

**THE IMF 2019 ARTICLE IV CONSULTATION
WITH MAURITIUS**

**STATEMENT BY HON PRAVIND KUMAR JUGNAUTH
PRIME MINISTER**

**SITTING OF THE NATIONAL ASSEMBLY
ON
FRIDAY 03 MAY 2019**

Madam Speaker,

I have another statement to make.

The IMF Executive Board concluded the 2019 Article IV Consultation with Mauritius at its meeting held on Monday 22 April 2019.

The IMF Staff Report for the 2019 Article IV Consultation was published on 29 April 2019. The report made, inter alia, the following observations and recommendations:

First, economic growth momentum remains strong and inflationary pressures have receded. Economic activity is projected to continue at a steady pace.

Second, the fiscal outturn for FY2017/18 was broadly in line with the budget.

Third, monetary policy remains accommodative and bank lending has continued to recover amid improving financial conditions.

Fourth, the current account deficit has widened, but the overall balance of payments has remained in surplus.

Fifth, official foreign exchange reserves have increased by about US\$1.4 billion between end-2016 and end-2018

Sixth, financial soundness indicators point to continued financial sector stability.

Seventh, initiatives to foster financial inclusion are underway.

Eighth, activity in the offshore global business sector has been broadly resilient. The vibrant global business sector is entering a transition phase.

Ninth, notable steps have been taken to meet the international anti-tax avoidance initiatives.

Tenth, the fiscal stance will remain expansionary, as several initiatives are undertaken to boost employment and growth.

Eleventh, while both Doing Business and global competitiveness indicators show that Mauritius has made considerable progress along various

dimensions and continues to outperform regional peers and other international competitors, most notably in technological readiness, innovation, infrastructure, higher education and training, labour market efficiency, and institutional quality.

Twelfth, Mauritius aspires to become a regional hub for fintech activities.

Thirteenth, improvements in fiscal transparency and public investment management will also help to preserve debt sustainability.

Fourteenth, the Debt Sustainability Analysis under the baseline scenario indicates that Mauritius' public debt level is sustainable.

Challenges

According to the Report, several challenges confront Mauritius in meeting its ambitious goals. Efforts are underway to address these challenges.

The economic outlook is exposed to several types of risks. Being a small open economy, Mauritius is highly vulnerable to adverse external shocks. External imbalances are expected to widen in the near term.

Given Mauritius' extreme vulnerability to natural disasters such as cyclones and floods and their potentially large and adverse impact on the economy, IMF staff gave assurances that adequate attention will be paid to this critical issue for next year.

According to the Report, reducing the level of debt is a challenge. On current policies, the public statutory debt target will be missed and considerations are being given to extending the deadline.

Gradual fiscal consolidation appears feasible to reach the revised debt target. Both revenue and expenditure-side measures can support consolidation. A decline in public debt over the medium term will help to safeguard macroeconomic stability and create room to respond to shocks.

I wish to point out that I received a letter from the Executive Director representing the African region on the Executive Board of Directors of the IMF in which he pointed out the significant progress made by

Mauritius to strengthen the anti-money laundering and combating the financing of terrorism (AML/CFT) framework and, as a result, Mauritius has recently been upgraded by the Eastern and Southern African Anti Money Laundering Group (ESAAMLG) on 12 recommendations.

The Directors were reassured that important steps have been taken to align with international anti-tax avoidance standards, including the Base Erosion and Profit Shifting Project (BEPS) Action 5. They welcomed the steps taken to comply with the international anti-tax avoidance initiatives.

The Executive Director emphasized the authorities' strong commitment to enhance external

competitiveness, notably through structural reforms aimed at improving the business climate, boosting productivity and enhancing labour market efficiency. In this context, new bilateral and multilateral free trade agreements are being negotiated, including with African States under the Government's Africa Strategy; vocational training and innovation are being promoted; and many initiatives were launched to support female workforce participation as well as to facilitate access to finance for Small and Medium Enterprises (SMEs).

To conclude, the Executive Director has stated the following:

I quote:

“Excellency,

Let me take this opportunity to join other Executive Directors in congratulating you and the Mauritian authorities for the solid macroeconomic performance over the years and also for your continued effort to address structural bottlenecks.” end of quote.

Thank you **Madam Speaker.**
