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June 17, 2021

**Statement by Mr. Hosseini and Mr. Belhaj on Mauritius  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the insightful report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Carvalho da Silveira for their helpful Buff statement. We commend the authorities for their remarkable response to contain the pandemic and accelerate the roll-out of vaccines to achieve herd immunity by July. Vigorous control of the pandemic will be the key to a rapid recovery. We broadly concur with the staff appraisal and offer the following comments.

The heavy economic impact on a country highly dependent on tourism and trade compelled the authorities to take strong measures to alleviate the hardships on the population and businesses, tapping into the fiscal space. Supportive measures should remain in place until the pandemic abates and economic recovery gains traction. Going forward, the reduced fiscal space requires a strong prioritization of spending, including in the pension bill and the public sector wage bill. We encourage the authorities to initiate a fiscal consolidation plan based on productive investment, and measures to promote growth and private sector participation.

Like in many other countries, the pandemic has given rise to fiscal dominance in Mauritius. We urge the Bank of Mauritius (BoM) to focus on its key mandate of price stability, accelerate reforms of the monetary policy framework, and move towards a more transparent interest rate-based monetary policy, with the support of the Fund's technical assistance. We strongly encourage the authorities to strengthen the credibility and independence of the BoM, including by reinstating the law prohibiting direct transfers to the government. With regard to the exchange rate policy, while supporting greater exchange rate flexibility, we encourage the BoM to limit its interventions to ensuring liquidity and reducing volatility in the foreign exchange market

Finally, we encourage the authorities to accelerate the implementation of structural reforms to increase the economy's growth potential and welcome the plans announced by the

government to enhance inclusion and address climate change challenges. We encourage the authorities to translate the roadmap into an actionable plan with clear objectives, targets, and timeframe.

With these comments, we wish the authorities and people of Mauritius every success.