

The contents of this document are preliminary and subject to change.

GRAY/21/1704

June 17, 2021

**Statement by Mr. Guerra and Ms. Rivera Molina on Mauritius
(Preliminary)
Executive Board Meeting
June 21, 2021**

We thank staff for the comprehensive report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Carvalho da Silveira for their helpful Buff statement. Mauritius was severely affected by the COVID-19 pandemic given its high reliance on the tourism sector. The significant decrease in activity was reflected in a substantial widening of the current account and fiscal deficits. Nevertheless, given the substantial and timely policy response by the authorities, unemployment remains broadly contained, the banking system has proven resilient, and inflation has remained low. Nevertheless, the challenges in the medium-term are significant. We broadly agree with the staff assessment and will provide the following comments for emphasis.

The medium-term fiscal challenges call for a prudent stance that addresses the pension financing gap. Given the expected increase in dependency ratios, it will be instrumental for the authorities to develop a long-term financing solution through increased revenues, in order to avoid inheriting a fiscal burden to next generations. *Can staff comment if the already announced additional pension benefits increase is included in the debt sustainability analysis?* We support staff's recommendation that the central bank should relinquish ownership of the MIC. *In this regard, has staff assessed the impact on the debt sustainability analysis of transferring the MIC and its budgetary funding to the central government?*

The BOM took extraordinary measures in order to palliate the economic effects of the crisis. Going forward, it will be strategic to develop an effective operational set-up for monetary policy in the post-COVID world. In this regard, we support staff's assessment that the central bank's law should be reformed to preempt further exceptional transfers to the

government. In addition to this reform, an effective recapitalization plan for the BOM should be developed. We encourage staff to support the authorities' efforts in this regard through adequate technical assistance. *Can staff elaborate on the main elements that this plan could have, including the operationalization of the capital increases using government securities and cash?*

We commend the authorities' commitment to strengthening the AML/CFT framework and fully complying with the recommended international best practices and norms. As reported in the Buff statement, several measures have been introduced, including supervisory, regulatory and law enforcement, to further strengthen the effectiveness of the AML/CFT framework. In this regard, it will be instrumental to finalize the implementation of the FATF Action Plan as soon as the pandemic and COVID emergency allow it.

We encourage authorities to enhance efforts on building resilience to climate change. In this vein, we take positive note of the 2020-2024 Government Programme, which will help mitigate the country's vulnerability to climate change and boost the eco-friendly measures taken by the government.