under AMSP 2006 & 2007-10 (as at end-August 2010) in EUR million

Year	Name of the SBS/GBS programme	Commitments	Disbursements
2006	Sugar Sector Support Programme	6.5	6.5
2007	Improved Competitiveness for Equitable Development I (ICED I)	36	33.3
2008	Improved Competitiveness for Equitable Development II (ICED II)	32.323	32.323
2009	Promoting Sustainable and Equitable Development (PSED)	66.652	30.2 36.452 to be disbursed in 2011
2006-9	TOTAL	141.475**	102.323

* EUR 2.7 million was not disbursed due to non-achievement of the KPI on absenteeism in the education sector
** 100 % of the AMSP 2006-10 was committed by May 2010

Table 2: Sugar sector at a glance (2006 and 2009 comparison)

	2006	2009
GDP per capita PPP (USD)	10 443	12 261
Sugar sector as % of GDP	3.7	2.2
Sugar sector contribution to GDP (MUR million)	6.723	5.353
Sugar export earnings (MUR million)	10 495	8 490
No employed in the sugar sector	41 355 ^{e}	31 827
Employment in the sugar sector as % of total employment	8.2^{e}	6.1
No of small planters* (as registered with SIFB)	28 353	24 556
No of people in the sugar sector being trained and/or receiving severance payments**	0	7 458
People in the sugar sector being trained and/or receiving severance payments as % of sugar sector employment	0	23.4
Area cultivated (ha)	70 801	64 000^{p}
Area harvested (ha)	66 732	60 503
Cane production (million t)	4.749	4.667
Cane yield (t/ha)	71.2	77.1
Sugar production (‘000 t)	505	467
Sugar yield (t/ha)	7.57	7.72
Special sugar production (‘000 t)	83.1	90
Sugar production cost (raw value, bulk, ex-factory, EUR/t)	360***	395***

** Small planters cultivate less than 10 ha*
*** VRS II, ERS and Blue Print*
**** Valid only for the sugar corporate sector (i.e. excluding small and medium-sized planters)*
^{e} *estimated and based on 2004 data*
^{p} *provisional*
Sources: CSO, MSS, MSA, MCA, SIFB, IMF

Appendix 3: Assessment of results under the MIP AMSP 2007-10

Under **Pillar 1 'Consolidate fiscal performance and improve public sector efficiency'**, the EU support is expected to:

(a) contribute to the improvement (in terms of quality and effectiveness) of public expenditure (including the assessment of public finance systems under PEFA and the use of programme budgeting in a Medium-Term Expenditure Framework as from 2007/08);

(b) enhance public sector efficiency (including that of state-owned enterprises);

(c) encourage the reform of the civil service (originally intended to be carried out initially on a pilot basis, as part of the 2008 Pay Research Bureau Report).

Assessment as at April 2010. Public finance and fiscal consolidation were and are closely monitored in the framework of all budget support operations (SSPS, ICED I and II and PSED). The Public Expenditure and Financial Accountability (PEFA) assessment report published in June 2007 confirmed that the public finance management system in Mauritius is solid overall and the processes to ensure the credibility of the budget, accounting, recording and reporting information, internal audit and transparent procurement are generally sound. However, weaknesses were identified among other things in the implementation of fiscal planning and the comprehensiveness of coverage and external audit. The Government of Mauritius has drawn up a detailed Action Plan to address the weaknesses of the PFM system identified by the PEFA assessment and a number of measures have already been taken: the management and reporting of unreported funds were improved; since 2008 the budget contains a list of the institutions and trust funds that have received government funds; the Finance and Audit Act was amended in May 2008 to cater for important PFM reform measures. These involved aligning the fiscal year with the calendar year, fully implementing Programme-Based Budgeting, replacing the Contingencies Fund by a new provision and abolishing the Capital Fund.

The full-fledged implementation of Programme-Based Budgeting (PBB) as from 2008 aimed to improve fiscal sustainability and allocative and operational efficiency in government administration. Since 2009 PBB has been gradually extended to semi-public bodies, and performance management systems are being introduced in most line ministries and departments. The financial year was aligned with the calendar year as from 2010; the Contingencies Fund was replaced by a new provision for contingencies. A repeat PEFA assessment is scheduled.

In the ICED I and II programmes the results monitored under this component were the reduction in primary spending as a percentage of GDP, and progress in implementing PBB. Civil service reform was aimed at securing efficiency in the public sector in order to support fiscal consolidation and discipline.

The economic reform programme implemented since 2006 has included a number of measures designed to reduce government expenditure, namely limiting wastage through setting up audit committees, allocating funds to line ministries according to preset ceilings, reforming the semi-public sector with the objective of securing its financial viability and implementing a new debt management strategy. As a result, the key performance indicator of reducing primary spending as a percentage of GDP was overachieved in the ICED I and II programmes, with primary spending being reduced by 1.7 % over the period 2006-2008, as compared to an initial target of 1.5 %. In effect primary spending fell to 19.6 % of GDP in 2008 as compared to a baseline of 21.3 %. This showed that the reforms had been successful on this front. Reducing primary spending was not included in the PSED GBS programme, because the Government of Mauritius could not commit to reducing it given the impact of the global economic crisis.

The introduction of PBB has instilled more fiscal discipline by setting priorities and key performance indicators for programmes implemented by line ministries. To that end, line ministries were encouraged to prepare their respective sector strategies. Through the ICED I and II general budget support programmes, the Government of Mauritius was also supported in preparing strategic plans for the education and energy sectors.

As Mauritius is still suffering from insufficient capacity of the public service, the Government of Mauritius has set up a Capacity Building Programme to support the reforms and development objectives by identifying international and domestic experts to help, design and/or implement various strategies and programmes that are run by the Government. A 'Service to Mauritius Programme' is also in place to attract the brightest young people, both Mauritians and from elsewhere, to serve in the Government of Mauritius for periods of between one month and two years.

Under **Pillar 2 'Improving trade competitiveness'**, the EU assistance is expected to:

(a) contribute to further restructuring of the sugar sector, in line with the Mauritius-EC Sugar Response Strategy 2006-2013. This would include increasing the productivity of sugarcane and diversifying the revenue base of the sugar industry via restructured clusters.

Assessment as at April 2010. A detailed analysis is provided under point 2.2.1 and in Appendix 3;

(b) encourage the emergence of new and sustainable cost-effective energy producers/suppliers. The Government is currently finalising a coherent energy policy, fully integrating the role of the sugarcane cluster and ethanol development on the basis of economic, financial and environmental analyses. The energy policy should ensure transparent decision-making on a competitive basis where subsidies/incentives should be limited to the environment only (e.g. carbon credits).

Assessment as at April 2010. As part of the PSED GBS programme the Government of Mauritius adopted its national Long-Term Energy Strategy (LTES) in October 2009. The LTES demonstrates the Government of Mauritius' commitment to diversifying the country's energy supply and improving energy efficiency to cope with increasing demand, while at the same time addressing environmental issues and climate change. It follows a three-pronged approach: (i) developing renewable energy, (ii) reducing dependence on imported fossil fuel and (iii) promoting energy efficiency in line with the Government's objective to promote sustainable development in line with the *Maurice Ile Durable* (MID) vision. The LTES features an increase in the production of electricity from bagasse from currently 350 GWh to 600 GWh annually by 2015, which is also part of the MAAS 2006-2015. The Government of Mauritius is promoting the use of biofuels in vehicles through the introduction of E10 (10 % ethanol mix with 90 % fuel) by 2012 and possibly E20 by 2014. The production of ethanol and use of bio-fuels has a sustainable impact on climate change;

(c) support the emergence of new economic sectors that will bring value-added to the economy.

Assessment as at April 2010. The Government of Mauritius is continuing its strategy to reduce its dependence on sugar, textiles and financial services and to spur greater diversification. Investment in education and infrastructure is vital in the shift towards a more service-oriented economy, especially the country's development as a regional centre for ICT. The contribution of the emerging sectors such as ICT, seafood and construction (IRS) to GDP has been growing. Seafood and the ICT sector contributed 1.4 % and 5.8 % to GDP respectively in 2009 (against 1.1 % and 5.4 % respectively in 2006). ICT is an important pillar of the economy; ICT enterprises have been expanding by 12-15 % annually since 2006. A second underwater fibre optic cable is scheduled to become operational by 2011. The contribution of textile manufacturing to GDP fell to 5.2 % in 2009 (from 6.6 % in 2006). The shares of construction, financial intermediation and real estate in GDP increased by around 1 % from 2006 to 2009, namely from 5.6 to 6.8 %, from 10.4 to 11.7 % and from 10.5 to 11.8 % respectively. As part of the Additional Stimulus Package the Government of Mauritius started in the middle of 2009 a sizable investment programme to upgrade public infrastructure over the following 18 months with 14 projects being earmarked, amounting to a total cost of MUR 25 bn (EUR 600 million). Of these 14 projects, 11 relate to road infrastructure and the remainder target the airport (construction of the passenger terminal) and the Port Louis seaport.

Under **Pillar 4 ' Democratising the economy'**, the EU assistance is expected to:

(a) support implementation of the Empowerment Programme, via job creation for the unemployed, retraining of retrenched workers (in particular from the sugar industry, and this in addition to financing the social packages) and enhanced economic opportunities for the lower-income groups and self-employment.

Assessment as at April 2010. The economic reform programme contained a number of measures to provide transitional support to those whose jobs were put at risk by the reforms, and in general to broaden the circle of opportunities available to vulnerable groups. In 2007 an Empowerment Programme was set up to ease the burden of unemployment, enhance job prospects, reduce labour and skills mismatches and promote SME development. A major plank of the programme comprises wage subsidies for on-the-job training or retraining for unemployed and redeployed workers. A special programme focused on women, who had been particularly affected by the downsizing of the textile sector (see section 2.2.1 above for retrenched workers in the sugar sector).

As unemployment for women is generally twice that of men in Mauritius, ICED I and II monitored the number of unemployed women registered with the Empowerment Programme who had secured a job, those placed in an enterprise under the Placement Scheme and/or those who had joined an enterprise network to start a small business. Training meant a formal training programme with defined modules leading to a certificate and the training had to be linked with a placement. The placement was full-time on-the-job training under supervision of an experienced member of the employer's staff, based on a defined placement plan. The Special Programme for Women under the Empowerment Programme had created business networks for women to set up their own enterprises.

Under ICED I and II, the number of unemployed women who had secured a job and/or were placed in an enterprise under the Placement Scheme and/or joined an enterprise network to start a small business increased from 0 in 2006 to 1 686 in 2008. According to a survey 60 % of those who were trained and placed obtained employment within the enterprise after completing their training. This shows that the EP is enhancing in practical terms economic opportunities for women in these difficult economic times. The business process outsourcing/call centres sector had the biggest absorptive capacity for training and placement, followed by the tourism sector. For women starting a business the biggest number was in the catering sector with the remainder in the garment making and hairdressing sector.

Under the current three-year GBS programme co-funded by the AMSP 2009, the indicator for empowerment has been broadened to include both male and female employment seekers. With the current global economic and financial crisis, the aim of this indicator is to monitor the number of people unemployed or whose jobs are put at risk who are provided with support measures such as training and placement;

(b) assist in the reform of the education sector, with emphasis on increasing sector efficiency, taking into consideration cost-benefit parameters.

Assessment as at April 2010. The education sector in Mauritius suffers from a number of internal and external inefficiencies that result in high failure rates, high drop-out rates and high absenteeism, among other problems. Given the critical reforms needed in the sector, education has been a priority sector that has been monitored over the past two general budget support programmes, and also features in the current three-year GBS programme.

As part of the process of shaping sector strategies to underpin Programme-Based Budgeting (PBB), the EU funded a consultancy to assist the Ministry of Education and Human Resources in drawing up its Strategic Plan for Education and Human Resources (SPEH) for the period 2008-2020. As reforms in the education sector are particularly sensitive and generate a great deal of resistance from various parties, the ICED II GBS programme contained a specific condition to ensure that the Ministry of Education engaged in consultations upstream in order to review the draft strategy based on comments from a maximum number of stakeholders and arrive at a finalised strategy that draws upon the consensus of all partners and can be implemented smoothly. This was successfully undertaken, and the SPEH was finalised and approved by Cabinet in mid-2009. The SPEH is currently being implemented.

Over the first two years the general budget support programmes (ICED I and ICED II) also monitored the absenteeism rate in primary schools for children from vulnerable groups. The indicator was not achieved in the first year, which triggered a process of reflection and analysis on the reasons behind the high rate of absenteeism in ZEP schools, both at the level of policy makers and NGOs. Remedial measures[11] were devised to tackle these root causes. Many of these remedial measures proved successful, as evidenced by the rate of absenteeism in 2008 dropping by 2.8 %, i.e. from 15.7 % in 2007 to 12.9 % in 2008. This was a significant improvement as compared to the worsening of the rate by 0.5 % between 2007 and 2008, due mainly to the low awareness of the problem of absenteeism, which resulted in this indicator not being monitored.

The current GBS programme (PSED) focuses on the pre-primary sector. The objective is to ensure that all children aged 3 to 4 years in Mauritius have access to education, in order to develop their individual intellectual, socio-emotional and psycho-motor skills and prepare them for primary school. The Government of Mauritius has estimated that approximately 5 000 children of pre-primary age from vulnerable groups are not enrolled in pre-primary schools. This indicator under the PSED will therefore monitor the enrolment of children in pre-primary school, with a prime focus on children from vulnerable groups. The PSED programme will aim to contribute to increased enrolment in the pre-primary sector between 2009 and 2011.

[11] Remedial measures included raising parents' awareness of the need to send their children to school, incentives to students through monthly rewards for best attendance, and introducing a new curriculum of activities in schools including artistic and cultural events, games and sports events.

Appendix 4: Budget Support Programmes 2006-2011

1. The first programme, entitled the **Sugar Sector Support Programme**, was adopted in 2006 with total funding of EUR 11 000 000 (EUR 4 500 000 from the 9th EDF and EUR 6 500 000 from the AMSP 2006). Implementation of the MAAS was well under way and the agreed results were achieved (the activities of three factories had been transferred to larger sugar factories, a further two sugar factories had received agreement for closure, more than 1 500 workers had signed the VRS, more than 1 500 workers had enrolled in training/re-skilling programmes, 340 ha of the land belonging to small and medium-sized planters had been de-rocked).

2. The first GBS programme, called **Improved Competitiveness for Equitable Development I** (ICED I), was adopted in 2007 with total funding of EUR 76 022 000, of which EUR 36 000 000 from the AMSP 2007 and EUR 40 022 000 from the 9th EDF. It was successfully implemented, with 92.5 % of the funds disbursed. Only one key performance indicator in the education sector for the variable tranche was not met, corresponding to EUR 2 700 000. The main results obtained under ICED I were advancement of the reforms in the sugar sector, the energy sector,[12] empowerment, environment and fiscal consolidation, while smoothing implementation of the economic reform programme by promoting high-level dialogue among all stakeholders.

3. The second GBS programme was the second phase of the **Improved Competitiveness for Equitable Development II** programme (ICED II), which was funded solely from AMSP resources to the tune of EUR 32 323 000. The commitment was made in 2008. The general conditions as well as the indicators used for disbursement under ICED II were very similar to those used under ICED I except that one indicator on public finance was replaced by an indicator on the wastewater sector in order to ensure continued monitoring of the sector after the end of sector budget support. Funds were fully disbursed after all conditions and KPIs had been successfully achieved.

4. The third GBS programme, **Promoting Sustainable and Equitable Development** (PSED), was committed in 2009. For this programme a total amount of EUR 100 742 000 was committed for 2009-11. Funds amounting to EUR 34 090 000 from the 10th EDF were supplemented with an AMSP 2009 allocation to the tune of EUR 58 984 000. The PSED is the first three-year general budget support programme and extends from 2009 to 2011, with the financing for 2012 yet to be committed. The programme continues to support the Government of Mauritius' overall economic reform programme, with emphasis on energy, the environment, wastewater, sugar, education and empowerment. It is worth noting that the operation includes two specific conditions: (i) the Government of Mauritius must adopt the national energy strategy for disbursement of the 2009 fixed tranche; (ii) a draft action plan has to be drawn up for the national energy strategy for disbursement of the 2010 fixed tranche.

[12] One of the general conditions for ICED I related to the need for the Government of Mauritius to make progress in drawing up a long-term energy strategy.

APPENDIX 5: GENERAL BUDGET SUPPORT (GBS) ROAD MAP MAURITIUS 2011-2013

Introduction

The objective of this General Budget Support Road Map is to lay down the broad framework for the programming of available resources over the period 2011 to 2013. This Road Map will be used as a reference document for the elaboration of Annual Action Programmes and various Action Fiches over the next three years for general budget support programmes.

Background

Sector budget support was used as the mode of delivery of EU grants for the first time in Mauritius under the 9th EDF, for the wastewater sector as from 2004, and subsequently for the sugar sector programme in 2006/07. The sectoral approach has performed well, and it was decided to graduate to general budget support as from 2007. This was prompted by two conditions:

(i) Mauritius is eligible for general budget support, as allowed by Article 61.1c of the Cotonou Agreement and Article 61.2 of the same legal framework. The macroeconomic framework is sound. PEFA report of June 2007 confirmed the overall good public finance management system in place in Mauritius. The PEFA assessment was repeated in 2010, with similar conclusions to the 2007 one.

(ii) The Government of Mauritius presented a comprehensive economic reform programme in 2006[13]. In August 2010 the programme was complemented and up-dated by the Economic Restructuring and Competitiveness Programme. Both are credible and ambitious, and have obtained the support of the World Bank, the African Development Bank and the *Agence Francaise de Développement* (ADF). These donors are all supporting the economic reform programme through general budget support. The EU has decided to align its position with these donors, in line with the Paris Declaration on Aid Effectiveness.

The move towards general budget support was already endorsed by the 9th EDF End of Term Review, and has been reconfirmed in the 10th EDF Country Strategy Paper (CSP). The latter defines the objectives of EU intervention for the period 2008-2013, that is "to contribute to the sustainable economic development of Mauritius by supporting, via general budget support, the four pillars of the economic reform programme namely (i) fiscal consolidation and improving public-sector efficiency; (ii) improving trade competitiveness; (iii) improving the investment climate; and (iv) democratising the economy through participation, social inclusion and sustainability." The CSP indicates that all funds available to Mauritius should be used as general budget support to support the economic reform programme.

On-Going Programmes

In line with the above, two GBS programmes were identified and formulated in 2007. The first programme 'Improving Competitiveness for Equitable Development 1', (ICED 1), combines resources from the 9th EDF top-up following the End of Term Review, the allocation under the sugar accompanying measures for the year 2007, and envelope B funds following an intense cyclone, for a total EUR 45 000 000. This programme covered the financial year 2007/08 and focused on three out

[13] The economic reform programme was first presented in the Budget Speech 2006/2007, and subsequently developed in the Government Reform Matrix and the Development Policy letter, the latter two documents forming part of the Development Policy Loan Document of the World Bank, dated October 2006.

of the four pillars, with emphasis on public finance, the reform in the sugar sector, the education sector and issues like female unemployment.

The second GBS programme ICED I Part 2, built upon ICED 1 to further frontload resources for the economic reform programme. ICED I Part 2 was an extension of ICED 1, funded from FLEX 2006 envelope for a total of EUR 19 510 000. ICED I Part 2 consisted only of two fixed tranches, to ease spending constraints for the Government of Mauritius in a tight fiscal environment. ICED Part 2 ran over the two fiscal years 2007/08 and 2008/09.

ICED II built upon its predecessor and was funded from the 2008 AMSP envelope of EUR 32.323 million. It consisted of one fixed and one variable tranche. Focal sectors were education, female employment, wastewater and sugar.

PSED is the largest and longest GBS programme with Mauritius and combines 10th EDF and budget resources to tune of EUR 100 742 000 for the 2009-11 period. Currently funding in tune of EUR 65 411 is being added as a rider (tentative 2011 AMSP allocation of EUR 55 411 000 and remaining EUR 10 000 000 under CSP). The focal areas are education, environment, wastewater, employment and sugar.

GCC was formulated to assist Government of Mauritius in its mitigation efforts against global climate change. The programme is worth EUR 3 000 000, whereas EUR 2 800 000 for two fixed tranches and EUR 200 000 for technical assistance. It is a two year programme 2010-2011.

Three forthcoming GBS operations are currently under formulation, namely:

1. A successor the PSED programme funded by AMSP funds for 2012-2013
2. A GBS programme for the EU MDG initiative to the tune of roughly EUR 5 000 000 for the next three years
3. A GBS programme with funds for the fight against piracy to the tune of EUR 3 000 000.

As the programmes 2 and 3 are at a preliminary stage they are not included as such in the GBS Road map.

Areas to be examined during programme identification and formulation of PSED II

Areas to be examined during identification and formulation of the future programme PSED II include the (i) priority areas identified in the Multi-Annual Indicative Programme for Accompanying Measures for Sugar for Mauritius 2011-2013, (ii) the quantum of available resources, (iii) proposed amounts and schedule for disbursements, (iv) as well as donor harmonisation.

Priority sectors for future programmes :

The focus of future EU programme as from 2011 will be (i) restructuring of the sugar sector in the sugar cane cluster, (ii) MID initiative, (iii) social and economic empowerment and (iv) education. The priority areas for the EU will reinforce and complement the priorities set by other donors during the identification phase of the various programmes. The World Bank's PDL, covering the period 2011-2014, will focus on (i) social protection, (ii) efficiency of the public sector, (iv) competitiveness, (iii) civil service reform and (iv) education. AFD's sector budget support is focused on MID (for the period 2010-2012). AfDB is focused on infrastructure.

Available resources for programming

At least EUR 84 000 000 is available for programming over the period 2012-2013 from Sugar accompanying measures (Budget line 21.06.03 Sugar): indicative 2011 allocation of EUR 29 088 000 and 2012 of EUR 55 089 000 (COM decision C(2010)8130 of 22.11.2010).

Table 1 below summarizes the forecasted commitments for the period 2010-2013 under the different financing instruments available, as discussed and agreed with the Government.

Table 1: GLOBAL COMMITMENTS 2010-2013 (in EUR million)

Programme / Year	**2010**	**2011**	**2012**	**2013**	**2010-2013**
AMSP	36.452	55.411	29.088	55.089	176.04
GCCA	2.8				2.8
10th EDF	16.5	10			26.5
TOTAL	**55.752**	**65.411**	**29.088**	**55.089**	**205.34**

Donor Coordination and Alignment.
The EU has been harmonising its programmes with the other GBS donors. Donor consultations on coordination are organised around the Development Policy Loan (DPL) missions of the World Bank. These missions are organised in conjunction with the *Agence Francaise de Developpement*, the African Development Bank and UNDP (though the latter does not provide GBS but only TA). The second series of DPL is currently running for the period 2011-2014.

The 2011-13 programmes of the EU will be coherent with the second series of DPL starting in 2011 to the extent possible. Triggers are being harmonised and developed together with the Government of Mauritius. Ares of common programming are mainly (i) public sector reform and (ii) social protection and (iii) education. AFD's sector budget support is focused on MID (for the period 2010-2012).

Table 2: Donors' budget support commitments

Year / Donor	**2010**	**2011**	**2012**	**2013**	**2014**	**2010-2014**
EU (EUR)	55 752 000	65 411 000	29 088 000	55 089 000	Tbc	205 340 000
World Bank (USD)		20 000 000	20 000 000	20 000 000	20 000 000	80 000 000
AFD (EUR)	125 000 000					125 000 000
AfDB (USD)	700 000 000					700 000 000

Other issues to be considered during programme identification and formulation
(i) Programming cycle
The World Bank, the EU and AfDB (restructuring of their ongoing loan) have launched their programming cycles for the budget support operations in early 2011.

(ii) Variable tranches under Budget v/s EDF
Shares of VT and FT for the third year of the PSED have been maintained at around 35:65. For PSED II, financed only from the sugar budget line, the share will have to be negotiated with the Government of Mauritius, but will be probably in the range 50% and 50%.

(iii) Policy Dialogue
It is important to maintain a regular policy dialogue on the implementation of the economic reform in general, as well as sugar reform in particular. The Delegation will continue working closely with the other donors to ensure appropriate and regular dialogue on the economic reform programme.

Possible allocation of funds and timetable for disbursement

Funds under the GBS programmes will be disbursed in fixed and variable tranches.

Fixed tranches
The general conditions for the fixed tranches of the GBS will be the standard one, namely the sustainability of the macro-economic framework and the quality of public finance management. The macroeconomic framework will be evaluated based on IMF Article IV consultations, which take place every year in February. The quality of public finance management will be assessed based on the follow-up actions taken to the second PEFA report of 2011. Addressing the weaknesses identified in the PEFA report form part of the overall policy dialogue in the context of the wider economic reform programme.

Specific conditions for the fixed tranches will also be set as and when required, depending on the issues/concerns arising from the overall pace of implementation of the economic reform programme.

Variable Tranches
The KPIs will be identified and agreed together with the Government of Mauritius as well as GBS donors according to the priority areas: (i) restructuring of the sugar sector in the sugar cane cluster, (ii) MID initiative, (iii) social and economic empowerment and (iv) education

Table 3: Proposed Disbursements 2011-2014 (in EUR million)

Fiscal year	**2011**	**2012**	**2013**	**2014**
AMSP	36.452	55.411	29.088	55.089
GCCA	2.8			
10th EDF	16.5	10		
TOTAL	**55.752**	**65.411**	**29.088**	**55.089**

Table 3 above represents the disbursement schedule discussed and agreed with the Government.

Frontloading
Since the start of the economic reform programme, the Government has requested frontloading of resources because of the substantial investments required at the initial stage of the programme. This request was repeated after the implementation of the stimulus package as a response to the global economic and financial crisis of 2009. The EU has tried to support the request by increasing the annual allocation for AMSP 2011 and frontloading the EUR 10 million from 10th EDF for disbursement in 2012, instead of 2013.

Practical Preparation and timing for 2011 Budget Support
Table below shows the main milestones in terms of dates for the preparation of the GBS programme for 2011, ie. AAP for sugar 2012.

Action	**Date**	**Responsible**
GBS "Preparation Committee", involving the Delegation and the NAO Office.	January 2011	Government of Mauritius
Consultation with World Bank (DPL mission) and other GBS donors	February 2011	World Bank/ EU Delegation
Draft Identification Fiche (covering consistency with CSP, eligibility criteria,	May to June 2011	EU Delegation

implementation issues, coordination, areas for performance criteria and indicators, risks, next steps, work plan and time schedule attaching terms of reference for formulation).		
Discussion and approval of draft Identification Fiche	June 2011	Government of Mauritius/EU Delegation
Discussion of draft Identification Fiche in QSG (I)	July 2011	EU Delegation/QSG
Consultations as appropriate	August to September 2011	EU Delegation/Government of Mauritius/other donors
Draft Action Fiche (Rationale and country context, description, implementation issues…and including the annexes on policy and strategy, macroeconomic policy, public financial management, performance criteria and indicators, and modalities for disbursement)	October 2011	EU Delegation
Discussion and approval of draft Action Fiche	November- December 2011	EU Delegation/ Government of Mauritius
Discussion of draft Action Fiche in QSG(2)	Jan 2012	European Commission
Approval of Action Fiche (as part of Annual Action Programme) by Management Committee of EU Member States and EP for Budget (AAP)	xxx 2012	European Commission
Approval of Action Fiche (as part of Annual Action Programme) by European Commission (Financing Decision)	xxx 2012	European Commission
Signature of Financing Agreement	xxx 2012	European Commission and Government of Mauritius

6. Risks

The main risks associated with the Mauritian economy would come from the external front. The growth prospects would be low if demand for tourism, textiles and Foreign Direct Investments slow down in the coming years as a result of another major economic recession. Mauritius might not have the required fiscal space to effectively face another global economic crisis.

Reform measures in various sectors are deep and require large social consensus, which may affect the timely implementation of the whole reform programme. The challenge for the Government will be to reconcile the economic and social interests of the various actors in the economy, through regular and open dialogue, to ensure consensus among all stakeholders in implementing the necessary reform measures.

The public sector is overstretched, specifically at the management level, with increased activity level (eg. increased presence of donors in the country, increased international cooperation, increased participation in negotiations, eg for the Economic Partnership Agreements and the World Trade Organisation), coupled with understaffing. There might be a capacity constraint in terms of availability of human resources.

7. Technical Assistance requirements

Most multilateral donors active in Mauritius, namely EU, World Bank, AFD, AfDB and UNDP, responded favourably to the request of the Government to provide technical assistance, where required in the civil service, for effective implementation of the reform programme.

There is a need to coordinate technical assistance to Government for better efficiency, and to use complementarities. A joint framework for intervention areas among donors has been established. The current Annual Business Planning exercise held with all other donors every year for coordination of technical assistance is likely to be maintained.

8. Conclusion

The above draft GBS Road Map only broadly outlines the various steps and issues that need to be taken for the 2011-2013 GBS programme. This is a dynamic document that will be constantly refined and be shared and discussed with the Government of Mauritius. New issues and constraints will be included as they come along.