

**Country Paper**  
*(Republic of Mauritius)*

*by*

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*For*

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**on**

**Innovative Micro-Credit Delivery Systems  
for Rural Poverty Alleviation**

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## **Abstract**

This Country paper proposes to give a bird's eye view of the endeavours of the Mauritian government to address and eradicate poverty after its participation in the World Summit on Social Development.

Mauritius is a developing island state with its human resource as its wealth and quite vulnerable in the face of exogenous shocks in a globalised world order. It may not afford to leave a segment of its only resource outside the playing field and, it has strategised to "align its national development priorities on the Millenium Development Goals and is meeting most of them" (UNDP Representative, Ms. Aase Smedler, 09 Sept. 2007 at the official launching of the Global Human Development Report, 2005).

"The target date of 2015 for achieving the MDGs is approaching fast. There is still time to get back on track. If we fail to act now, there is a growing danger that the next 10 years will go down in history not as a decade of accelerated human development, but as a decade of lost opportunity" (Hon.M.Dulloo, Minister of foreign Affairs, 09.09.2007).

It is over 10 years now that Mauritius has implemented its Poverty Alleviation Programme comprising of direct assistance and micro-credit schemes. In 2006 a business facilitation act was passed to provide the opportunity structure to Mauritians of any social stratum to set up enterprises and participate in the economy.

This paper situates the country in its historical, geographical and economic context before elaborating on the different reports on the state of poverty. It finally covers the different micro-credit delivery systems applied in the country together with its strengths and weaknesses assessed as at September 2006.

## Background

Mauritius, an island of the unexplored Indian Ocean, was under Dutch occupation from 1598 to 1715. It earned recognition on the world map mainly due to its strategic position. This island was taken over by nations with advanced naval technology in those days and the empirical expansionist movements brought it successively under French rule as from 1715 and British rule as from 1810.

The French, in their quest to develop and exploit the resources of this strategically located island, brought slaves from Mozambique and other parts of East Africa, Madagascar, India, Malaysia and Comoro Islands. The British abolished slavery in 1835 and resorted to indentured labour from India as its agriculture, basically sugar cane, needed such hands. However, even in those days, there have also been movements of free people from India and China in the form of Gujrati textile merchants and shopkeepers from China respectively.

The people have, therefore, developed a multi-linguistic culture. While a major segment of the population is of Indian ancestry, English is the official language (law, circulars, letters, teaching medium, etc. are in English), French is the bureaucratic medium for verbal communication, Creole and Bhojpuri are widely spoken. Hindi, other Indian languages and Mandarin (Chinese) constitute complementary vehicles of expression, especially among specific segments of the population.

The island of Mauritius has an area of 1865 km<sup>2</sup>. It is situated in the south west of the Indian Ocean slightly over the Tropic of Capricorn in latitude 20° South and longitude 57° East of Greenwich. It is 2000 km off the east coast of Africa and some 855 km east of Madagascar and is almost entirely surrounded by coral reefs. The Republic of Mauritius includes the islands of Mauritius, Rodrigues, St Brandon and Agalega. Diego Garcia, also forming part of the Mauritian territory, was detached, prior to independence, by the British government against international conventions. The population of Diego Garcia was displaced to the mainland and they form the ilois community. They have successfully integrated the economy in Mauritius but the claim for their right to return to their home land is still on in the high court of Britain.

The country gained freedom in 1968 rather peacefully except for one politically induced ethnic conflict in the wake of independence. It rose to the status of a republic state within the Commonwealth in 1992. Its 1,227,000 people who hail from different continents have learned to live in peaceful co-existence and positively experience cultural diversity and pluralism. It has certainly been rightly referred to a 'Model United Nations'. It is a democratic state with a West-Ministerian tradition and significant influence of the Indian and French democratic cultures. Today Mauritius holds effective membership in the United Nations, Commonwealth, Francophonie (some sort of a French Speaking Union), African Union, Indian Ocean Rim, Common Market for Eastern and Southern Africa (COMESA) and South African Development Community (SADC).

Physical and infrastructural developments over four centuries of history bear testimony of diverse cultural imprints. Its economy has rapidly diversified from a dominant sugar culture to a multi-pillar system: tourism, textile, services and I.C.T. apart from sugar. Foundations have been laid for further diversification of the economy and enlargement of its resource base through the creation of knowledge and seafood hubs.

The country had economic problems and successfully administered Structural Adjustment Programmes in 1979-1985 following two devaluations. Rising external debt and unemployment were major hurdles on the road to national prosperity.

The economy was operating under preferential trade regimes. However, it remained vulnerable because of its size (1865 km<sup>2</sup>), limited domestic market (1.2 m people), and remoteness from the major continental markets and exogenous shocks (economic and climatic). Nevertheless, it emerged as the "economic miracle" (World Bank, 1989) and the 'most competitive African Country' (Harvard Institute for International Development, 1998). Real GDP per capita has grown by 3.7% per year on average and by 5.0% per year on average from 1984 to 1997 (World Bank, 1998). With a population growth rate of only about 0.6% in 2007, average per capita income in Mauritius more than doubled. Per Capita Gross National Income increased from Rs. 57019 in 1994 to Rs.163,479 in 2005. the rate of growth in GDP has been sustained at above 5% since 2005.

### Poverty in Mauritius

Prosperity has not trickled down to the poorest segment of the population including the informal sector workers. Despite the 65th position of Mauritius in Human Development Report 2005) among 177 countries, the country has 11% of its population in the "ultra poor" bracket (DCDM, 2001, p 12) with a per capita income of Rs 587 p.m. Furthermore, in absence of a national poverty line, inferring to the Rs 4,000 p.m ceiling of households entitled to core-housing units and assistance from the Trust Fund for the Social Integration of Vulnerable Groups, it can be said that 7.1% of households are in this category (HBS, 2001/02). In case the ceiling is pushed to less than Rs 8,000 p.m giving entitlement to micro-credit scheme, the same survey reveals that more than 16% of households are living in poverty.

Using the Half median monthly income as a measure, a study by the Central Statistical Office based on Household Budget survey data for 2001-2002 revealed that 13.1 % of the households were living with less than the half medium income (Poverty analysis, 2001-2002, Republic of Mauritius). A recent update has shown that the relative poverty line stood at 8% in 2006-2007. However, a recent study by the World Bank has estimated that 9.7% of the population lives with a monthly income of less than Rs. 5000. Poverty is localized rather than widespread in Mauritius. A list of deprived areas and 220 pockets of poverty has been established.

The people referred to in the poor categories are the unemployed workers of the informal sector, women, elderly, children, disabled and the poor living mostly in rural settings (64%). 21% of the poor people live in urban and 15% in semi-urban areas. The distribution of the poor per ethnicity is as follows: Hindu – 38%, Muslim – 10%, General Population: 51% and Sino-Mauritian – 1%. (Duncan A & Valenti P.M, 2001).

The Household Budget Survey 2001/2002, on the other hand reveals that only 11.5% of households have an income of more than Rs 25 000 p.m. A further exercise to disintegrate this income group would perhaps reveal the extent of income concentration in Mauritius, which would be far below 10%.

## GOVERNMENT POLICY ON POVERTY ALLEVIATION

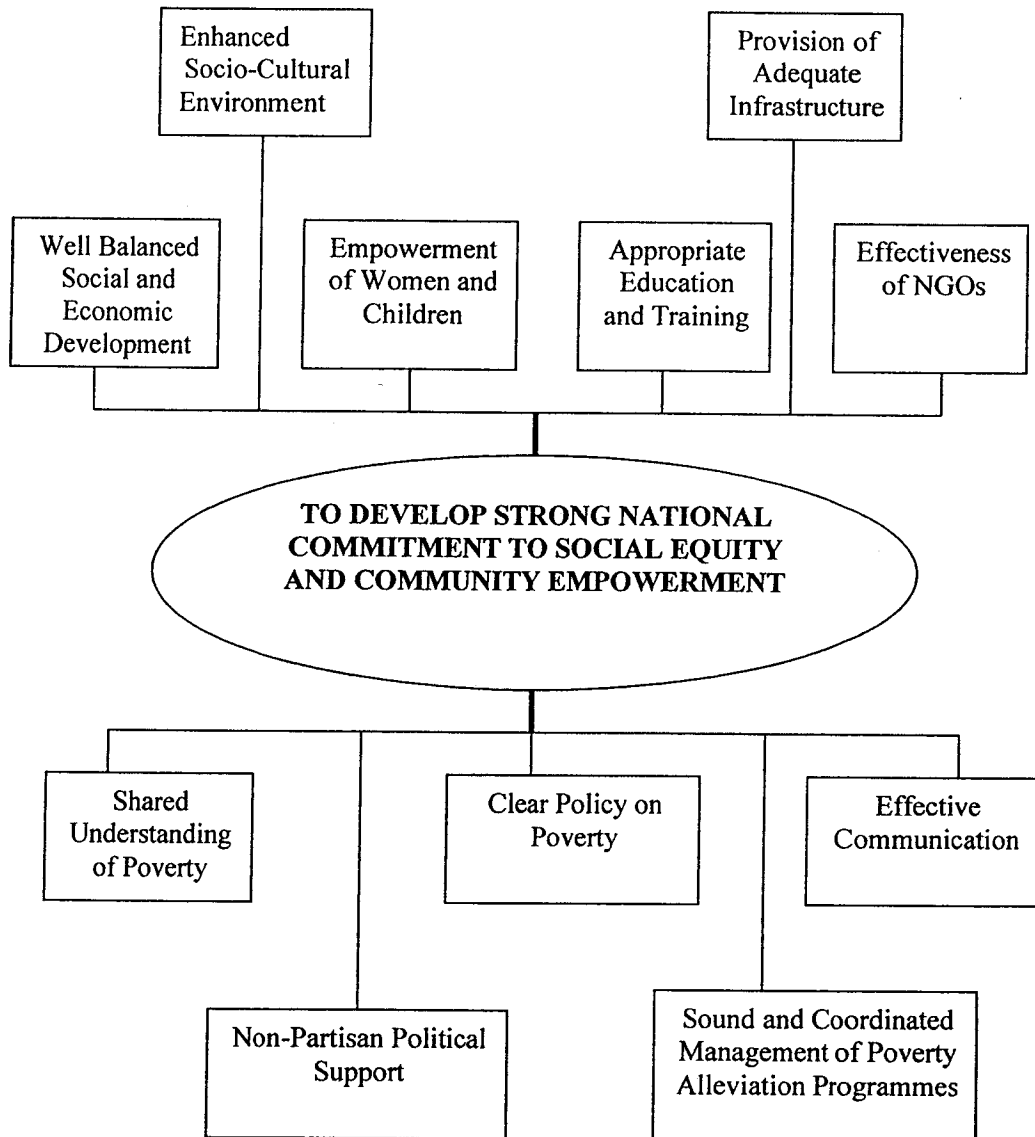
Government was conscious that despite all its efforts through existing socio-economic policies, for a variety of reasons, some people have remained marginalized and have not sufficiently benefited from the various services at their disposal due to internal and external constraints. The concerted view was that the multi-faceted poverty with deep-seated root causes could not be effectively addressed unless there were:

- Policy revisions at macro-economic and institutional level
- Targeted grassroots approach to haul the weakest and most vulnerable groups into the mainstream
- Empowerment of individuals and communities
- Participation of civil society and NGOs

Following government's decision to address the problem of poverty and deprivation in a more concerted way, the **Trust Fund for the Social Integration of Vulnerable Groups (TFSIVG)** took the initiative to start a process in order to develop an Action Plan which would provide a framework for poverty alleviation within which all stakeholders: Government, NGOs, Civil Society and Private Sector could operate in a coordinated manner.

The following Objective Tree illustrates the objectives highlighted in the Action Plan.

# OBJECTIVE TREE



## Major initiatives in view of Poverty Alleviation

Period/Date	Action Taken
July 1995	Provision of Rs. 500m for financial year 1995/1996 (a new item in the budget) to address social exclusion
Sept. 1995	Setting up of the Trust Fund "Pour la lutte contre l'exclusion"
Sept. 1996	Award of contract to Appavoo & Associates (Data Research Africa) for a study on poverty
1996/1997	Loan of Rs. 650m from German Bank, Banque Africaine pour le Developpement Economique de L'Afrique and European Investment Bank for rehabilitation of sewerage works in poor housing estates
1997	Publication of <i>Report on Exclusion</i> commissioned by the office of the President of the Republic and setting up of the <i>Committee on Poverty Association</i> by the President of the Republic
Oct.1997	Copy of Report of Appavoo & Associates handed over to Fao Focal Point, Ministry of Agriculture for transmission to IFAD
1997-1998	Marshall Plan: Identification of 53 localities, both urban and rural, considered to be the pockets of poverty in the country
Jan.1998	Setting up of a Core Team for preparation of a Poverty Alleviation Programme to the tune of 100 m rupees from EDF III
1998	Social Fabric in Mauritius (Phase I), an in-depth analysis of Mauritian Society, A joint research project by the Mauritius research Council and the TATA Institute of Social Sciences of Mumbai
Nov. / Dec.2004	Mission of ILO International expert (Ms. C. Bockstal) in view of establishing a UNDP Poverty Alleviation Programme in Mauritius and especially in Rodrigues
1999	Social Fabric in Mauritius (Phase II) in the aftermath of February 1999 riots in Mauritius
1999-2004	<i>A Nou Diboute Ensam Programme</i> financed by the European Union

<b>Period/Date</b>	<b>Action Taken</b>
March 1999	Trust Fund "Pour la lutte contre l'exclusion" restyled into Trust Fund for the Social Integration of Vulnerable Groups
1999/2000	Micro-Credit scheme based on Grameen model
July 2001	Micro-Credit scheme under IFAD Rural Diversification Programme
2001	Publication of Action Plan for Poverty alleviation
July 2003	National Consultation on Poverty
2003 onwards	Distribution of school materials (including uniform and bag) to children from poor families
April 2005	Poverty Alleviation Programme Report for period sept 2000-April 2005
July 2005	Statement by the President of the Republic on Poverty Alleviation Policy for 2005-2010
August 2005	Free bus transport for students from primary to full-time tertiary levels, disabled and persons above 60 years
2006	Empowerment Programme with a fund of 5 billion rupees (Programme for job placement/training)
2006-2007	Calls for proposals of poverty alleviation/empowerment projects under the Decentralised Cooperation Programme( European Development Fund)
March 2008	Small Grants Window under the Decentralised Cooperation Programme (European Development Fund)

## The Current Design of PAP

The Trust Fund for the Social Integration of Vulnerable Groups is now the main government instrument responsible for the design and implementation of PAPs as A Nou Diboute Ensam Programme and the IFAD micro-credit schemes have phased out after completion of projects as per funds available from donor agencies.

The Trust Fund focuses on four areas of intervention:

- Basic Needs
- Social infrastructure
- Education and training
- Empowerment



The above are Community-based Projects focusing on the initiation of projects from grassroots organizations through a bottom-up approach.

**Achievements over period September 2000 –April 2005**

Type of projects	Mauritius		Rodrigues		Total	
	No.	Amount (Rs.)	No.	Amount (Rs.)	No.	Amount (Rs.)
Community Based	888	100,582,384	169	75,190,763	852	175,773,147
Micro-Credit	752	20,659,945	126	3,943,000	878	24,602,945
Loan to Needy Students	329	19,918,199	26	1,403,168	355	21,321,367
Other Major Projects	5	80,700,000	3	25,400,000	8	106,100,000
<b>Total</b>	<b>1974</b>	<b>221,860,528</b>	<b>119</b>	<b>105,936,931</b>	<b>2093</b>	<b>327,797,459</b>

**IFAD Micro Enterprise Development Programme**

The Micro Enterprise Development Programme, launched on 18 July 2001, aimed at poverty alleviation through the socio-economic empowerment of the poorest of the poor segment of the population. Training to enable women to run their enterprises effectively supports the loan scheme.

**Achievements and costs involved (Mauritius)**

Sector	No. of Projects	Amount (RS.)	Amount %
Agriculture	111	3,389,585	21
Manufacturing	367	10,667,268	68
Services	57	1,688,560	11
<b>Total</b>	<b>535</b>	<b>15,745,413</b>	<b>100</b>

### Achievements and costs involved (Rodrigues)

Sector	No. of Projects	Amount (Rs.)
Agriculture	48	1,072,836
Manufacturing	14	280,523
Services	6	160,000
<b>Total</b>	<b>68</b>	<b>1,513,359</b>

No new projects are being approved due to exhaustion of funds. An impact assessment on 100% beneficiaries will be carried out shortly.

*A Nou Diboute Ensam* in Mauritius and *Levé Debouté* in Rodrigues were two poverty alleviation programmes implemented with 100 m rupees from the 8<sup>th</sup> European Development Fund and assistance from UNDP over a period of 3 years. 103 micro-projects have been implemented and 158 beneficiaries have taken advantage of the loan scheme.

#### Micro-Credit Scheme

The Trust Fund for Social Integration of Vulnerable Groups is implementing a Micro-credit scheme as a strategy for poverty alleviation. The main objective is to empower the poor and to enable them to increase their household revenue for the improvement of their socio-economic status. It includes

- (a) Support services for the development of micro enterprises, skill training and counseling for beneficiaries and sensitization programmes in the 53 pockets of poverty, and
- (b) Micro finance services for micro enterprises which consist of facilitation of marketing.

Results have shown that the scheme is a powerful tool in bringing out changes in the socio-economic status of poor individuals and integrate them in the main stream of development.

The scheme was launched in July 2001. It has gained momentum and is fully operational both in Mauritius and Rodrigues. In an endeavour to empower the poor, exemption from collateral has greatly allowed the participation of a greater number of poor families in improving their living conditions by increasing their incomes.

The terms of the loan are:

<b>Monthly family income</b>	<b>Not exceeding Rs. 8000</b>
<b>Maximum amount of loan</b>	<b>Rs. 50,000</b>
<b>Interest rate</b>	<b>5% per annum for Mauritius 4% per annum for Rodrigues</b>
<b>Repayment period</b>	<b>4 years</b>
<b>Moratory period</b>	<b>6 months</b>
<b>Applicants age</b>	<b>Not exceeding 55 years</b>

**Breakdown in terms of gender and age group**

Gender	Number	Percentage (%)
Male	553	52
Female	510	48
Total	1063	100

Over the period July 2001 to August 2006, the Trust Fund has financed 1063 projects as per the following breakdown for Mauritius and Rodrigues:

S.N	Sector	Mauritius		Rodrigues	
		No. of Projects	Amount Rupees	No. of projects	Amount Rupees
1	Textile	177	4,687,000	7	169,000
2	Farming	300	8,626,000	150	4,428,000
3	Food processing	173	4,507,445	13	435,000
4	General services	130	4,056,500	10	331,000
5	General handicraft	71	1,559,000	3	92,000
6	General workshop	25	810,000	4	120,000
	Total	876	24,245,945	187	5,575,000

Age group	Number	Percentage (%)
18-20	159	15
21-30	213	20
31-40	351	33
41-50	266	25
50+	74	7

### Procedures

The Trust Fund has established the appropriate framework to manage the Micro-Credit scheme:

- Sensitisation campaign through group meetings at Citizens advice Bureaux and Community Development Centres
- Registering of applications at the Citizens Advice Bureaux of the National Development Unit
- Appraisal and completion of relevant clearances
- Approval of the Management Committee and approval of the Minister of Finance
- Issue of letters to prospective beneficiaries
- Financing of projects through the Development Bank of Mauritius
- Meeting with beneficiaries with a view to explain the procedures to be followed
- Close monitoring and regular report to Trust Fund

The Trust Fund also organizes the following meetings with a view to provide assistance to beneficiaries:

- Training in project management (bookkeeping, costing and marketing)
- Regional meetings with technicians of Agricultural Research and Extension Unit (AREU) and Handicraft Centre
- Group meetings (sector wise) to find solutions to common problems

### Observations

The textile sector involving dress-making, manufacture of ready-made garments and uniforms of school children has registered a greater participation of women. During the past year, this sector has faced marketing constraints due to dumping of cheaper goods from countries like China, Malaysia and Indonesia. The borrowers are unable to sell their products with their comparative disadvantage and are facing difficulties to pay their installments to the Development Bank of Mauritius. The table hereunder gives the delinquency status of Micro-Credit beneficiaries.

Period	Number	%	Amount (RS)
3-6 months	75	7	233,646
6-12 months	93	9	598,137
> 12 months	223	21	4,045,735
Total	391	37	4,877,518

The reasons for the delinquency may be attributed to the following:

- A similar Micro-Credit schemes implemented under the IFAD programme by the Ministry for Women's Rights has phased out and most of the beneficiaries have stopped payments.
- Another scheme " *A nou dibout Ensam*" (Let's stand together) run by the European Union has been phased out and again there is no follow-up. Beneficiaries have stopped payment.

*(These failures negatively impact on the behaviour of some beneficiaries of the Trust Fund)*

- For some products in the textile and handicraft sectors, the market is already highly competitive.
- Some beneficiaries do not have access to the regional market fairs and other seasonal fairs.
- The quality of the products does not help in opening access to the tourism sector.

### **Probable solutions**

It is believed, after close study of the problem, that innovative strategies have to be devised to avoid delinquency. Perhaps, the following may be desirable options:

- Trading could be included in the scheme. Up to now, micro-credit is not given to persons willing to buy/import products for sale.
- A pre-project/start-up grant could help potential beneficiaries start projects before the actual final approval of the project.
- Shorter-term micro-credits for seasonal sales in the context of new year festivities and national events could help beneficiaries to make quick money and it could instill courage in them to make the entrepreneurial leap.
- Provision of additional loans to successful beneficiaries to expand their business.
- Clustering and networking may be encouraged to develop greater capabilities among micro-credit beneficiaries proposing value-addition activities in the textile, handicraft and manufacturing sectors.
- Promotion of a saving culture through right incentives could also help.
- A stipend for attending training programmes to all potential beneficiaries with regular attendances may help in increasing chances for sustainability of projects.

### **Conclusion**

Ten years after initiation of measures to alleviate poverty it is noted that the country has not been able to reverse the trend. In his address to the newly elected members of the National Assembly on 29.07.2005, the President of the Republic of Mauritius stated that:

***“Government is conscious of the growing pockets of poverty in the state of Mauritius. Government is determined to alleviate poverty and will ensure that its economic democratization programme permeates to all citizens. It will work out a master plan to tackle the issue with the participation of all socio-economic groups”***  
( Government Programme 2005/2010).

By the time Poverty Alleviation Programmes succeed in placing a few in the mainstream, an increasing number of households are falling into vulnerability and poverty due to the adverse impacts of globalisation on the poorer segment of population in an insular economy like Mauritius. A more holistic approach with major policy overhaul would be desirable to accompany the efforts of Poverty Alleviation practitioners.

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