

# Mauritius

## Challenges of Sustained Growth



Emilio Sacerdoti, Gamal El-Masry,  
Padamja Khandelwal, and Yudong Yao



**International  
Monetary  
Fund**

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# Contents

<b>Preface</b>		<b>vii</b>
<b>Chapter 1. Overview</b>		<b>1</b>
<b>Chapter 2. Outstanding Growth Performance</b>		<b>3</b>
Mauritius's Initial Conditions		3
Outstanding Accomplishments		5
Accounting for an Economic Miracle		11
<b>Chapter 3. Sectoral Diversification and Openness</b>		<b>15</b>
Main Trends in Diversification		15
Balance of Payments Developments: The Strengthening of the External Position		16
The Sugar Sector		20
The Export-Processing Zone (EPZ)		25
The Tourism Sector		34
The Financial Services Sector		36
Sea Port and Freeport		37
Information Technology: The New Growth Sector		37
<b>Chapter 4. The Role of Institutions</b>		<b>40</b>
Quality of Mauritius's Institutions		41
Rule of Law		43
Adaptability to External Shocks		43
Proper Uses of Sugar "Transfer" and Good Management of the EPZ		44
Quality of Institutions and Mauritius's Growth: Some Econometric Evidence		45
<b>Chapter 5. Labor Market and Educational System</b>		<b>50</b>
Labor Market Institutions: "One Country, Two Systems"		51
Educational System		55
Reforms Under Way		56
Conclusion		57

<b>Chapter 6.</b>	<b>Fiscal Developments</b>	<b>59</b>
	Phase 1: Fiscal Imbalances	60
	Phase 2: Fiscal Consolidation and Trade Tax Reform	60
	Phase 3: Reemergence of Fiscal Imbalances Despite VAT Introduction	61
	Challenges Ahead	63
<b>Chapter 7.</b>	<b>Financial System and Institutions</b>	<b>71</b>
	The Early Years	71
	Maturing of the Financial System	73
	The Financial System at Present	75
<b>Chapter 8.</b>	<b>The Evolution of Monetary and Exchange Rate Policy</b>	<b>81</b>
	The Early Years—A Controlled System	81
	Initial Steps Toward Liberalization	86
	Liberalization	88
	Inflation as a Monetary Policy Objective in Mauritius: Challenges in Recent Conduct of Monetary and Exchange Rate Policy	90
<b>Chapter 9.</b>	<b>Medium-Term Challenges and Concluding Remarks</b>	<b>96</b>
	The Factors Behind Sustained Growth	96
	The Challenges for Policy	97
<b>References</b>		<b>100</b>
<b>Boxes</b>		
	3.1. Openness Strategy	17
	3.2. Mauritius: The Future of the EPZ	32
	3.3. Mauritius: ICT Sector Outlook and Its Impact on Medium-Term Growth	38
	5.1. Mauritius: Unemployment and the Labor Market	52
	7.1. Future Risk and Challenges to the Mauritian Financial System	78
	7.2. Further Development of the Bond Market	80
	8.1. Money Demand in Mauritius	85
	8.2. Econometric Analysis of Bank of Mauritius Monetary Policy Rule	95

**Tables**

2.1. Inheritance: Mauritius Versus the Rest of the World	4
2.2. Key Economic Indicators, 1980/81–2003/04	10
2.3. Sources of Growth in the World by Region, 1960–2000	12
3.1. Principal Growth Industries by Period	15
3.2. Balance of Payments, 1979/80–2002/03	19
3.3. Implicit Transfer from European Sugar Consumers, 1975–2000	23
3.4. Welfare Benefits of the Sugar Protocol (SP), 1975–92	24
3.5. Estimates of Effective Protection, 1980 and 1990	27
3.6. Import Tax and Offsetting Export Subsidies	30
3.7. Total Factor Productivity (TFP) in the EPZ Sector	30
3.8. Key Tourism Indicators, 1980–2002	35
3.9. Tourism Statistics in Comparison with Maldives and Seychelles, 1985–2002	35
4.1. Mauritius and Other Countries with Respect to Indices of Institutions	42
4.2. Institutional Variables: Mauritius and Other Regions	42
4.3. Cross-Country Growth Regression as in Sachs and Warner (1997)	46
4.4. Breakdown of Mauritian Growth	47
4.5. Cross-Country Regressions of Change in Growth (Rodrick, 1999b)	48
6.1. Summary of Government Finances, 1980/81–2003/04	59
6.2. Tax Revenue, 1997/98–2003/04	62
6.3. Value-Added Tax Efficiency Ratios	63
6.4. Public Debt Sustainability Framework, 2003/04–2007/08	64
6.5. Maturity Composition of Government Debt, 1998/99–2002/03	67
6.6. Savings and Investment, 2000/01–2003/04	69
6.7. Holders of Domestic Debt, 2002	70
7.1. Financial System Structure, June 2002	76
8.1. Inflation Target and Outcome, 1997/98–2003/04	91

**Figures**

2.1. GDP Developments, Composition, and Growth Accounting	8
3.1. International Sugar Prices, 1970–2000	22
3.2. Wages in the EPZ and Non-EPZ Sectors, 1983–2000	28
5.1. Real GDP Growth, Employment Growth, and Unemployment Rate, 1982–2002	51
5.2. Average Compensation and Labor Productivity, 1982–2002	53
6.1. Central Government Debt, 1995–2003	66
6.2. Bank Rate and Inflation, January 1998–June 2003	68
7.1. Income Velocity of Money, 1967–2003	73

8.1. Mauritius Monetary Policy—Bank Rate and Inflation, 1967–2003	82
8.2. Credit to Private Sector, 1967–2003	83
8.3. Balance of Payments, 1967–2003	84
8.4. Real and Nominal Effective Exchange Rate Indices, January 1979–June 2004	87
8.5. Net Foreign Assets of Bank of Mauritius, 1967–2004	88
8.6. Principal Interest Rates, January 2000–February 2004	93
8.7. Yield Curve for Treasury Securities	94

The following conventions have been used throughout the paper:

- . . . to indicate that data are not available or not applicable;
- to indicate that the figure is zero or negligible;
- between years or months (for example, 2002–03 or January–June) to indicate the years or months covered, including the beginning and ending years or months;
- / between years or months (for example, 2002/93) to indicate a fiscal or financial year.

## Preface

Some of the material presented in this Special Issues Paper was previously published in the selected issues papers prepared as background for discussions in the IMF Executive Board. The paper also draws on material presented in a very comprehensive study by Arvind Subramanian and Devesh Roy, 2001, “Who Can Explain the Mauritian Miracle: Meade, Romer, Sachs or Rodrik?” IMF Working Paper 01/116.

The authors wish to express their gratitude to Arvind Subramanian, who has been a driving force behind this work through his insightful analysis of the roots of the Mauritian economic miracle.

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The opinions expressed in this paper are solely those of its authors and do not necessarily reflect the views of the International Monetary Fund, its Executive Directors, or the Mauritian authorities.

## Overview

The purpose of this paper is to present the remarkable achievements of the economy of Mauritius since independence, and to highlight the factors that have made this performance possible. The record is impressive. Mauritius has achieved one of the highest per capita gross domestic products (GDPs) in Africa: about US\$4,600 in 2003, up from about US\$320 in the early 1970s. The economy, which at independence in 1967 was dependent entirely on the sugar crop, has been able to diversify rapidly, first into textiles, then into tourism, and more recently into information and communication services. In the process, the large pool of unemployed labor has been absorbed, and a remarkable macroeconomic stability has been maintained over the last 20 years. The country is well positioned to benefit from the increasing demand for information processing.

This paper examines several factors that have contributed to this remarkable growth: the successful pursuit of macroeconomic stability, despite the presence of adverse exogenous shocks; a successful strategy of trade openness, although somewhat heterodox; the development of a solid institutional framework that has promoted growth, including respect for the rule of law, political stability, an efficient administration, and a favorable regulatory framework. The paper also highlights the rapid development of a well-developed financial system that has contributed to supporting economic diversification and growth.

Despite this successful performance, important challenges remain. The government budgetary deficit is contributing to a rise in the total public sector debt, which could become worrisome if the deficit is not scaled down on a steady basis; despite a good overall educational system, there is a need to facilitate access for all students to secondary schools and to enhance the quality of education, including vocational training, in order to better prepare them for the labor force; the textile and the sugar sector must confront the erosion of trade preference and must therefore restructure in order to survive.

While these challenges are very serious, the cohesion of the social fabric, the quality of the institutions, the level of the human capital, and the quality of the physical infrastructure suggest that the country should be able to continue to find ways to adapt its economic structure so as to ensure sustainable growth.