



# Yes Africa Can

Success Stories from a Dynamic Continent

Punam Chuhan-Pole  
Manka Angwafo  
Editors



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**Ali Zafar**  
**Senior Macroeconomist**  
**Macroeconomics and Fiscal Management (MFM)**  
**The World Bank**



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MACROECONOMICS AND FISCAL MANAGEMENT

\*“Structural transformation,  
employment, and poverty  
eradication: the case of  
Mauritius”

\*by Ali Zafar

# QUOTES

“We are very adaptable and we have a strong network of suppliers and buyers, which we cultivate...the government has been very nice to us.”

– *Mauritius CEO of garment company*  
(Author interview, Port Louis, June 2010)

“We are far from markets. If we did not do anything, we risked remaining poor.”

*Senior Mauritius policymaker*

“Mauritius is paradise..it is beautiful here and we all work together.”

*M. Rambonee taxi driver*



# \* AGENDA



- **I. Overall story**
- **II. Growth and macroeconomic management story**
- **III. A tale of three sectors**
- **IV. Dynamic institutions**
- **V. Lessons**



# I. Overall story: Mauritius



- \* Mauritius is one of most successful African economies combining visionary leadership with strong economic management (sugar, textiles, tourism, ICT)
- \* Country had strong experience in structural transformation and poverty reduction
- \* Mauritius's economy grew at an average annual rate of 4.7 percent over 1980-2010. Inflation has been in single digits since 1994.
- \* Textile industry developed in 1970s due to government support of promising cluster, EPZ, zero tariff regime, and fiscal advantages; unemployment went below 5 percent by 1980s

## \* II. Growth story



- Strong performance of GDP growth and per capita GDP
- Strong improvement in poverty and social indicators
- Well-managed macroeconomy: fiscal discipline, monetary management, competitive exchange rate

# Mauritius Growth Story

Chart 1: Mauritius GDP per capita 1975-2015 (\$)

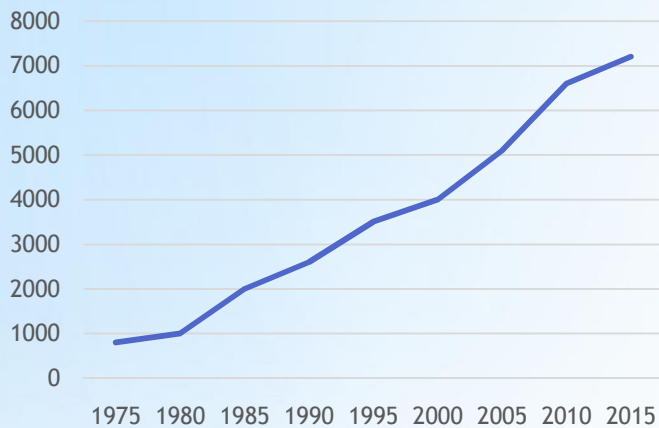
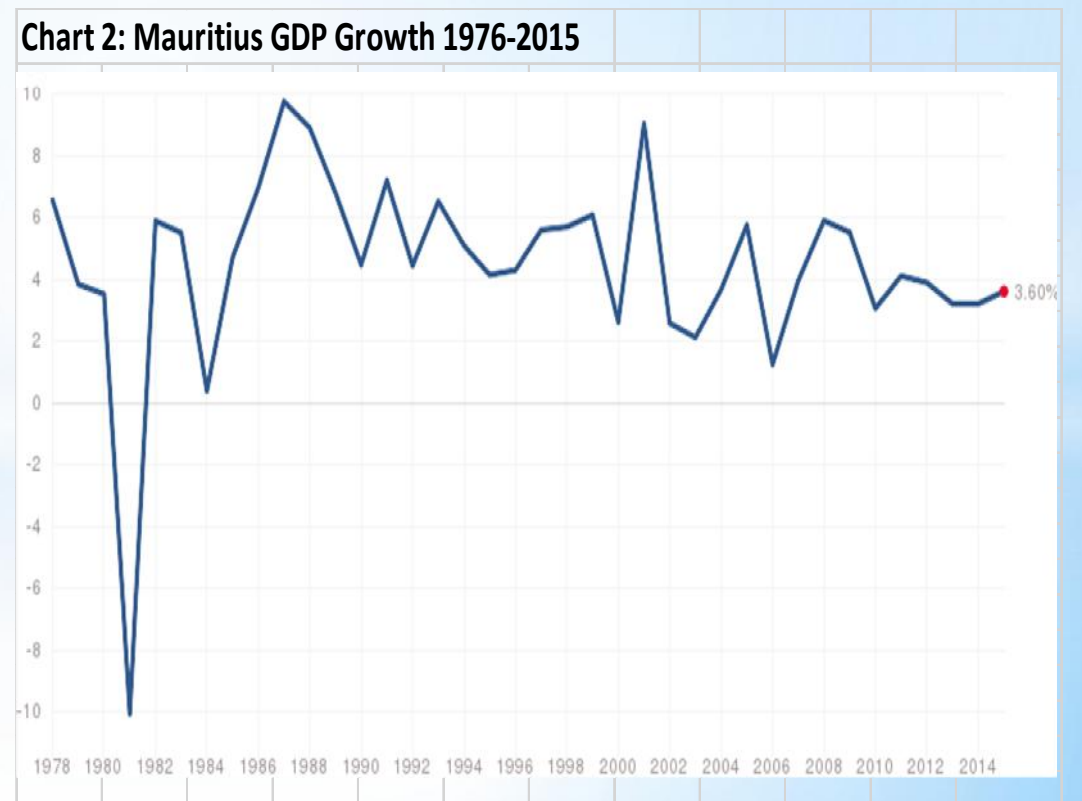


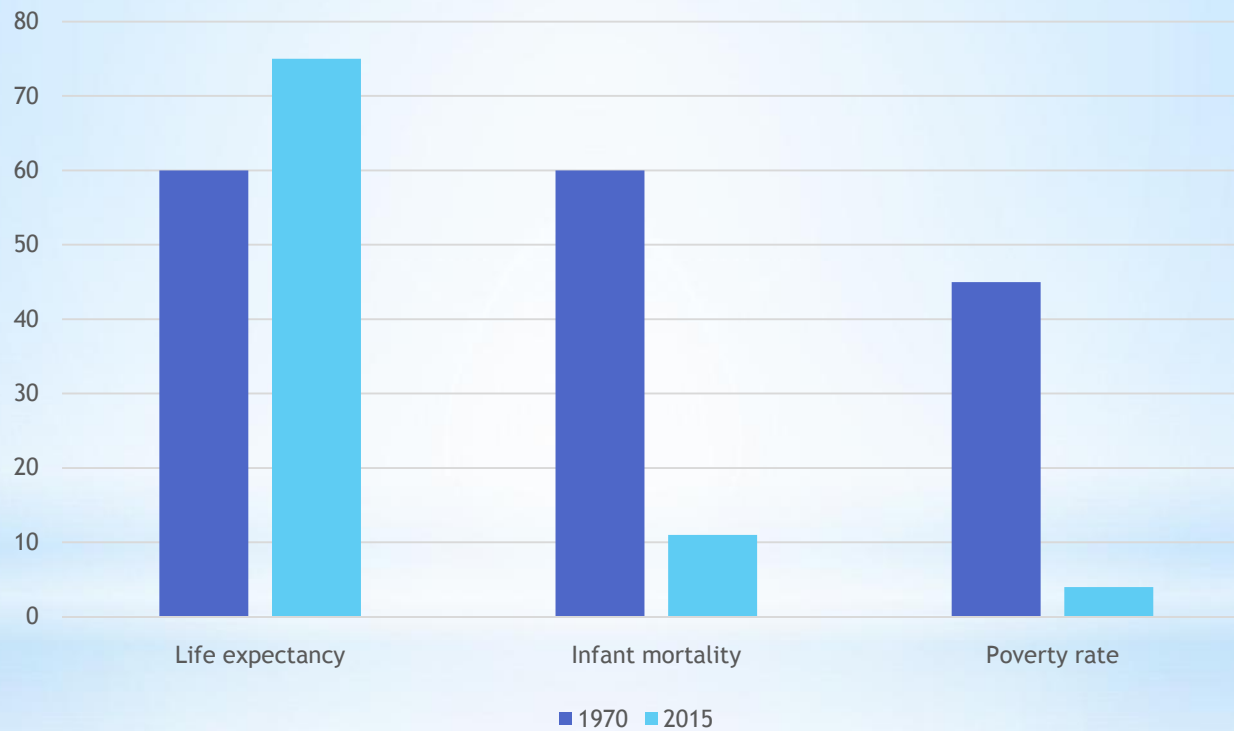
Chart 2: Mauritius GDP Growth 1976-2015





# Poverty reduction story

Chart 3: Mauritius Social Indicators 1970-2015 (%)





# \* Good macroeconomic management

- Prudent proactive fiscal management
- Good monetary management ensured competitiveness of exchange rate (REER)
- Limited recourse to borrowing from domestic and international markets
- Innovative trade and structural policies (preferential deals, SEZ's, cluster development)

# III. A Tale of Three Sectors



**SUGAR**

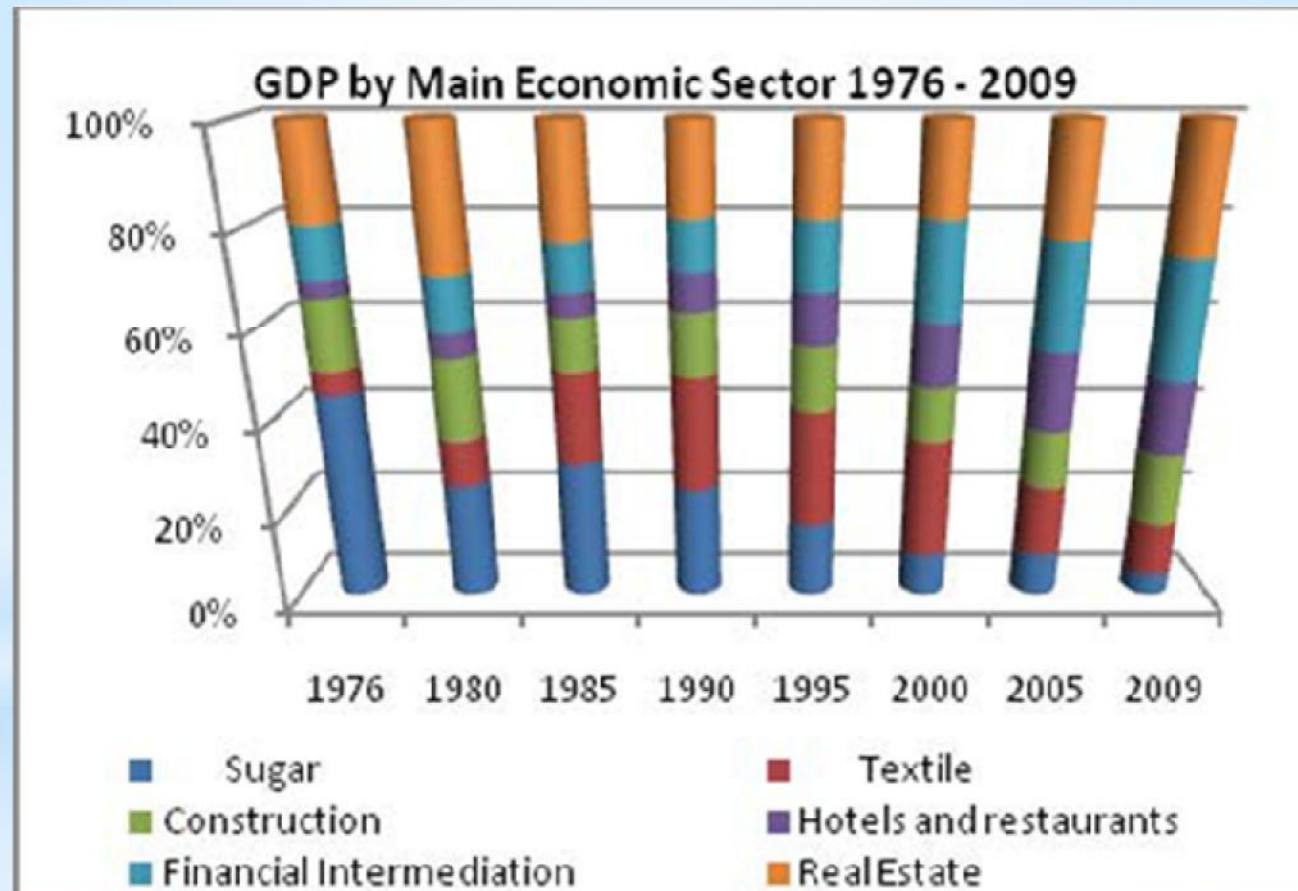


**APPAREL**



**TOURISM**

# Structural transformation





Background

# Analytical framework: Light manufacturing constraints



**INPUT COST &  
QUALITY**



**INDUSTRIAL LAND**



**FINANCE**



**TRADE LOGISTICS**



**ENTREPRENEURIAL SKILLS**



**WORKER SKILLS**

## \* IV. Institutions

- Very strong institutions (political stability, rule of law, democracy)
- Strong interaction between public and private; joint involvement in policymaking
- Search for consensus
- Ethnic harmony between the three groups





# \* V. Lessons

- Good macroeconomic management matters
- Smart industrial policy to diversify economy
- Leadership plus vision plus institutions are key
- Importance of anticipating crises
- Opportunistic dealing with world economy
- Geography is not destiny

# Thank you for your attention!

For more information:  
[www.worldbank.org/africa](http://www.worldbank.org/africa)  
[azafar@worldbank.org](mailto:azafar@worldbank.org)



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