1. BRIEFING NOTE ON THE NATIONAL LONG-TERM PERSPECTIVE STUDY

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BRIEFING NOTE ON THE NATIONAL LONG-TERM PERSPECTIVE STUDY

This note inaugurates a new series of papers that the Ministry of Economic Planning and Development (MEPD) intends to make available to the public. The objective of this initiative is two-fold: (i) to create greater public awareness on projects, studies and issues of national economic interest, and (ii) to encourage all sections of Mauritian society to express their views on these matters. The papers are targeted at a general audience with a basic understanding of economic issues.

The MEPD would welcome readers' comments.
NATIONAL LONG-TERM PERSPECTIVE STUDY
AN OUTLINE

I. BACKGROUND

In the 1960's and early 1970's prevailing conditions in the developing world were conducive to the elaboration of long-term development strategies: the Government of freshly-independent countries were keen to establish a framework for the realisation of the aspirations of their people for a better economic and social environment; international development agencies were very supportive of development planning and the relatively stable international economic situation was propitious for long-term forecasting of economic variables.

2. The international economic crisis, which started in the first half of 1970's but whose full impact on the developing world was felt only in the late 1970's, with the internationalisation of the debt problem, compelled the Governments of developing countries to concentrate on the pressing issues of the day. Short-term economic management became the primary focus of decision-makers. This dramatic change was expected to be short-lived. But the persistence of acute economic and financial disequilibria made short-term adjustment programmes a permanent feature of the economic management of developing countries. In the process, relevant issues requiring a longer-term perspective were gradually abandoned.

3. After a decade of short-term economic management, there is a growing consensus on the urgent need to take a longer-term look at economic development issues. Cursory examination of the performance of major economic success stories of the last fifty years reveals that sustained growth has always been achieved within the framework of clear medium to long-term development strategies. It is also true, however, that long-term strategies in the past have often been unsound or unrealistic, or their proper implementation marred by inefficient bureaucracies, unstable Government, or unpredictable adverse economic conditions. The elaboration of a long-term development strategy is certainly not a sufficient condition for economic success: it is becoming increasingly clear that it is a necessary condition for sustainable growth over a long period.

The Experience of Mauritius

4. In post-war Mauritius attempts to put the economic and social problems in perspective were made in the early 1960's when several high-level missions led by eminent social scientists, such as Meade, Titmuss, Balogh, submitted their findings. But a comprehensive ten-year development strategy was prepared only in 1970 after the establishment of a Ministry of Economic Planning and Development, following the country's accession to independence in 1968. On the basis of this strategy two five-year plans (1971-75 and 1975-80) were prepared and successfully implemented during the 1970's. A third one (1980-1985) was already under preparation but had to be abandoned in favour of a short-term rolling plan whose time horizon was closer to that of the Stand-by Arrangement and Structural Adjustment Loan agreement entered with the IMF and the World Bank respectively.

5. In 1983, a new development strategy was prepared ('Towards Increasing Self-Reliance', 1983). This had little or no influence on the country's policies which continued to be pre-occupied by short-term economic management issues based mainly on policies advocated by the IMF and the World Bank. The relatively high growth rates recorded during the period 1983-1990 (6.4% on average) have led to the widespread belief -- which is quite natural in periods of
prosperity -- that economic development is a self-sustaining process which does not require a long-term strategy.

6. New economic and social problems are emerging. Their true dimension can only be appreciated, and appropriate remedial policies devised, if they are analysed in proper perspective. Among the most pressing of these problems are the following:

- the export-oriented development strategy followed during the last 20 years was based on labour-intensive manufacturing industries: What will be the impact of the current labour shortages on this strategy?

- the competitive edge of exporting industries is being gnawed away by increasing costs of production: how can industry adjust to this change in costs?

- increasing pressure on the land caused by population growth, urbanisation and industrialisation is threatening the long-term preservation of the environment: how can the needs of development be reconciled with those of the environment?

- the dismantling of trade barriers and the possible phasing out of subsidies on agricultural products under the current GATT negotiations may have serious long-term repercussions both on the sugar and export manufacturing sectors: how can these key sectors be strengthened to weather such major external shocks?

- the social and economic infrastructure, already under heavy pressure needs substantial upgrading to satisfy the growing needs of the next generation: how best can these investments be accommodated to achieve maximum efficiency?

- in a fast changing world where micro-electronics, biotechnology and high-performance materials are bound to play an increasing role, local industries need to increase their capacity to respond to such changes: how best can this be achieved?

7. Some studies, which have been initiated or are under way, would certainly provide some answers to these crucial issues. However, they can only be addressed effectively within a coherent overall policy framework.

II. THE LONG-TERM PERSPECTIVE STUDY PROJECT

8. The Long-Term Perspective Study (LTPS) constitutes an attempt to formulate a long-term coherent overall policy framework which can guide the day-to-day economic policies of African countries. This approach was unveiled at a high-level meeting on Africa held in Maastricht, the Netherlands, in July 1990. Mauritius was among the very few countries which presented a detailed proposal for a national LTPS at that meeting. It spelt out the economic and social context in which the national LTPS was to be implemented, gave a list of studies which had been already identified (these studies and others subsequently initiated are reviewed in Part IV of the paper) and included a detailed estimate of the cost of the whole project.
9. At the meeting, UNDP was entrusted with the leadership of a joint effort of the international community to assist individual African countries in the preparation of national LTPS's. As a follow-up to the Mauritian proposal submitted in Maastricht, a high-level mission led by UNDP and including representatives of the African Development Bank, the Economic Commission of Africa and the World Bank is expected to visit Mauritius shortly to discuss the financing of the unfunded components of the national LTPS project.

10. It should be stressed that the exercise is not meant only to produce a long-term development scenario (or even several such scenarios) 'cooked' by a few local technocrats or foreign consultants. Its objective is to enlist the participation of all levels of society so that the final document resulting from that national exercise reflects as far as possible the aspirations of the population at large. The involvement of the community in the actual preparation of the LTPS would also enable the people to come to grips with the long-term perspectives of the country and generate a greater commitment on their part to implement the policies and programmes formulated within these long-term perspectives.

11. The LTPS for Mauritius is expected to consist of three main modules:

- a short review or retrospective analysis of the Mauritian economy over a 20-30 year period;
- a diagnosis of the current socio-economic situation outlining the issues of relevance for policy-planning purposes;
- a long-term perspective framework spanning over a period of 30 years.

A. Retrospective Analysis

12. Over the last twenty years there has not been any official review of the Mauritian economy which covers a period of more than five years. Because of the conjunction of several factors, the time span of economic reviews has become shorter and, since a few years, only short-term periodic reviews of economic performance have been published, e.g. in previous issues of the 'Economic Indicators'. There is a need to take a longer-term view of the performance of the Mauritian economy and to draw lessons from both its overall success and its periodic crises.

13. The objective of the exercise would be to go beyond the growth rates and trends in the main economic and social indicators, and seek to identify the structural strengths and weaknesses of the Mauritian economic and social fabric.

B. Diagnosis of the Current Socio-economic Situation

14. A number of issues and sectors requiring further probing has already been identified. Additional ones will result from the retrospective study. The diagnosis necessitates a series of in-depth studies to enable a proper understanding of these issues and sectors. Some relevant studies have already been initiated or completed outside the framework of the LTPS, and these studies would provide inputs for the proposed national LTPS. The terms of reference of new issue-based or sectoral studies will be drawn to ensure their coherence with the national LTPS. The diagnosis module of the LTPS will also take into account the wider international context in
which the Mauritian economy has to operate. Some issues will, therefore, best be addressed from an international perspective.

C. The Perspective Framework: Mauritius Vision 2020

15. The long term perspective framework will have a time-horizon of 25 to 30 years. It will draw extensively from the sectoral and issue-based in-depth studies carried out under B above. However, it will not be only a synthesis of these studies. The LTPS will be guided by the dynamic process in which the aspirations of the people, as determined by wide consultations with all sectors of the community, will confront the existing constraints and inescapable trends of the country as revealed by the studies. They will have to be adjusted to the changes which can be reasonably expected in the evolution of the international environment, including developments in prime export markets, commodity prices and international trade arrangements. This process will result in a vision of Mauritius for the year 2020 which reflects the will of the people for the future of the country within the limits imposed by inevitable constraints.

III. ISSUES AND STUDIES ALREADY IDENTIFIED FOR THE LTPS

16. A comprehensive list of issues and studies cannot be drawn up at this stage as the diagnosis of the Mauritian economy has not yet been completed and the consultations with the different segments of the community have yet to be held. However, in response to emerging problems which are deemed to be of relevance to the national LTPS, several studies have been identified. Some of these have been completed or are at different stages of implementation. Others are still unfunded or are yet to start. The studies can be grouped as follows:

(i) Human Resources Development Strategy;
(ii) Physical Planning and Protection of the Environment;
(iii) Industrial Development Strategy;
(iv) Agricultural Development Strategy;
(v) Marine Resources Development;
(vi) Services Sector Development;
(vii) Rodrigues and the Outer Islands;
(viii) Social Dimensions of economic development; and
(ix) Long-Term Macro-Economic Modelling.

(i) Human Resources Development Strategy

17. The availability of human resources has been one of the main driving forces in the recent economic development of the country. Any mismatch between the size and quality of these resources and the future needs of the economy would seriously jeopardise future growth prospects. Two major studies in this sector have been completed:

(a) An Industrial Training Strategy; and
(b) A Human Resource Development Programme.

18. A Master Plan on education is currently being prepared. Its objective is to educate each Mauritian to his maximum potential so as to ensure that the country's human resource base continue to be a prime asset to the long-term economic development of the economy.
(ii) Physical Planning and Protection of the Environment

19. The limited size of the country and its fragile ecosystem warrant a judicious use of existing physical resources. A National Environmental Action Programme (NEAP) is being implemented to ensure that economic development takes place in an environmentally sustainable manner. It aims at establishing the requisite policy and institutional framework for managing and coordinating physical planning, land use and infrastructural investment. Within the NEAP, provision is made to develop a National Physical Development Plan (NPDP) to guide the long-term development of the country. The studies which have already been completed or are under way on the development of the social and economic infrastructure (Master Plans for Energy, Water and port development, Housing, etc.) will provide valuable inputs for the NPDP.

(iii) Industrial Development Strategy

20. The export-oriented manufacturing sector has been the main engine of economic growth over the last two decades. It appears unlikely that another economic sector would be able to take over this role in the foreseeable future. It is, therefore, important that appropriate measures be taken to consolidate this sector.

21. Several studies had been initiated prior to the LTPS project to help to reformulate the future industrial development strategy:

(a) industrial diversification studies in agro-industry, informatics and electronics have now been completed; and

(b) a study on the economic and social impact of industrialisation is being implemented.

It is now important to initiate a study which, drawing from the above studies, will help determine future industrial policy orientation and pave the way for its periodic review and adjustment.

(iv) Agricultural Development Strategy

22. The objective of this component will be the formulation of an overall agricultural development strategy that will promote greater efficiency in the pattern of use of all resource inputs required by the sector while addressing current constraints facing it. Particular attention will be paid to the needs of the sugar sub-sector which continues to predominate in the agricultural sector. The strategy formulation will take into account changing trends in relative prices of agricultural imports and exports of the country. It will have also to reckon with changes that may be reasonably expected to occur in market access as well as in agricultural technology.

(v) Marine Resources Development

23. As a small island economy with a comparatively vast exclusive maritime zone, Mauritius must in future lay greater emphasis on the development of its marine resources. The surveillance, protection and exploitation of these resources entail the recourse to technical financial and human capabilities which are often not affordable at the national level. Several
studies have been initiated at the 'Indian Ocean Commission' on regional protection and exploitation of marine resources.

(vi) Services Sector Development

24. Experience elsewhere indicates that as a country moves up the ladder of economic development, the services sector takes an increasing share of the national economic activity. Mauritius may be well-poised to move into the services sector in a much bigger way. Already, the tourism sector is a major income earner. Financial services and other offshore activities, such as data entry, offer considerable growth potential.

25. A study on the 'Economic and Social Impact of Tourism' has already been initiated as a companion study to the one being undertaken for the industrial sector. Other studies, especially on export services, (free port, offshore financial services, etc) will be carried out to guide future policy in this sector.

(vii) Rodrigues and the Outer Islands

26. Rodrigues and the Outer Islands form an integral part of the State of Mauritius and their development will be largely influenced by happenings in the rest of the Mauritian territory. However, given the specific socio-economic conditions prevailing in these islands, long-term development policies need to be guided by an in-depth analysis of the current situation. A comprehensive techno-economic survey of Rodrigues and Agalega has just been completed. The findings of the survey will help in the formulation of a long-term development strategy for the outer islands.

(viii) Social Dimensions of Economic Development

27. There is a growing awareness that man is not only the means of development but also its end. There is a need to assess the social impact of the development process to formulate remedial action so as to ensure that the quality of life is not adversely affected. The studies on industrialisation and tourism mentioned previously will examine the social impact of the development within these two sectors. A project has also been initiated to develop a set of 'Social Development Indicators' to keep track of happenings on the social front. A review of the existing social support programmes will be carried out with a view to enhancing their effectiveness.

(ix) Long-Term Macro-economic Modelling

28. The sectoral programmes, policies and strategies formulated solely from the studies under (i) to (viii) above would inevitably lead to inconsistencies given the interdependence of the development of the various sectors and their claim on the same limited resources. Consistency and coherence can only be ensured through a macro-economic framework. Medium-term and long-term macro-economic models will provide such a framework. Furthermore, the macro-economic models are useful tools in the hands of policy-makers: by projecting the movements in the broad economic aggregates under alternative scenarios, they help to locate the nodal points at
which policy intervention or adjustments may be necessary or useful; at the same time, they can also provide useful insights about how alternative policies or unforeseen contingencies may affect the economic aggregates or a specific project or sector.

29. The MEPD has been using a number of short-term and medium-term macro-economic models. These models require substantial changes and new and more performing ones need to be developed. The preparation of a new medium-run model has just been initiated.

IV. METHODOLOGY AND TIME FRAME

30. As mentioned earlier, the preparation of the national LTPS, and the issue-based and sectoral studies which would lead to it, will be made with the participation of as large a spectrum of the population as possible. The MEPD will play the co-ordinating role in spear-heading the operation and a Steering Committee under its aegis, comprising representatives from both the public and private sectors, will be set up. The lead role for specific components or sub-components of the study will be entrusted to sectoral ministries and private sector organizations, or a combination of both, as the case may be.

31. The studies/preliminary research work will be carried out as far as possible with the support of local expertise and foreign consultants will be sought only where such local expertise is not available. The draft reports submitted will be widely circulated (possibly in the form of future briefing notes) and discussed through appropriate fora (national seminars). The final reports would thus reflect the distilled views of all social partners on the issue concerned. It is on the basis of these reports that the national LTPS would be formulated.

32. It is expected that the whole exercise leading to finalization of the national LTPS would take about 18 months.

V. FINANCING

33. Given the scope and depth of the LTPS, its implementation would require substantial resources both in the form of foreign consultants and local expertise. Some sources of external finance (UNDP, USAID, EDF, etc.) have already been tapped for the studies which have been completed or are under way. But the bulk of resources have yet to be mobilised. The high-level mission headed by UNDP, which has been referred to above, is expected to act as a catalyst in the mobilisation of external resources which would ensure the proper implementation of the LTPS.