

# The Price of the State

## PRB 2026, Public Sector Pay & the Productivity– Fiscal Compact in Mauritius (2026–2035)

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# Table of Contents

<i>Public sector pay revisions are rarely neutral technical exercises. In a small, open, and debt-constrained economy, they become statements about the State itself—its priorities, its operating model, and its tolerance for risk. This report explores the 2026 PRB decision as such a statement, analysing what it signals about Mauritius’s fiscal resilience, productivity expectations, and the evolving relationship between remuneration, performance, and public value</i>	
Preface & Acknowledgements.....	5
Executive summary .....	6
What Cabinet decided—and what it implies.....	6
The macro-fiscal envelope is narrow .....	6
What PRB 2026 changes in the pay structure.....	6
The phasing decision is fiscally rational—but incomplete .....	7
A note on productivity: the State’s most valuable missing statistic .....	7
Key findings (substantive, decision-relevant) .....	8
Conclusions & recommendations .....	9
Mandate, scope & analytical method.....	10
1.1 The PRB: what it does, and what it cannot do .....	10
1.2 The decision point: what Government actually decided in December 2025 .....	10
1.3 Definitions & comparability notes .....	11
1.4 Method: how this report builds its assessment .....	12
1.5 Limitations & deliberate exclusions .....	13
The macro-fiscal constraint envelope (2020–2030).....	14
2.1 A recovery that is real—yet not roomy .....	14
2.2 External resilience is not the same as external comfort .....	15
2.3 The fiscal stance: from emergency to habit—and back again .....	15
2.4 Debt dynamics: the level is high; the financing profile matters more than usual .....	16
2.5 The “second balance sheet”: ageing, pensions & the arithmetic of promises .....	16
2.6 Climate as a fiscal variable, not an environmental footnote .....	17
2.7 What the envelope implies for PRB implementation .....	17
PRB 2026: what the package actually contains .....	18
3.1 The centre of gravity is the conversion table, not the headline percentage .....	18
3.2 Why the 2026 structure looks “large”: minimum wage spillovers, interim measures, and compressed relativities .....	19
3.3 Conditions of service: the “silent” part of remuneration is treated as an asset class.....	20
3.4 Recruitment, retention, and the productivity question: the PRB does not pretend pay is the whole story.....	20
3.5 Digitalisation and AI readiness: the report treats technology as a workforce reform, not a procurement project.....	21
3.6 Coverage and boundary conditions: a single report, several labour markets.....	21
The implementation decision: fiscal mechanics and second-order effects.....	22
4.1 What phasing achieves—and what it cannot achieve .....	22
4.2 Interaction with other wage measures and transfers.....	23
4.3 Inflation, competitiveness, and expectations .....	24
4.4 Credibility: what markets, rating agencies, and IFIs tend to notice .....	24
Productivity and the civil service: the missing contract .....	27
5.1 Why “productivity” is not a slogan but a settlement term.....	27
5.2 Measurement is difficult; it is not optional .....	28
5.3 What PRB is actually proposing: a results-oriented operating system .....	28
5.4 Incentives: why the PRB keeps failing, and what to do instead.....	29
5.5 The productivity levers that actually move the needle .....	29
5.6 The contract Mauritius needs to make explicit .....	30
Scenarios (2026–2035): affordability, delivery & political economy .....	31
6.1 Why scenarios, not forecasts.....	31
6.2 The constraint set: what “affordability” actually means between 2026 and 2035 .....	31
6.3 Scenario A: The disciplined glidepath .....	32

6.4 Scenario B: The productivity compact.....	33
6.5 Scenario C: Relativity drift and the return of the borrowing problem .....	33
6.6 Scenario D: Shock, ageing, and the forced-choice problem .....	34
6.7 What the scenarios collectively imply: the early warnings and the real decisions.....	35
Recommendations: a PRB-Plus architecture.....	36
7.1 A Productivity Covenant that does not require reopening PRB .....	36
7.2 Wage-bill anchoring and medium-term fiscal transparency.....	37
7.3 Workforce mobility, capability building, and headcount discipline .....	37
7.4 Implementation sequencing (12–24 months) .....	38
7.5 A monitoring dashboard and early-warning indicators .....	38
Closing proposition.....	39
Conclusion .....	40
8.1 The trade-off Mauritius is actually making .....	40
8.2 What success looks like by 2027 and by 2030.....	41
8.3 Questions for Cabinet, Parliament, and the senior public service.....	42
Supplementary Materials .....	44
How we conducted this study.....	44
Limitations .....	44
Supplementary data tables .....	45
Reference/Bibliography .....	49

# Preface & Acknowledgements

This report is written against a familiar Mauritian paradox: the country's public administration is widely regarded as one of the region's more capable institutional machines, yet the national debate around the State tends to oscillate between two unhelpful absolutes—either the civil service is treated as a cost to be contained, or as a social settlement to be protected. The 2026 Pay Research Bureau (PRB) cycle, and Cabinet's decision to phase implementation, brings that paradox into sharp relief. It is, at once, a question of fairness and morale, a test of fiscal credibility, and—less comfortably—a referendum on whether the State can still improve how it works while paying itself more to do so. The analysis that follows is designed for readers who do not require persuasion that wages matter, or that public debt matters. They do. The purpose here is narrower and more practical: to set out the constraint envelope, to separate cash-flow smoothing from structural affordability, and to examine whether Mauritius has the governance instruments required to convert a pay revision into a productivity dividend rather than a permanently higher cost base. The report draws on verifiable, published sources including Government of Mauritius releases and PRB material, alongside IMF Article IV consultation outputs and associated macro-fiscal tables. Where the evidence is incomplete or where definitions vary (particularly around fiscal-year reporting and debt aggregation), the report states so plainly rather than offering false precision.

Acknowledgement is due to the public institutions that publish data in usable form—often under political pressure and with limited time. In a small state, transparency is not a virtue-signalling exercise; it is a fiscal instrument. This report is intended to be read in that spirit.

This document is provided for information and strategic discussion. It does not constitute legal, accounting, or investment advice.

# Executive summary

## What Cabinet decided—and what it implies

1. Cabinet has formally taken note of the PRB's 2026 recommendations and, citing a “challenging current economic and fiscal context”, decided on a two-phase implementation: **50 per cent as from January 2026 and 100 per cent as from January 2027** [Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025].
2. The Cabinet note also records the Government's estimate of the annualised cost of the recommendations—**around Rs10.9 billion yearly**, inclusive of salary compensation payable from 1 January 2026 and an interim allowance of **5 per cent integrated into salary** [Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025].
3. A pay review is rarely just a pay review. In Mauritius it functions more like a periodic reset of the administrative operating model—except that the reset tends to occur in remuneration first, while operating model change is asked to arrive later, politely, if it has time. The political appeal is obvious: cash is legible, reform is interpretive. The fiscal danger is equally obvious: what is legible becomes irreversible.

## The macro-fiscal envelope is narrow

4. The IMF's 2025 Article IV press release sets out the constraint with unusual clarity. It notes that **public sector debt is projected at around 88 per cent of GDP at end-June 2025**, with risks to the outlook on the *downside* [IMF, 2025 Article IV Consultation Press Release, 18 June 2025].
5. More pointedly for a wage decision, the IMF projects the **primary fiscal deficit (excluding grants) for FY24/25 to worsen to 6.5 per cent of GDP**, driven “mostly” by **higher compensation of employees, social benefits, and grants and transfers** [IMF, 2025 Article IV Consultation Press Release, 18 June 2025].
6. The IMF's 2024 Article IV press release provides the recent baseline: public debt was **estimated at around 81 per cent of GDP in June 2023**, and the Fund again emphasised the need for gradual, growth-friendly consolidation and stronger fiscal buffers [IMF, 2024 Article IV Consultation Press Release, 16 May 2024].
7. These are not abstract ratios. They describe a state whose balance sheet is already doing a great deal of social work—absorbing shocks, smoothing prices, subsidising adjustment. The question, therefore, is not whether public servants “deserve” higher pay. It is whether the State can afford higher pay **without** purchasing better delivery in return.

## What PRB 2026 changes in the pay structure

8. Cabinet's highlights include selected salary illustrations. For example, the **General Worker** initial basic salary is shown increasing from **Rs10,250 (2021) to Rs17,975 (2026)**, while a **Police Constable** initial basic salary is shown increasing from **Rs18,650 (2021) to Rs27,905 (2026)** [Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025].
9. The same Cabinet note reports an **average weighted salary increase of 15.3 per cent** on gross salary (December 2025), compared to **7.95 per cent** in the 2021 PRB report, and discusses wage relativity ratios between grades [Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025].
10. A small but telling detail appears in Cabinet's summary of the PRB's compensation principles: the PRB explicitly references **equity, transparency, competitiveness and employee performance** as underlying considerations [Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025]. That single phrase—*employee performance*—is where the economic case either becomes credible, or collapses into a purely political settlement.

## The phasing decision is fiscally rational—but incomplete

11. Phasing is a classic technique of fiscal management. It reduces the immediate cash requirement, softens a one-off shock to the wage bill, and buys time for financing decisions. In a high-debt environment, that is not cosmetic; it is prudent.
12. Yet the deeper economics do not disappear when spending is delayed. The wage bill is not merely a line item; it is a **permanent cost base** that compounds into pension liabilities, grade drift, and future bargaining baselines. The IMF's own debt path (estimates and projections) underlines that Mauritius is operating close to the edge of comfortable fiscal space for a small, shock-prone island *economy [IMF, 2025 Article IV Consultation Press Release, 18 June 2025]*.
13. This report's central proposition is therefore blunt: **phasing manages timing; it does not solve affordability**. Affordability is solved either by (i) higher revenues, (ii) lower spending elsewhere, or (iii) higher productivity that turns spending into value. Mauritius has, at present, chosen (i) and (ii) only implicitly, and (iii) mostly rhetorically.

## A note on productivity: the State's most valuable missing statistic

14. Productivity in government is difficult to measure, but not impossible. The real obstacle tends to be behavioural: what is not measured is rarely managed, and what is managed without measurement drifts towards theatre. Targets proliferate, dashboards glow, queues remain.
15. The PRB itself clearly understands this. Volume 1 of the PRB Report 2026 includes dedicated components on **results-oriented performance management and performance-related incentive schemes**, and on **digitalisation and AI readiness** *[PRB Report 2026 — Volume 1 contents]*. [Pay Research Bureau](#)  
That matters: it means a productivity agenda is not an external imposition; it is already embedded in the PRB architecture, awaiting operational seriousness.

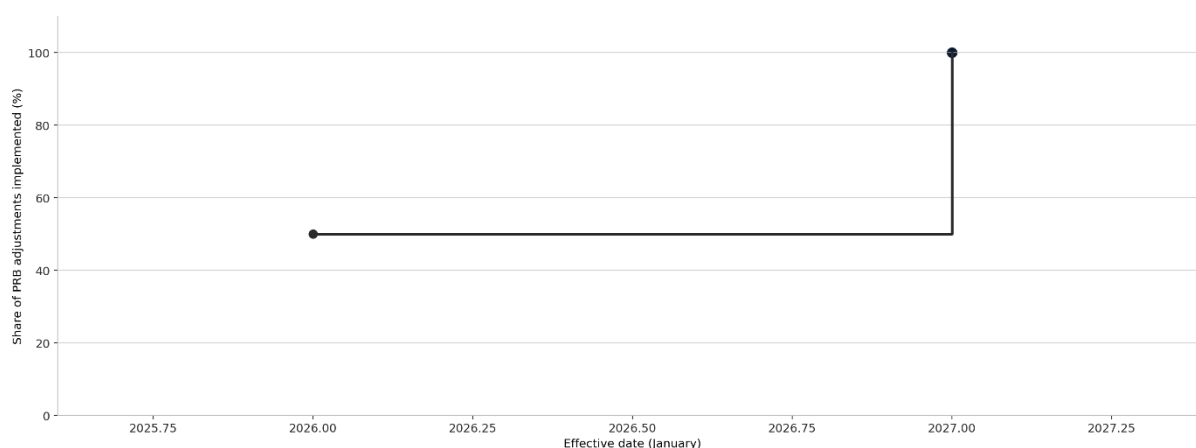


Figure 1 Public sector debt (% of GDP), IMF estimates and projections (FY2020–FY2030)

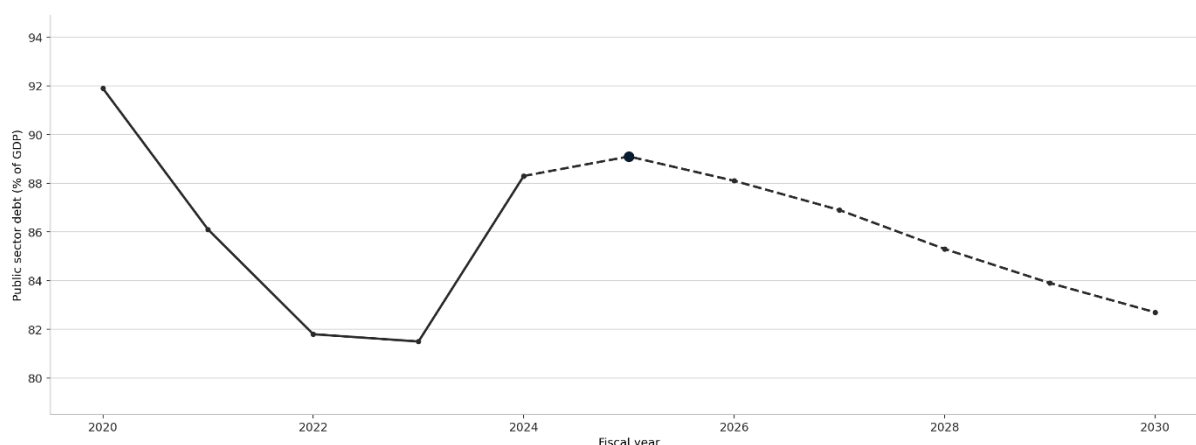


Figure 2 PRB implementation phasing (50% in Jan 2026; 100% in Jan 2027)

## Key findings (substantive, decision-relevant)

16. 1) The Government has priced PRB 2026 as a material fiscal event.  
The estimated annualised cost of around Rs10.9 billion (including salary compensation and the 5 per cent interim allowance integrated into salary) is large enough to matter for debt dynamics, not merely for HR policy [*Prime Minister's Office, Highlights of Cabinet Meeting, 19 December 2025*].
17. 2) Mauritius is attempting to execute pay reform at a moment when the IMF is explicitly warning about fiscal space and debt.  
The IMF projects debt around 88 per cent of GDP at end-June 2025 and a sharply wider projected primary deficit for FY24/25 [*IMF, 2025 Article IV Consultation Press Release, 18 June 2025*].
18. 3) The PRB architecture already contains the intellectual scaffolding for a productivity deal—but implementation practice does not.  
PRB's inclusion of performance management and digital readiness chapters is an invitation to treat PRB as an operating model reform, not simply a payslip revision [*PRB Report 2026 — Volume 1 contents*].
19. 4) Phasing is sensible cash management, but it risks becoming a substitute for reform.  
Delaying cost is not the same as reducing it. Without offsetting reforms, the State simply secures a higher recurrent base one year later.
20. 5) The core risk is a widening credibility gap.  
If pay rises are implemented as scheduled while productivity and service delivery reforms remain aspirational, the State may face a familiar cycle: higher recurrent expenditure, persistent deficits, renewed calls for revenue measures, and—eventually—pressure on investment and growth-enhancing spending.



## Conclusions & recommendations

### Conclusion

21. Cabinet’s phasing decision is defensible. It is also incomplete. On current evidence, Mauritius is paying for stability and morale first, and hoping for productivity later. That ordering is politically rational; economically, it is expensive.

### Recommendations

- ⊕ A. Establish a “Productivity Covenant” attached to PRB implementation (ministry-level, not individual-level).
22. The covenant should define a small set of service-delivery outputs that matter to citizens and firms—turnaround times, backlog reduction, digitisation rates, and error rates—published quarterly by ministry. The objective is not punishment; it is to make productivity observable. The pay decision already exists. The missing piece is the reciprocal. (The justification is consistent with PRB’s own emphasis on performance and results-oriented management.)
- ⊕ B. Introduce a wage-bill anchor in the medium-term fiscal framework.
23. An anchor need not be ideological. It is a coordination device: it forces trade-offs into the open and prevents “temporary” measures becoming structural by accident. The IMF’s framing on rebuilding fiscal space and containing current spending supports this direction [IMF, 2025 Article IV Consultation Press Release, 18 June 2025].
- ⊕ C. Convert digitalisation from a programme into a dividend.
24. Where services are digitised, the State should explicitly quantify and capture the dividend—reduced processing time, fewer manual roles, less rework—rather than merely adding software layers. PRB’s own inclusion of AI readiness creates a legitimate platform for this shift [PRB Report 2026 — Volume 1 contents].
- ⊕ D. Use the phasing window to do the unglamorous work: allowances, grade creep, and mobility.
25. A pay rise that is not accompanied by simplification tends to fossilise complexity. The year between 50 per cent and 100 per cent is the only politically plausible period to tidy the system without being accused of clawback.
- ⊕ E. Publish an early-warning dashboard for drift (and treat it as governance, not PR).
26. A small set of indicators—wage bill growth, primary balance path, arrears/backlogs in key services, and delivery-time medians—would allow Cabinet to notice failure early, when it is still fixable.

# Mandate, scope & analytical method

## 1.1 The PRB: what it does, and what it cannot do

The Pay Research Bureau (PRB) is not a wage-bargaining forum, nor a fiscal authority; it is, in essence, a mechanism for standard-setting in the Mauritian public sector. Its formal function is to conduct the continual review of pay and grading structures and conditions of service across the Civil Service, parastatal and statutory bodies, local authorities, the Rodrigues Regional Assembly and private secondary schools, and to formulate recommendations to Government accordingly [PRB, “Functions of PRB”]. Its work is therefore both wide in coverage and inherently hybrid in nature: it must translate administrative realities (job content, organisational structures, recruitment and retention patterns) into a coherent pay architecture while remaining intelligible—and implementable—within the Government’s economic and budgetary constraints. ([Pay Research Bureau \(PRB\)](#))

PRB reviews are built around a particular craft tradition: research on pay policy and remuneration practice (including reference to foreign pay systems and private-sector conditions), consultation with management and unions, and structured job evaluation as a basis for relativities [PRB, “Functions of PRB”]. In addition, the Bureau’s remit explicitly extends beyond base pay. It covers allowances, perquisites and non-salary conditions of service—precisely the territory where an apparently “small” provision can behave like a permanent fiscal leak if its eligibility rules are poorly controlled or if implementation drifts across institutions. ([Pay Research Bureau \(PRB\)](#))

The 2026 PRB exercise is described by the Bureau as its 10th overall review. The Bureau records that approval for the work programme was obtained in February 2023, following the previous report’s effective date of 1 January 2021 (published in October 2021), and an addendum published in August 2022 to address

errors and omissions [PRB, *Pay Review 2026, Volume 1: Introduction*]. This matters for method: PRB is explicit that its recommendations are the product of a long cycle of representations, consultations, surveys, site visits and sampling—not a late-stage negotiation conducted in the final weeks before publication.

Finally, the PRB is clear—almost to the point of pleading—that its recommendations are designed to function as a system. In a line that deserves to be treated as a governance warning rather than a rhetorical flourish, the Bureau states that partial implementation may defeat the underlying spirit of the package [PRB, *Pay Review 2026, Volume 1: Introduction*]. This report treats that statement as analytically consequential, because the “final decisions” around PRB implementation in Mauritius are, at their core, decisions about *how far a system can be disassembled before it ceases to be a system*.

*“Partial implementation of recommendations may defeat the underlying spirit...”*  
[PRB, *Pay Review 2026, Volume 1: Introduction*].

## 1.2 The decision point: what Government actually decided in December 2025

Public commentary often assumes that a PRB Report is, in practice, a pay award. Mauritius’ December 2025 decision sequence is a reminder that the PRB produces recommendations; Government determines implementation. In the Highlights of Cabinet Meeting of 19 December 2025, Cabinet records that the recommendations (including salary compensation payable from 1 January 2026 and the integration into salary of the interim 5% allowance) were estimated to cost Government around Rs 10.9 billion yearly, and that—given the “challenging current economic and fiscal context”—implementation would be phased: 50% from January 2026 and 100% from January 2027 [Prime Minister’s Office, *Highlights of Cabinet Meeting, 19 December 2025*].



Figure 3 PRB decision chain and accountability map

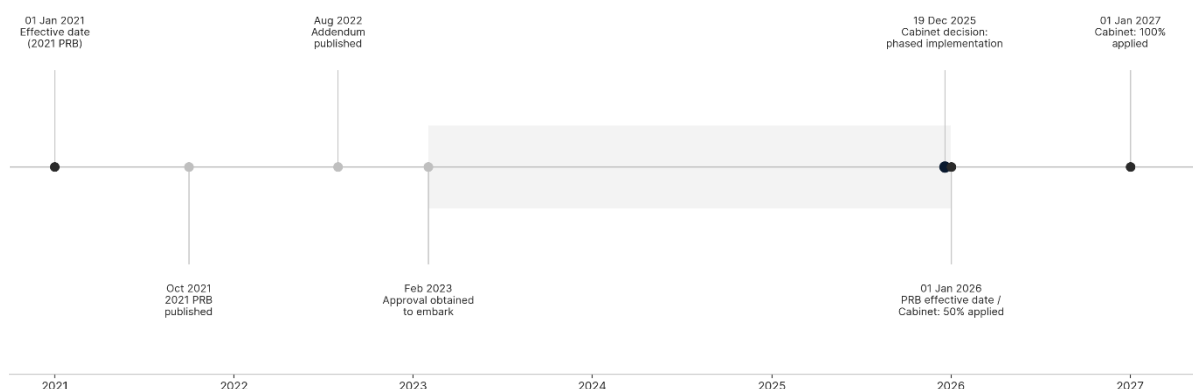


Figure 4 PRB 2026 cycle and implementation timeline (2021–2027)

The practical implication is straightforward but easily obscured: the PRB’s stated effective date is 1 January 2026 [PRB, *Pay Review 2026, Volume 1: Introduction*], yet the Cabinet decision converts the effective date into a two-step fiscal event. In other words, implementation becomes a managed sequence rather than a single transition—an approach that may be fiscally rational, but that carries second-order consequences for pay relativities, employee expectations, performance management credibility, and the political economy of “the second half” once the first half is banked.

This report’s mandate is therefore not merely to describe a phasing decision, but to examine whether the decision can be made coherent with the PRB’s internal logic (relativities, compression, allowances reform, performance-related mechanisms and organisational reforms) *and* with the macro-fiscal constraint in which Cabinet explicitly grounded its decision [Prime Minister’s Office, *Highlights of Cabinet Meeting, 19 December 2025*].

## 1.3 Definitions & comparability notes

27. A report that aims to be genuinely usable by decision-makers must be fussy about definitions—particularly where the public debate is conducted in broad terms (debt, affordability, productivity) while implementation depends on narrow ones (coverage, baselines, fiscal years, headcount definitions). The report therefore adopts the following working definitions.

### ⊕ Public sector debt.

Where this report cites “public sector debt”, it uses the IMF’s Article IV framing for Mauritius—most notably its projection that public sector debt was around 88% of GDP at end-June 2025 [IMF, *2025 Article IV Consultation Press Release*]. The purpose is not to outsource judgement to

the IMF, but to anchor the fiscal envelope in a transparent external benchmark that is regularly updated and methodology-disciplined. (IMF)

### ⊕ Wage bill.

The wage bill is treated as the total spending by general government on salaries, wages and employee benefits. The World Bank’s 2025 note usefully emphasises two practical complications that are often ignored in policy debate: first, that “general government” may include sub-national entities, social security funds and (in some reporting systems) state-owned enterprises; and second, that available datasets frequently cover a narrower scope than the conceptual definition [World Bank, *PFR Fundamentals: Public Wage Bill Analysis, June 2025*]. This report therefore treats “coverage” as a first-order analytical variable, not a footnote. (World Bank)

### ⊕ Remuneration package.

PRB recommendations operate at the level of the remuneration package—pay, allowances, benefits and conditions of service—rather than base salary alone [PRB, *“Functions of PRB”*]. Where this report discusses fiscal impact, it distinguishes between (i) recurrent base pay effects, (ii) recurrent allowance effects, and (iii) contingent or behaviour-dependent effects (for example, where eligibility rules or verification intensity determine take-up). (Pay Research Bureau (PRB))

### ⊕ Productivity in public services.

Productivity is treated in the classical sense as the relationship between outputs and inputs—an efficiency concept rather than a moral one [OECD, “Measuring productivity”]. However, public services introduce a measurement problem: many outputs have no market price, and “more activity” can be the opposite of “better outcomes”. The ONS description of quality adjustment is therefore adopted as a methodological reference point: a quality adjustment is, in simple terms, a statistical estimate of changes in service

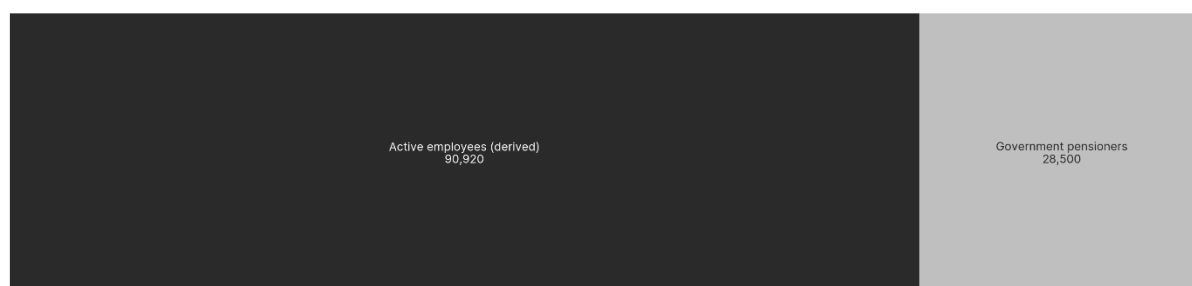


Figure 5 Implementation surface: PRB remit group size (October 2025)

Notes: Stacked representation of the PRB remit group “hovered around 119,420” as at October 2025, including “some 28,500 Government pensioners”; the implied active-employee figure (90,920) is derived by subtraction and shown for scale only.

Source: [PRB, Pay Review 2026, Volume 1: Introduction].

quality, and its purpose is to avoid treating higher cost or higher activity automatically as higher output [ONS, A guide to quality adjustment in public service productivity measures]. This matters for civil-service “productivity aims”: without quality, a target risks becoming a factory quota applied to a courtroom. ([Office for National Statistics](#))

#### ⊕ Affordability versus sustainability.

Affordability is treated as a near-term budget question (can the spending be financed without destabilising the fiscal plan). Sustainability is treated as a medium-term dynamics question (does the policy push the wage bill and debt path onto a trajectory that forces disruptive future adjustments). The World Bank note sets out common sustainability indicators—wage bill as a share of revenue, expenditure and GDP, and wage bill growth relative to nominal GDP growth [World Bank, PFR Fundamentals: Public Wage Bill Analysis, June 2025]. These indicators are used later in the report to connect PRB implementation choices to fiscal arithmetic rather than fiscal sentiment. ([World Bank](#))

## 1.4 Method: how this report builds its assessment

This report is designed to answer three questions that are often discussed separately, and therefore solved poorly:

- (i) what was decided on PRB implementation,
- (ii) whether the approach is fiscally and institutionally reasonable, and
- (iii) what “productivity” could realistically mean for civil servants without degenerating into performative KPI-ism.

#### ⊕ Document trail and decision sequence.

The analysis begins with primary documents: the PRB Report 2026 (Volume 1 for economy, pay system logic, management reforms, performance management,

digitalisation readiness and conditions of service; Volume 2 for sector-specific structures) [PRB Report 2026 portal], the PRB’s own description of its remit group and consultative process [PRB, Pay Review 2026, Volume 1: Introduction; PRB, Pay Review 2026, Volume 1: Approach and Methodology], and Cabinet’s 19 December 2025 phasing decision [Prime Minister’s Office, Highlights of Cabinet Meeting, 19 December 2025]. This sequence is treated as the spine of the report: interpretation is tethered to what the institutions themselves recorded. ([PRB Reports](#))

⊕ Institutional scale and the “implementation surface”. PRB notes that its remit group was around 119,420 as at October 2025, including about 28,500 Government pensioners [PRB, Pay Review 2026, Volume 1: Introduction]. It also records the volume of stakeholder input (representations from management, unions/federations and individuals) and the intensity of engagement (hundreds of meetings, multiple surveys, site visits, and stratified sampling of job description questionnaires) [PRB, Pay Review 2026, Volume 1: Introduction; PRB, Pay Review 2026, Volume 1: Approach and Methodology]. These numbers are not decorative; they indicate the “implementation surface” across which inconsistencies, anomalies and informal practices can proliferate if rules are not simple, audited and owned.

#### ⊕ Macro-fiscal envelope.

The report’s fiscal baseline is anchored in the IMF’s 2025 Article IV assessment, which highlights high public debt, fiscal pressures, and a primary deficit projected at 6.5% of GDP for FY24/25 (excluding grants), driven in part by higher compensation and transfers [IMF, 2025 Article IV Consultation Press Release]. The report does not treat IMF recommendations as instructions; it treats IMF projections as constraints that must be argued against explicitly if policy choices are to be credible. ([IMF](#))

	PRB documents	Government / Cabinet releases	IMF macro-fiscal baseline	Measurement guidance (World Bank / OECD / ONS)
What was decided?	●	●		
What does the fiscal constraint permit?		●	●	●
What can productivity mean in public services?	●			●

Figure 6 Evidence triangulation matrix used in this report.

Notes: Summary of how this report anchors three core questions (decision record; fiscal constraint; public-service productivity meaning) across four evidence families: PRB primary documents; Government/Cabinet releases; IMF macro-fiscal baseline; and measurement guidance for wage-bill and public-service productivity concepts.

#### ⊕ Small-state realism.

Mauritius is not merely a “small economy”; it is a small state with a particular labour-market geometry. The IMF’s 2025 How-To Note on managing government remuneration and staffing in small developing states emphasises that employee compensation is often a large share of government spending in such contexts, with distinctive challenges including staffing scarcity and “brain drain” [IMF, *How to Manage Government-Sector Remuneration and Staffing in Small States*, 2025]. This report uses that framing to test whether proposed productivity measures and performance incentives are likely to attract capability, retain scarce skills and improve service delivery—or merely reallocate frustration more efficiently. (IMF)

#### ⊕ Productivity aims for civil servants: from targets to design rules.

The report treats productivity as a design problem rather than a slogan. It uses three methodological guardrails derived from established measurement practice: (i) define outputs in service terms, not activity terms; (ii) adjust, where feasible, for quality or outcomes; and (iii) avoid metrics that are trivially gamed or that reward risk-aversion (because the fastest way to hit a target is often to stop doing the difficult cases) [ONS, *A guide to quality adjustment in public service productivity measures*]. The report also cross-references the PRB’s own inclusion of a chapter on results-oriented performance management and performance-related incentives, signalling that “productivity” is already part of the PRB architecture rather than an external add-on [PRB Report 2026 – Volume 1 contents]. (Office for National Statistics)

## 1.5 Limitations & deliberate exclusions

No serious report should pretend to omniscience, particularly in pay systems where the fiscal truth often hides in eligibility rules and implementation drift.

First, the report is constrained to publicly available material as at 22 December 2025. It can evaluate the coherence of the decision, the internal logic of the PRB package and the credibility of productivity approaches, but it cannot replicate Government’s internal costing models, payroll microdata, or institution-level allowance utilisation without access to administrative datasets.

Second, the analysis is intentionally not a moral adjudication of public servants’ “deservingness”. The question is whether the remuneration architecture, as implemented, is consistent with (i) fiscal sustainability, (ii) labour-market competitiveness for scarce skills, and (iii) service delivery outcomes. In a small state, the most expensive policy mistake is often the one that makes capable people quietly leave—because the exit does not appear as a line item, yet the costs show up everywhere else.

Third, this report does not propose individual-level productivity scoring. It focuses on *system productivity*: process design, management information, service standards, workforce allocation, digitalisation readiness and incentives that do not corrode professionalism. Where individual performance is discussed later, it is treated as a downstream expression of upstream governance.

Finally, for internal research governance and publication indexing, the report aligns to Bramston’s merged focus taxonomy at the intersection of Employment/Labour systems and analytics-led public-sector reform.

# The macro-fiscal constraint envelope (2020–2030)

Mauritius enters the PRB cycle with a macro picture that can look reassuring at first glance, and rather less forgiving on second inspection. Growth has returned, inflation has cooled, and the labour market has tightened. Yet the public balance sheet remains heavily encumbered, the cost of financing has become more sensitive to credibility, and the structural trend is not one of expanding slack but of shrinking demographic room to manoeuvre. A pay settlement may be “affordable” in the narrow cash sense and still be unwise in the broader arithmetic of debt dynamics, refinancing risk, and future pension obligations.

## 2.1 A recovery that is real—yet not roomy

The post-pandemic output profile is stark. Real GDP contracted by **14.5% in 2020**, then rebounded through **2021–2024**, with growth recorded at **4.7% in 2024**. The IMF’s central projection is for a moderation to **3.0% in 2025**, then a steadying at roughly **3.4% per year through 2030**. This is not a crisis forecast; it is, however, an implicit reminder that Mauritius is no longer in the phase where nominal buoyancy can be relied upon to cover policy exuberance. A 3–3½ per cent trend economy simply does not tolerate repeated “one-off” fiscal decisions that behave like permanent commitments. [IMF Country Report No. 25/136, 2025 Article IV Consultation—Staff Report, Table 1]. (IMF)

Inflation tells a similar story of normalisation after a sharp episode. Consumer price inflation (period average) rose to **10.8% in 2022** and **7.0% in 2023**, before easing to **3.6% in 2024**; the IMF projects inflation to remain around **3½–3.6%** through 2030. The point is not merely that inflation is lower; it is that the “inflation dividend” is already largely spent. When inflation is falling, wage drift can be disguised as preservation of purchasing power. Once inflation is stable, wage settlements revert to what they always were: real resource transfers. [IMF Country Report No. 25/136, 2025 Article IV Consultation—Staff Report, Table 1]. (IMF)

The labour market is tighter than in the pandemic years—unemployment is shown at **5.8% in 2024**, with the IMF projecting roughly **5.9%** through the outer years—yet the IMF also notes that the medium-term outlook is constrained by **demographic headwinds and labour shortages**. In other words, tightness is not

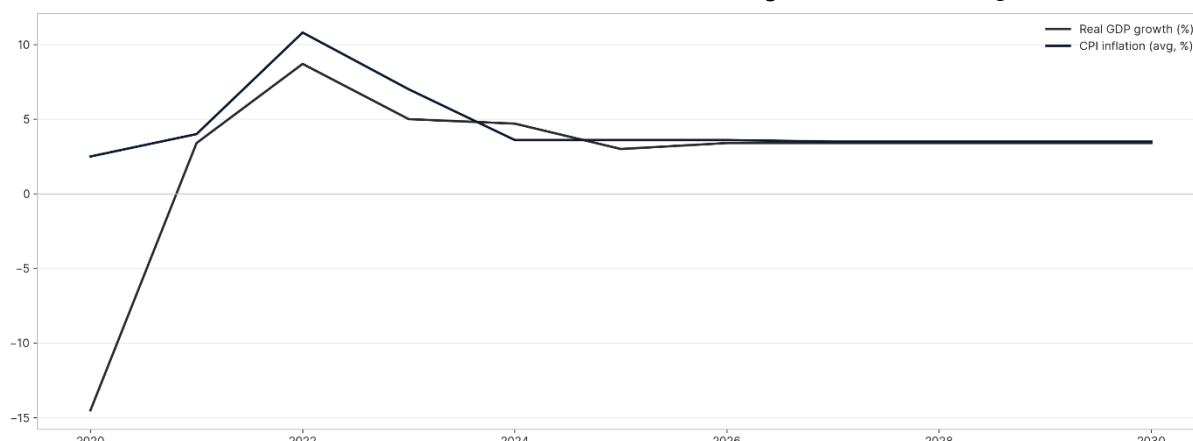


Figure 7 Mauritius: Real GDP growth and CPI inflation (period average), 2020–2030 (calendar years, percent).

Source: IMF Country Report No. 25/136, Mauritius: 2025 Article IV Consultation—Staff Report, Table 1. (IMF)



necessarily a sign of dynamism; it may also be a symptom of a shrinking workforce. That matters for public pay, because in a labour-constrained economy the state’s wage choices do not merely redistribute income—they can alter the relative attractiveness of public versus private employment in ways that feed directly into national productivity. [IMF Executive Board Press Release (June 2025); IMF Country Report No. 25/136, Table 1]. (IMF)

Above Figure illustrates the basic macro rhythm: a sharp output shock, a strong rebound, then a return to a more modest, steady pace—while inflation falls back towards a narrow band.

## 2.2 External resilience is not the same as external comfort

The external position has two faces. On the one hand, reserve adequacy appears strong: the IMF reports **gross foreign reserves at US\$8.5 billion by end-2024**, covering **almost 12 months of imports**. This provides genuine insurance value for a small, open, import-dependent island economy with exposure to commodity prices and climate events. [IMF Executive Board Press Release (June 2025)]. (IMF)

On the other hand, the same IMF communication notes that the **current account deficit widened to 6.5% of GDP in 2024**, with an expected improvement to **4.7% of GDP in 2025**, before a more gradual adjustment thereafter. Mauritius can finance such deficits when confidence is intact and the financial 28. sector remains a stable conduit for flows. But persistent external deficits are not a neutral backdrop for fiscal policy: they raise the premium on policy coherence, because any erosion of credibility tends to show up first in the exchange rate and the cost of

external funding. [IMF Executive Board Press Release (June 2025)]. (IMF)

The practical implication for wage policy is behavioural as much as arithmetic. In a country with visible reserves, there is a perennial temptation—inside and outside government—to treat foreign exchange buffers as “spendable”. They are not. Reserves are the shock absorber that allows Mauritius to keep its hands steady when the world is not.

## 2.3 The fiscal stance: from emergency to habit—and back again

The fiscal series makes clear why the PRB cycle is occurring under constraint rather than comfort. Using the IMF’s definition of the **overall borrowing requirement** (GFSM net lending/borrowing concept, inclusive of special and extrabudgetary funds), the pandemic era sits at one extreme: **-22.1% of GDP** in FY2020/21 (labelled “2020” in the IMF table). The more important recent signal is that the borrowing requirement worsened again to **-10.4% of GDP in FY2024/25**, before the IMF projects a narrowing to **-5.4% in FY2025/26** and a gradual improvement to **-2.0% by FY2030/31**. This is the profile of an economy attempting to “re-learn” consolidation after an extended period of fiscal activism. [IMF Country Report No. 25/136, Table 1]. (IMF)

The **primary balance (excluding grants)** tells the same story more cleanly, because it strips out interest and focuses on the policy stance. The IMF shows a **-6.5% of GDP** primary deficit in FY2024/25, improving to **-3.0% in FY2025/26**, then moving towards balance by FY2027/28 and into small surplus thereafter. In board-level terms, this is the “non-negotiable”

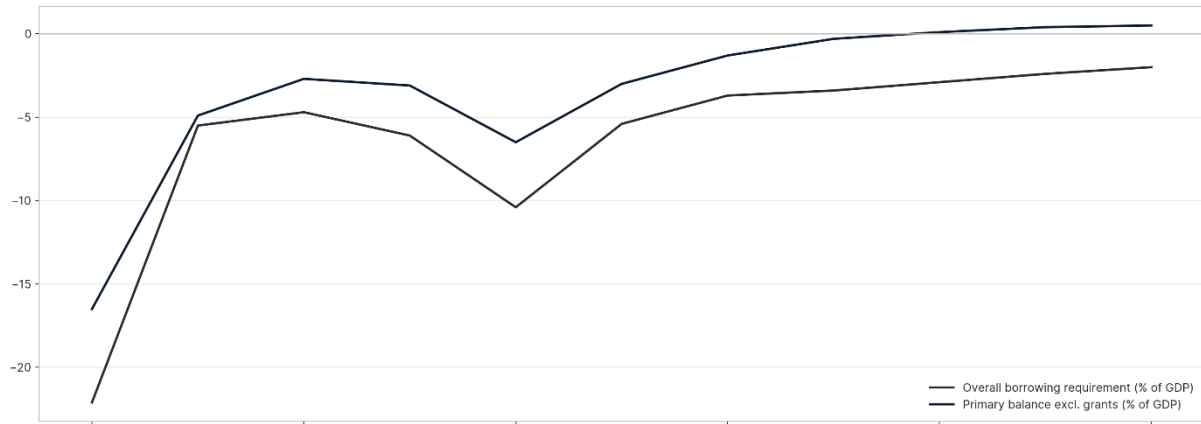


Figure 8 Mauritius: Overall borrowing requirement and primary balance (excluding grants), FY2020/21–FY2030/31 (percent of GDP; fiscal years labelled by start year).

Source: IMF Country Report No. 25/136, Mauritius: 2025 Article IV Consultation—Staff Report, Table 1. (IMF)

macro-fiscal trajectory: without this adjustment, debt stabilisation becomes a matter of hope rather than design. [IMF Country Report No. 25/136, Table 1]. (IMF)

One should also note what sits behind the numbers. The IMF attributes the deterioration in FY2023/24 and the projected widening in FY2024/25 to pressures including **compensation of employees** and **social benefits**, alongside transfers and special-fund expenditures. This is precisely the category where PRB awards land. If wage awards are not embedded in a credible medium-term framework, they do not merely add spending; they reduce the plausibility of the consolidation path itself. [IMF Executive Board Press Release (June 2025); IMF Country Report No. 25/136]. (IMF)

Figure above below presents the fiscal adjustment implied by the IMF baseline: a large borrowing requirement narrowing only gradually, and a primary balance that must move materially towards balance over the second half of the decade.

## 2.4 Debt dynamics: the level is high; the financing profile matters more than usual

The IMF's published baseline shows **public sector debt (fiscal year)** remaining elevated across the decade, easing only slowly. In the same Table 1 series, debt is shown at **88.3% of GDP in FY2024/25** and **89.1% in FY2025/26**, before declining gradually to **82.7% by FY2030/31**. In parallel, the IMF notes that public debt was above the **statutory ceiling of 80% of GDP**, and that sovereign yields increased; Moody's maintained the **Baa3** rating but revised the outlook to **negative** in January 2025, citing uncertainty about fiscal improvement. [IMF Country Report No. 25/136, Table 1; IMF Staff Report narrative]. (IMF)

Two technical points are worth making explicitly, because they are often lost in public debate.

First, the IMF notes a **reclassification** of the public debt series beginning with the 2024 Article IV mission to consolidate certain holdings (central government securities held by non-financial public corporations). This is not cosmetic: reclassifications can change the apparent debt path and the comparability of the series across years. A serious fiscal strategy treats such changes as clarifying the problem, not solving it. [IMF Country Report No. 25/136, Table 1 footnote]. (IMF)

Second, the Government's own budget documentation makes clear that debt vulnerability is not only about the stock, but also about the **maturity profile and refinancing risk**. In the 2025–26 budget macro-fiscal

framework, the Ministry notes that the share of **short-term domestic debt** was expected to rise to **about 20% in June 2025**, versus a prior estimate of 13%, raising refinancing risk. The stated strategy is to lengthen maturities and reduce the short-term share to **below 10% by June 2028**, including through debt switching operations; the same document anticipates an increase in the average cost of debt from **4.1% to 4.4%** over the medium term, while projecting interest payments to decline as a share of recurrent revenue from **12% to 10.5%** by FY2027/28 (and to remain around 3.1% of GDP). [Government of Mauritius, Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy (Budget 2025–2026)].

For PRB-related pay awards, this matters in a very direct way. When refinancing risk is elevated and the maturity profile is being actively managed, any permanent spending increase that raises borrowing needs can force the debt manager to accept worse pricing or worse maturity—usually both. Wage policy does not sit “outside” debt management; it drives the quantity and timing of issuance.

Figure above visualises the IMF baseline debt path across the decade, alongside the 80% reference line. The key message is not the gentle decline by 2030; it is how little room exists for slippage before the trajectory stops declining at all.

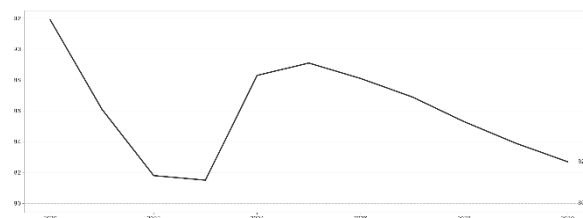


Figure 9 Mauritius: Public sector gross debt, FY2020/21–FY2030/31 (percent of GDP; fiscal years labelled by start year).

Note: the dashed line marks the statutory reference of 80% cited in the IMF staff report.

Source: IMF Country Report No. 25/136, Mauritius: 2025 Article IV Consultation—Staff Report, Table 1. (IMF)

## 2.5 The “second balance sheet”: ageing, pensions & the arithmetic of promises

It is tempting—particularly in pay negotiations—to treat the public wage bill as the principal long-run pressure point. In Mauritius, it is more accurate to say the wage bill is the **visible** pressure point, while pensions are the **dominant** one.

The IMF's long-term risk analysis flags a large structural imbalance: **pension benefits paid in**



**FY2023/24 are estimated at 7.6% of GDP**, while contributions are **around 2% of GDP**. The same analysis underscores that the dependency ratio is projected to worsen over time, with pension financing needs rising as assets are depleted under various scenarios. [IMF Country Report No. 25/136, Figure 8 commentary]. (IMF)

This matters for PRB decisions for a simple reason: a wage award is not only a wage award. In most public systems, it becomes a pension award with a time delay. If the pension system is already structurally imbalanced, the state's pay policy becomes an indirect choice about future pension liabilities. The clever part is not finding a year in which an award can be paid; it is ensuring that the award does not quietly compound into a future obligation that will be met by either higher taxes on a smaller workforce or a politically painful retrenchment later.

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## 2.6 Climate as a fiscal variable, not an environmental footnote

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Mauritius is also operating with a recurrent, quantifiable fiscal risk from climate shocks. The IMF notes that climate shocks have caused **average damages estimated at 1.5 to 2.3% of GDP per year during 1960–2022**, and illustrates that a permanent scaling-up of public investment for adaptation (e.g., **+1.5% of GDP per year** beyond the medium term) would push financing needs and debt above baseline. [IMF Country Report No. 25/136, Figure 8 commentary]. (IMF)

The constraint envelope therefore has a structural “wedge” in it: even if the fiscal consolidation path is delivered, climate adaptation competes directly with recurrent spending items—including wages. Treating climate spending as discretionary is, in effect, choosing to pay later in a less controlled manner, after the shock rather than before it. The macro-fiscal frame should assume that some portion of fiscal capacity must be reserved for resilience investment and contingent response.

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## 2.7 What the envelope implies for PRB implementation

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Taken together, the 2020–2030 profile is best described as **stable growth under tight fiscal geometry**. The IMF baseline assumes that fiscal policy improves materially from FY2025/26 onwards, with the primary balance moving towards balance and public debt edging down only gradually. Meanwhile, the Government's own debt strategy acknowledges refinancing risk and a rising cost of debt, even as it seeks to lengthen maturities and reduce short-term exposure. Add to this the “second balance sheet” of pensions and a measurable climate-damage baseline, and the conclusion is not that public pay adjustments are impossible—but that **they must be engineered**.

In practical terms, any PRB award that is materially front-loaded, poorly targeted, or weakly linked to productivity will not simply add expenditure: it will compete with debt stabilisation, increase rollover stress, and narrow the state's ability to absorb shocks. Conversely, a settlement that is credibly phased, explicitly costed within the consolidation path, and paired with enforceable productivity instruments can be compatible with the macro-fiscal envelope—even if it is not politically effortless.

# PRB 2026: what the package actually contains

If the PRB package is described merely as “a pay rise”, one has missed the point—and, more dangerously, misread the mechanism. The 2026 Report is best understood as a piece of institutional plumbing: it does not only reset salary scales; it re-states internal relativities, consolidates temporary pay elements into the salary base, re-examines a long list of benefits, and (in a more consequential move than the pay tables) attempts to tighten the link between public expenditure and public performance. In other words, it is not simply a number to be negotiated; it is a system to be lived with.

## 3.1 The centre of gravity is the conversion table, not the headline percentage

The PRB’s own implementation chapter is explicit that the conversion to the new salary structure is performed through a **Master Salary Conversion Table**, described as consisting of **three rows** and multiple columns, and applicable as from **01 January 2026** [PRB Report 2026, Volume 1 — Implementation Process and Post Review Mechanism]. Row 1 represents the **basic salaries effective from 01 January 2021** (payable up to 31 December 2025); Row 2 represents the **gross salaries as at 31 December 2025**, explicitly **inclusive of salary compensation and the 5% interim allowance**; and Row 3 gives the **revised basic salaries payable as from 01 January 2026**, with the “additional remuneration” payable from that date **integrated** into the revised salaries [PRB Report 2026, Volume 1 —

Implementation Process and Post Review Mechanism; Master Conversion Table 2026].

This matters for two reasons. First, it clarifies what is being increased: the “pre-PRB” comparator is not the 2021 base salary alone, but the 31 December 2025 gross salary that already embeds a set of temporary additions. Second, it reveals the policy choice that sits quietly in the plumbing: by integrating previously temporary or compensatory components into the salary scale, the state converts a flexible, revisable instrument into a permanent baseline—gaining simplicity, but losing manoeuvrability.

As illustrated below, the master conversion mechanics are visible even at the lowest salary points: Row 2 already sits well above Row 1, and Row 3 then represents the final, consolidated revision.

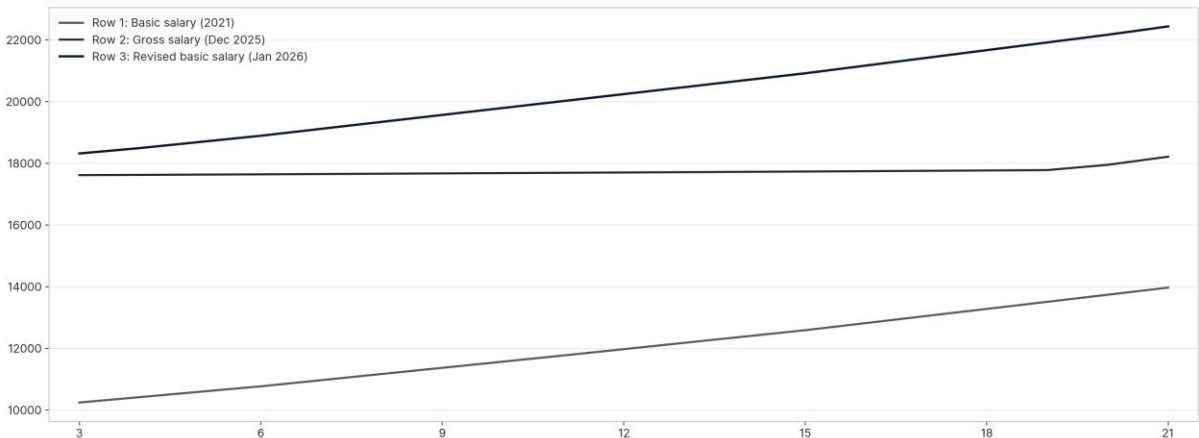


Figure 10 Master Salary Conversion Table: selected salary points (003–021) and row logic, 2021–2026 (monthly salary in Mauritian Rupees).

Source: PRB Report 2026, Volume 1 — Implementation Process and Post Review Mechanism (paras. 20.14–20.15); Master Conversion Table 2026 (Annex).

### 3.2 Why the 2026 structure looks “large”: minimum wage spillovers, interim measures, and compressed relativities

The PRB’s introduction is unusually candid about the political economy that forced its hand. It notes that the significant increase in the **National Minimum Wage to Rs 16,500 (inclusive of additional remuneration) as from January 2024** had “far reaching effects” on public sector pay, including strong demands to restore relativities across grades. It also records that, as an **interim measure** pending the PRB Report, Government granted from **01 July 2024** a monthly allowance equivalent to **5% of 2024 basic salary drawn**, subject to a **maximum of Rs 2,000**, to all public sector employees [PRB Report 2026, Volume 1 — Introduction].

This sequence is central to understanding why the 2026 settlement is not merely an inflation catch-up. Uniform or near-uniform allowances, layered on top of tapering cost-of-living adjustments, tend to compress the salary structure by construction: they lift the lower end proportionally more than the upper end. The PRB states this plainly, observing that these measures “further compressed the salary structure”, and that the General Worker-to-Permanent Secretary ratio set at **1:6.2** in the 2021 Report now stands at **1:5.2** [PRB Report 2026, Volume 1 — Introduction].

Cabinet’s own summary of the PRB package (published alongside the decision to phase implementation) uses slightly different rounding, stating that the General Worker-to-Permanent Secretary ratio is **around 1:5.4** in the 2026 PRB Report, and that the General Worker-to-Senior Chief

Executive ratio is **1:6.7** [PMO, Highlights of Cabinet Meeting, 19 December 2025].

On the fiscal side, Cabinet reports that the recommendations contained in the Report—**inclusive of salary compensation payable as from 01 January 2026 and the integration of the 5% interim allowance**—are estimated to cost Government **around Rs 10.9 billion yearly**. It also reports an **average weighted salary increase** on gross salary December 2025 of **15.3%**, compared to **7.95%** in the 2021 Report [PMO, Highlights of Cabinet Meeting, 19 December 2025].

In practice, the “shape” of the adjustment matters at least as much as the average. Cabinet provides indicative 2026 salaries for selected grades. Even read cautiously (as examples, not a distribution), they show a structure that is trying to do three things at once: keep the floor safely above the minimum wage, restore some damaged relativities, and ease acute recruitment pressure in key operational roles. For instance, the General Worker scale moves from **Rs 10,250–21,150 (2021)** to **Rs 17,975–30,615 (2026)**; the Police Constable scale from **Rs 18,650–38,400** to **Rs 27,905–50,100**; and the Nursing Officer scale from **Rs 19,525–44,800** to **Rs 29,215–57,400** [PMO, Highlights of Cabinet Meeting, 19 December 2025].

Figure below visualises the same list (top of scale), which is where the medium-term wage bill pressure tends to accumulate, because it is the endpoint towards which increments drift.

Finally, the political decision that frames the package is the **two-phase implementation**: Cabinet decided, “given the challenging current economic and fiscal context”, that implementation would be **50% as from January 2026 and 100% as from January 2027** [PMO, Highlights of Cabinet Meeting, 19 December 2025].

This is not a technical footnote. Phrasing is how governments admit a constraint without cancelling a

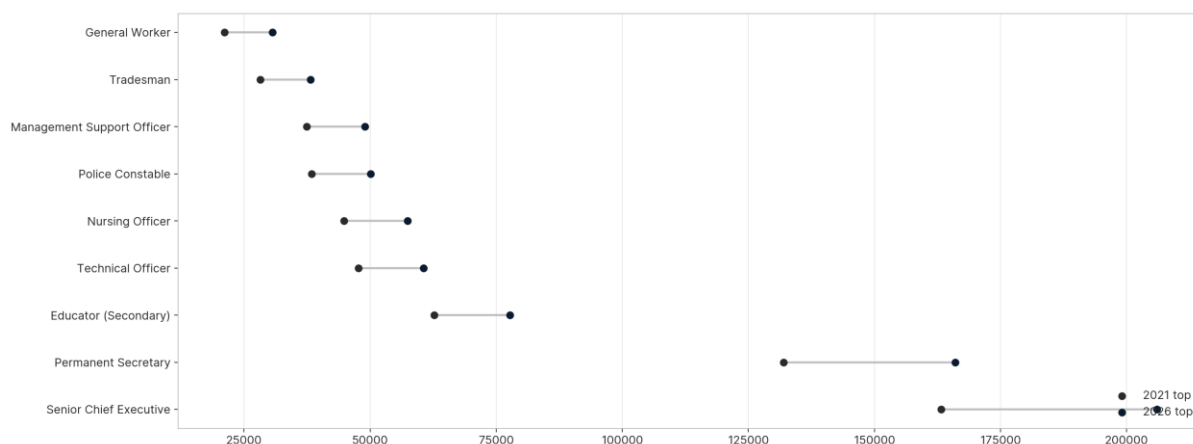


Figure 11 Recommended 2026 salary for selected grades: top of scale (2021 vs 2026), monthly basic salary (Mauritian Rupees).

Source: PMO, Highlights of Cabinet Meeting – Friday 19 December 2025, “Recommended 2026 Salary for Selected Grades”.

promise. It can be sensible macro-fiscally; it can also be corrosive behaviourally if it is interpreted as precedent—that every future revision will be settled through a partial-now, full-later device.

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### 3.3 Conditions of service: the “silent” part of remuneration is treated as an asset class

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The PRB insists—correctly—that remuneration cannot be read off the payslip alone. Its conditions-of-service chapter defines terms and conditions other than salary as “an important element” of the total remuneration package and explicitly lists the typical components: **allowances, passage benefit, end-of-year bonus, leave privileges, retirement benefits, communication facilities, and travelling and car benefits**, among others [PRB Report 2026, Volume 1 — Conditions of Service and Benefits].

Two technical points in that framing deserve attention.

First, the PRB treats conditions of service as part of motivation and workforce management rather than as a mere legacy set of entitlements. That is a helpful posture: where basic pay must be constrained, benefit design becomes the primary lever for targeting scarce resources—particularly for roles with high mobility or hard-to-replicate skills.

Second, the PRB explicitly notes that where benefits relate to salary relativities (for instance, travelling and car benefits), the hierarchy of benefits has been maintained to allow “fair differentials” in total remuneration to persist [PRB Report 2026, Volume 1 — Conditions of Service and Benefits].

In plain terms: even when the salary scale is compressed by minimum-wage dynamics, the benefit architecture becomes one of the few remaining instruments for re-introducing differentiation without triggering a visible, politically explosive wage gap.

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### 3.4 Recruitment, retention, and the productivity question: the PRB does not pretend pay is the whole story

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The PRB’s introduction states something that is often said in private and rarely stated in an official pay review: recruitment and retention problems **vary by organisation and do not necessarily relate to remuneration**, and must be assessed in light of “particular circumstances” [PRB Report 2026, Volume 1 — Introduction].

That line matters because it implicitly pushes back against a reflex policy response—raising pay to solve all workforce problems—when a meaningful portion of the difficulty is structural (process delays, skills mismatch, poor deployment, weak training pipelines).

On the machinery of recruitment, the PRB records that recruitment is entrusted to **four different central recruiting bodies**, depending on occupational fields: the Public Service Commission and Disciplined Forces Service Commission (constitutional bodies), the Judicial and Legal Service Commission for legal recruitment, and the Local Government Service Commission for municipal and district councils; for parastatals and statutory bodies, powers are vested in their respective Boards [PRB Report 2026, Volume 1 — Recruitment, Promotion and Retention].

This matters for implementation realism: a pay award can be approved in a Cabinet room, but its recruitment impact depends on a distributed system of commissions, boards, schemes of service, and time-to-hire processes—each with its own frictions.

The civil service volume’s general provisions further emphasise workforce planning as a service-delivery issue, recording union representations about shortages and linking them to efficiency and timeliness, and recommending that organisations undertake a **Human Resource Planning** exercise to address requirements and fill vacant positions within a reasonable timeframe [PRB Report 2026, Volume 2, Part I — Civil Service (General Provisions)].

If one is looking specifically for the “productivity aim” for civil servants, it is most clearly expressed not in exhortation but in design: the PRB explicitly proposes to strengthen performance management and its linkage to budgeting.

*“We recommend that the MPSAR in consultation with the Ministry of Finance should develop an Integrated Performance Management Framework (IPMF).”*

[PRB Report 2026, Volume 1 — Results-Oriented Performance Management System].

The accompanying text makes clear what “integrated” means in practice: aligning individual objectives with programme outcomes under Performance-Based Budgeting, setting measurable metrics/indicators, linking rewards (financial and non-financial) to measurable performance, and explicitly managing underperformance [PRB Report 2026, Volume 1 — Results-Oriented Performance Management System].

This is a consequential direction of travel. Many public pay reviews talk about performance; fewer attempt to join it to the state’s own budget architecture. If executed well, it could help justify higher pay where it buys measurable outcomes. If executed poorly, it risks

becoming a compliance ritual—another set of forms that busy professionals learn to complete without changing what they do.

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### 3.5 Digitalisation and AI readiness: the report treats technology as a workforce reform, not a procurement project

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The PRB's chapter on digitalisation and artificial intelligence readiness is clear that digital transformation is being treated as a national programme, and it anchors that to Government's programme horizon. It notes the launch of the **"Blueprint for Mauritius: A Bridge to the Future – Digital Transformation 2025–2029"**, framed as a strategic, people-centric roadmap. It also records that the Ministry of Information Technology, Communication and Innovation (MITCI) has established a **dedicated Artificial Intelligence Unit**, and that the Blueprint emphasises sustainability, cybersecurity, and ethical AI [PRB Report 2026, Volume 1 — Digitalisation and Artificial Intelligence Readiness].

The civil service general provisions add a useful operational caution: because Mauritius is still in an early phase of AI application, a full assessment of impact on jobs may not yet be possible; nonetheless, AI should be considered as a tool to help government achieve objectives, and a sustainable adoption approach should be favoured based on **People, Processes and Technology** [PRB Report 2026, Volume 2, Part I — Civil Service (General Provisions)].

For the remuneration package, the relevance is direct. Digital adoption changes task composition. Task composition changes job evaluation. Job evaluation

changes grade design and pay. That chain is slower than a budget speech, but it is no less real.

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### 3.6 Coverage and boundary conditions: a single report, several labour markets

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Formally, the PRB's remit spans the **civil service, parastatal and other statutory bodies, local authorities, the Rodrigues Regional Assembly, and private secondary schools** [PRB Reports portal; PMO Cabinet Highlights].

The PRB's introduction also provides a useful scale marker: the remit group is stated as **around 119,420 as at October 2025, including some 28,500 Government pensioners**, and it records the volume of representations received from stakeholders (management, unions/federations, and individuals) [PRB Report 2026, Volume 1 — Introduction].

The report also makes clear that "coverage" is not uniform. The parastatal volume's introduction notes that the Bureau was called to report on **about 29 organisations** previously not under its remit, some operating outside the PRB framework, which made the review demanding; it describes the need to harmonise salary and conditions of service with those prevailing under PRB oversight, and records that, for a small number of organisations, the Bureau did not report due to impediments such as lack of information or technical reasons [PRB Report 2026, Volume 2, Part II — Parastatal Bodies (Introduction)].

This is a reminder that PRB 2026 is not a single labour market reset. It is a set of resets across partially connected markets, with different governance, different boards, and different recruitment dynamics. The implementation risk is therefore not just fiscal; it is institutional.

# The implementation decision: fiscal mechanics and second-order effects

Cabinet’s decision of **19 December 2025** is, on paper, elegantly simple: the PRB 2026 package is to be implemented in **two phases—50% from January 2026 and 100% from January 2027**—with the recommendations “estimated to cost Government around **Rs10.9 billion yearly**”, inclusive of salary compensation payable from 1 January 2026 and the integration into salary of the interim 5% allowance. [PMO, Highlights of Cabinet Meeting, 19 December 2025].

In practice, simplicity at the headline level often means complexity in the mechanics. Phasing changes not merely the timing of cash outflows; it reshapes expectations, interacts with other wage and transfer measures, and alters the credibility calculus faced by the debt manager, the central bank, and—quietly, but decisively—the private sector.

## 4.1 What phasing achieves—and what it cannot achieve

Phasing is a fiscal tool of the respectable kind. It is the State’s way of acknowledging constraint without defaulting to either denial (“we can afford it”) or confrontation (“we will not pay it”). In a high-debt environment, the benefit is immediate: the wage bill shock is moderated, the borrowing requirement is softened, and the Treasury has time to adjust issuance plans rather than financing a sudden, concentrated increase in recurrent spending.

Cabinet’s own framing is unambiguous: the decision is explicitly motivated by “the challenging current economic and fiscal context”. [PMO, Highlights of Cabinet Meeting, 19 December 2025]. The IMF’s 2025 Article IV press release supplies the wider constraint envelope that makes such language more than polite throat-clearing: it projects a **primary fiscal deficit (excluding grants) of**

**6.5% of GDP in FY24/25**, driven “mostly” by higher compensation of employees, social benefits, and grants and transfers, with public sector debt projected at around **88% of GDP** at end-June 2025. [IMF, 2025 Article IV Consultation Press Release, 18 June 2025]. (IMF)

Where phasing is often misunderstood is in what it does *not* do. It is not a cost reduction; it is a cost rescheduling. The permanent baseline still arrives—just later, and sometimes with additional political luggage attached. In pay policy, the baseline is the point. Once a revision has been integrated into the salary structure, it becomes the reference for increments, future negotiations, and—where pensions are linked to earnings—future liabilities. Phasing slows the ratchet; it does not remove the ratchet.

The fiscal mechanics make this visible. PRB implementation is stated in calendar terms (January effective dates), while the Mauritian fiscal year runs July–June. The result is that the “50% then 100%”

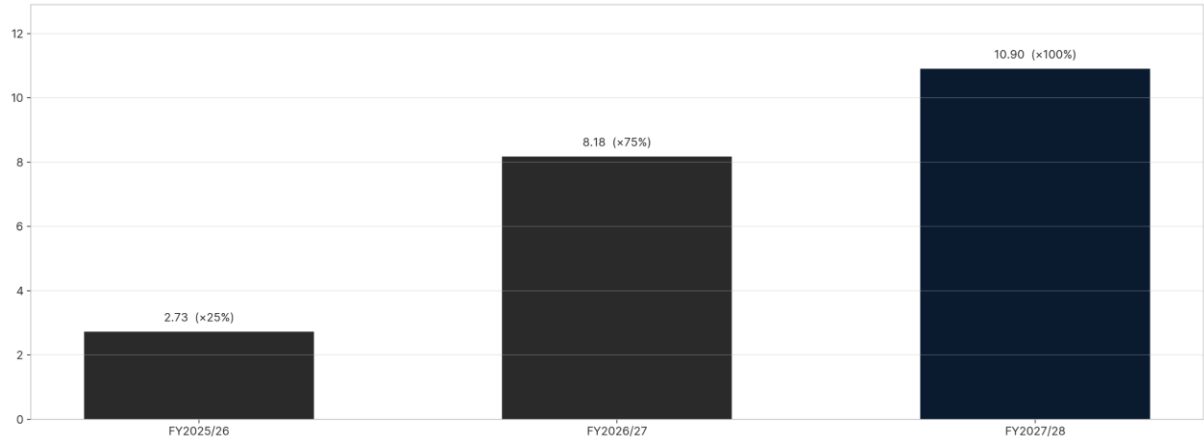


Figure 12 Indicative fiscal year cost profile implied by PRB phasing (annualised Government cost basis).



headline translates into a stepped profile across fiscal years. Using Cabinet’s **annualised** cost estimate as the reference point, and applying the phasing schedule mechanically, the implied fiscal-year exposure is approximately **25% of the annualised cost in FY2025/26, 75% in FY2026/27, and 100% in FY2027/28**. That arithmetic does not claim to forecast actual payroll execution; it simply converts the decision into a budget-year shape, which is how Ministries of Finance actually experience wage decisions.

As illustrated on figure 12, the fiscal-year ramp is sharpest in the transition year (FY2026/27), precisely when governments are most tempted to treat the second half of an award as “tomorrow’s problem”.

Based on Cabinet’s estimate that the PRB recommendations (inclusive of salary compensation payable from 1 January 2026 and the integration of the interim 5% allowance) cost Government around **Rs10.9 billion yearly**, and Cabinet’s decision to implement **50% from January 2026 and 100% from January 2027**. Fiscal-year exposures are shown mechanically as shares of the annualised cost (FY2025/26 = 25%; FY2026/27 = 75%; FY2027/28 = 100%), reflecting January effective dates within a July–June fiscal year. *Source:* [PMO, Highlights of Cabinet Meeting, 19 December 2025].

There is also a subtler institutional implication: the PRB has warned that partial implementation may defeat the internal spirit of its package. [PRB Report 2026, Volume 1 — Introduction]. This is not bureaucratic defensiveness; it is a system design warning. Pay structures are built on relativities and cross-linked allowances. A partial uplift can create transient anomalies that take years to remove, because the political cost of admitting design inconsistency is usually paid long after the cheque has been cashed.

## 4.2 Interaction with other wage measures and transfers

The PRB phasing decision did not arrive in isolation. A week earlier, Cabinet agreed a separate and highly consequential measure: a **monthly salary compensation of Rs635**—equivalent to **3.7% of the National Minimum Wage**—to be paid to employees earning a monthly basic salary of up to **Rs50,000** as from **1 January 2026**. This followed a Tripartite Committee meeting on salary compensation chaired by the Prime Minister. Cabinet records that **409,400 employees** would benefit (including **89,100** in the public sector and **320,300** in the private sector), representing **88% of employees in the economy**, with an estimated annual cost of **Rs3.38 billion** (Rs740 million public

sector; Rs2.64 billion private sector). [PMO, Highlights of Cabinet Meeting, 12 December 2025].

Two points follow.

First, this salary compensation measure is not merely a footnote to PRB. It is an economy-wide wage floor adjustment that shapes wage expectations in the private sector and sets a reference point for “fairness” narratives in the public sector. That matters because Mauritius operates, in practice, with a single wage psychology even when it has multiple wage-setting institutions. The private sector hears what the State pays; the State hears what the private sector is struggling to match. A salary compensation measure covering 88% of employees is a powerful broadcast.

Second, Cabinet’s own PRB costing explicitly states that the PRB recommendations are “inclusive of salary compensation payable as from 01 January 2026”. [PMO, Highlights of Cabinet Meeting, 19 December 2025]. This is an important technical clarification: it suggests that the Government’s Rs10.9 billion annualised estimate is not a “pure PRB” figure in the narrow sense, but one that embeds at least the public-sector component of the salary compensation decision. That is sensible accounting, but it creates a communication risk: when measures are bundled, public debate tends to treat them as a single political promise—while fiscal control still requires managing them as distinct instruments with distinct behavioural effects.

Wage measures are also landing alongside other cost-of-living interventions. The 19 December Cabinet highlights record, for example, the extension of fixed subsidies on specific goods (canned fish, adult diapers, and certain medicines retailing at Rs100 or above), with an effective date set to **15 January 2026**, including implementation in Rodrigues. [PMO, Highlights of Cabinet Meeting, 19 December 2025]. The fiscal scale of such measures is likely smaller than the wage bill decisions, but the policy signal is coherent: the State is attempting to stabilise real incomes through a blend of wage adjustments and targeted price relief. The risk is not that any one measure is irrational; it is that, in aggregate, they harden current spending at precisely the point where debt dynamics require the opposite.

The most consequential interaction, however, is not between PRB and subsidies; it is between PRB and the **structure of remuneration** itself. Cabinet notes that the cost estimate includes “the interim allowance of 5% integrated in salary”. [PMO, Highlights of Cabinet Meeting, 19 December 2025]. Integration is a one-way valve: it improves transparency and reduces administrative clutter, but it also converts what was once an adjustable add-on into a permanent base. For fiscal planning, that permanence matters more than the percentage.

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## 4.3 Inflation, competitiveness, and expectations

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Mauritius is not currently fighting inflation at the levels seen in 2022–2023, but it would be complacent to treat inflation as a closed chapter. The IMF notes that headline inflation fell to **2.5% in March 2025** (12-month average) from **7.0% in 2023**, assisted by easing international food and energy prices and lower fuel excise duties, and projects inflation to remain within the Bank of Mauritius’ target range over the medium term. [IMF, 2025 Article IV Consultation Press Release, 18 June 2025]. (IMF)

Wage policy matters here less through immediate arithmetic and more through expectations. When a large share of the labour market receives a salary compensation uplift (as per the 12 December decision), and when the public sector simultaneously proceeds with a phased but material pay revision, there are at least three expectation channels worth watching.

The first is straightforward: firms facing higher wage costs—particularly in labour-intensive services—will attempt to pass some portion through to prices, especially where demand is relatively inelastic. The second is more subtle: wage announcements can become anchors for negotiation even where they are not legally binding. In small economies, wage setting is socially contagious. The third is institutional: if the State is perceived to be “back-loading” difficult fiscal choices while “front-loading” visible pay adjustments, inflation expectations can drift upwards even if imported inflation remains contained, because confidence in policy discipline is itself a price-stability asset.

Competitiveness sits in the background as the quiet adjudicator. The IMF assesses Mauritius’ external position at end-2024 as weaker than that implied by fundamentals and desirable policies, and calls for structural reforms to foster external competitiveness and reduce imbalances. [IMF, 2025 Article IV Consultation Press Release, 18 June 2025]. (IMF) In such a context, wage growth that is not matched by productivity tends to behave like a real appreciation: it makes domestically produced services more expensive relative to trading partners. Mauritius can absorb some of this through exchange rate movement and through productivity gains in sectors such as tourism and financial services. It cannot absorb it indefinitely by wishing.

This is where the phasing decision becomes economically interesting. Phasing can, in theory, act as a demand-management tool: it reduces the immediacy of income injection relative to full implementation, and

therefore moderates near-term inflation pressure. Yet phasing can also create a “known future uplift” that firms and households price in early—particularly if the second phase is treated as politically irreversible. In that case, the State gets the fiscal benefit of delay but not the inflation benefit of restraint.

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## 4.4 Credibility: what markets, rating agencies, and IFIs tend to notice

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In a high-debt state, the most expensive commodity is not money but credibility. Debt managers can refinance large stocks at tolerable cost when investors believe the fiscal trajectory is coherent and the policy process is predictable. When that belief weakens, the market asks for compensation—first in yield, then in maturity, and eventually in reduced appetite.

The IMF’s language is instructive because it is not ideological; it is procedural. It calls for “frontloaded growth-friendly consolidation to shore up fiscal credibility”, recommending that tax revenue be increased and current spending contained while safeguarding critical social spending and growth-enhancing capital spending. It also emphasises strengthening public financial management, including streamlining extrabudgetary and special funds, to support transparency and good governance. [IMF, 2025 Article IV Consultation Press Release, 18 June 2025]. (IMF)

Mauritius’ own debt strategy documents reinforce the same operational concern from the borrower’s side. The Government’s medium-term macro-fiscal and debt management strategy (Budget 2025–2026 documentation) notes that, due to higher borrowing needs and an upward revision in the Key Rate, debt management targets were harder to meet; the share of short-term domestic debt in June 2025 was expected to rise to about **20%**, increasing refinancing risk. The stated strategy is to lengthen maturities, reduce the short-term share to below **10% by June 2028**, and raise average time to maturity—while acknowledging that the average cost of debt is expected to rise from **4.1% to 4.4%** in the medium term as issuance shifts towards longer maturities. [Government of Mauritius, Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy (Budget 2025–2026)].

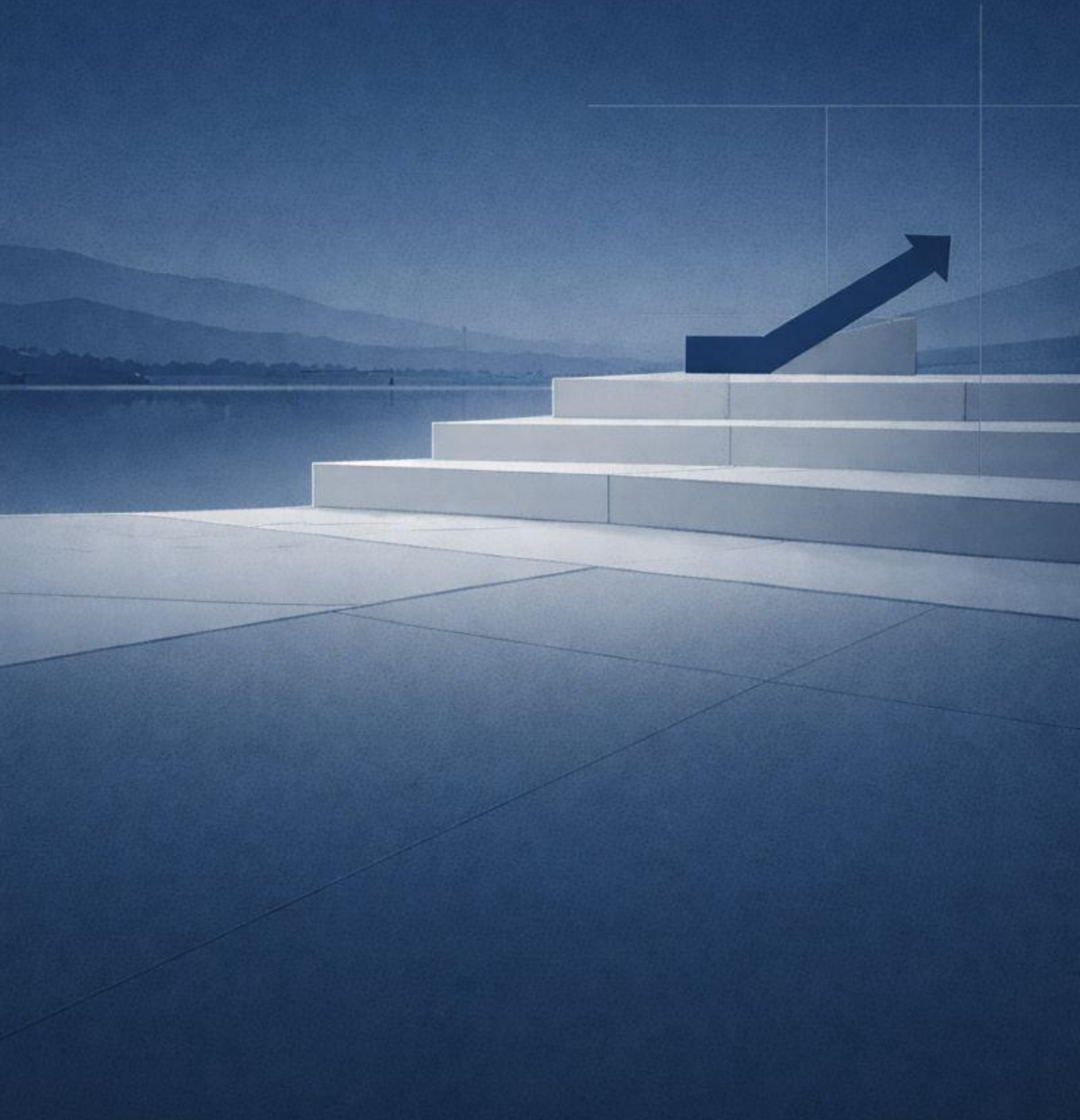
This is the real “second-order” intersection between PRB and fiscal policy. Wage decisions change the borrowing requirement; the borrowing requirement constrains the debt manager’s ability to optimise maturity and pricing; maturity and pricing shape interest costs; interest costs then compete with wages



and transfers in future budgets. The loop is not dramatic, but it is relentless.

Against that backdrop, the credibility test for the PRB phasing decision is not whether 50% can be paid in January 2026. It almost certainly can. The test is whether the Government can reach January 2027 with a fiscal plan that still looks believable, such that the shift to 100% does not force a compensating adjustment elsewhere that is either economically harmful (cutting investment) or politically destabilising (sharp tax measures). Phasing buys time; it also consumes time. The year between 50% and 100% is therefore not an administrative waiting room. It is the only window in which the Government can convert a pay settlement into a credible fiscal-productivity compact—before the compact becomes an expectation and the expectation becomes a liability.

*"Fiscal policy should pursue frontloaded growth-  
friendly consolidation to shore up fiscal credibility..."*  
*[IMF, 2025 Article IV Consultation Press Release, 18 June 2025]. ([IMF](#))*



# Productivity and the civil service: the missing contract

Public pay reviews invariably claim to be about “fairness”. In Mauritius, the more relevant word is *contract*. Cabinet has decided to phase a sizeable remuneration package in a high-debt environment, explicitly citing the fiscal context. The public, in turn, will finance this settlement not through a single levy but through the accumulated constraints of higher borrowing needs, tighter discretionary spending, and the crowding-out of other priorities. The missing piece is not justification for the award—there are respectable labour-market and compression arguments—but a clear, operational statement of what the State expects in exchange. The civil service cannot be “more productive” by moral instruction. It becomes more productive when the machinery of government makes productivity possible, measurable, and worth pursuing.

The PRB itself implicitly acknowledges this gap. It notes that the Performance Management System (PMS) introduced in 2006 has been rolled out and has instilled “to some extent a performance culture”, but that the Performance-Related Incentive Scheme (PRIS) could not be implemented “in the absence of sufficient safeguards”. It also records Government’s renewed focus on productivity and the reintroduction of Performance-Based Budgeting (PBB), alongside legislative amendments intended to extend PBB across the wider public sector. In other words, Mauritius has a pay architecture, a budget architecture, and a stated productivity ambition—but the binding mechanism between them remains under-developed. [PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS; PRB Report 2026, Vol. 2 Part I, Civil Service—Observations and General Provisions].

## 5.1 Why “productivity” is not a slogan but a settlement term

The most common mistake in public-sector productivity debates is to treat productivity as a synonym for effort. That is psychologically comforting—one can always ask for more effort—but economically unhelpful. Productivity is, more precisely, the relationship between outputs and inputs. In the OECD’s framing, it is an efficiency concept: how effectively inputs are turned into outputs, and therefore a driver of sustainable growth. [OECD, *Measuring productivity*; OECD, *Measuring Productivity Manual*]. ([OECD](#))

In the civil service, the “inputs” are readily counted: headcount, grade structure, payroll, and—if one is feeling ambitious—time allocation. The outputs are more awkward: a licence issued, a case processed, a benefit paid, a school day delivered, a patrol conducted. Quality is more awkward still: the licence issued correctly, the case handled fairly, the benefit paid without leakage, the school day that improves learning, the patrol that reduces risk rather than

statistics. This is why productivity is the missing contract. When outputs and quality are not explicitly defined, the only thing left to measure is compliance with procedure. Bureaucracies are excellent at procedure. Citizens are rarely grateful for it.

The fiscal relevance is not theoretical. World Bank wage-bill guidance is explicit that high and growing public wages can widen deficits, increase borrowing and debt, crowd out other functions, distort labour markets, and contribute to inflationary pressures when wage growth outpaces productivity. It also treats public-sector wage gaps as an economy-wide allocative variable: if the gap is large enough, it reshapes where talent goes and how it is used. [World Bank, *PFR Fundamentals: Public Wage Bill Analysis*, June 2025]. ([World Bank](#))

In Mauritius’ case, the constraint is sharpened by “small-state” geometry. The IMF’s 2025 How-To Note on remuneration and staffing in small states stresses the importance of ensuring compensation increases are forward-looking and consistent with maintaining a stable compensation-to-GDP ratio, while warning that some reforms—sound in theory—have sometimes raised compensation spending in practice (for instance,

through single salary grids). It also emphasises diseconomies of scale: small states often pay more per unit of administrative capability simply because they cannot spread fixed governance costs across a large tax base. [IMF, *How to Manage Government-Sector Remuneration and Staffing in Small States*, May 2023]. ([IMF](#))

This is the uncomfortable implication: Mauritius cannot afford a civil service that is merely *bigger* or merely *better paid*. It can afford a civil service that is measurably more effective per rupee—because that is the only form of “affordability” that does not expire the moment the next shock arrives.

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## 5.2 Measurement is difficult; it is not optional

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Public services were historically measured in the national accounts by assuming output equalled input—an accounting convenience with a grim policy implication: it implies productivity growth is always zero. The UK’s ONS describes the subsequent shift towards measuring public service output directly and, where possible, adjusting for quality. It defines a quality adjustment as “a statistical estimate of the change in the quality of a public service” and notes that attributability—how far an outcome can be attributed to the service—is one of the underpinning measurement challenges. [ONS, *A guide to quality adjustment in public service productivity measures*, 2019]. ([Office for National Statistics](#))

The relevance for Mauritius is immediate. If the productivity bargain is to be more than a PowerPoint mood, it must begin with a decision about what is being measured and why. The PRB’s direction of travel is, in fact, consistent with this logic. It argues for a shift from an emphasis on activities and outputs towards results, strengthening linkages between funding and results, and ensuring accountability “down the line” by cascading organisational priorities into individual objectives. [PRB Report 2026, Vol. 1, *Results-Oriented Performance Management System and PRIS*].

This is sound as governance theory. The risk is implementation. In public administrations, the first wave of performance management usually produces two things: a proliferation of indicators and a sudden rise in the quality of formatting. The second wave determines whether the reform was genuine. It is marked by a sharper and more uncomfortable move: selecting a small set of measures that senior leaders are willing to be judged by, publishing them, and allowing them to reveal unpleasant truths. The civil service becomes more productive not when it produces

more reports, but when it stops doing work that exists only to feed reports.

A practical discipline follows from international measurement practice. Inputs should be measured consistently; outputs should be defined in service terms rather than in internal process terms; and quality should be incorporated where it is feasible and defensible. Where quality is hard to measure, the metric should be treated as a prompt for enquiry rather than as a mechanically incentivised target. The ONS is explicit that quality measurement is an area of continuous development and methodological care, not a box ticked once. [ONS, *A guide to quality adjustment...*, 2019]. ([Office for National Statistics](#))

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## 5.3 What PRB is actually proposing: a results-oriented operating system

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Mauritius is not starting from zero. The PRB sets out, unusually clearly, a proposed operating system for performance: an Integrated Performance Management Framework (IPMF) that synergises Performance-Based Budgeting (PBB) with the Performance Management System (PMS). It notes that PBB allocates resources according to measurable performance goals, outputs and outcomes, while PMS focuses on individual performance and development. The integration logic is explicit: align individual employee goals with programme outcomes and indicators under PBB, cascading organisational priorities into individual objectives and thereby ensuring accountability “down the line”. [PRB Report 2026, Vol. 1, *Results-Oriented Performance Management System and PRIS*].

The PRB’s Recommendation 1 is therefore not merely administrative; it is constitutional for the productivity bargain. It recommends that MPSAR, in consultation with the Ministry of Finance, develop the IPMF for implementation of a Results-Oriented Performance Management System (ROPMS), with clear metrics/indicators to manage and measure individual contributions towards PBB outcomes, link rewards (financial and non-financial) to measurable performance, and manage underperformance. It further recommends that the IPMF provide organisations with flexibility to tailor performance approaches within set parameters and that the PMS Handbook be revisited to reflect the new framework. [PRB Report 2026, Vol. 1, *Results-Oriented Performance Management System and PRIS*].

It is also notable that the PRB assigns institutional responsibilities in a way that implicitly recognises a common public-sector failure mode: performance

management becomes “an HR thing” and therefore loses authority. Here, PRB distributes responsibility across MPSAR (system leadership and monitoring), the Ministry of Finance (integrating PBB into the ROPMS so resources are linked to results), and the National Audit Office (using ROPMS information for performance audits on efficiency and effectiveness). That triad—strategy/HR, finance, audit—is exactly the structure needed for performance management to survive beyond the enthusiasm of the launch phase.

[PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

PRB also flags an operational frustration that is so mundane it is often left unspoken: delays in processing appraisals. It links digitalisation to real-time monitoring and evidence-based decisions, recommending that the technology ministry provide infrastructure for a user-friendly digital ROPMS. This matters because a non-digital performance system is easily converted into an annual ritual. Digitalisation does not guarantee seriousness—but an analogue system almost guarantees ritual. [PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

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## 5.4 Incentives: why the PRIS keeps failing, and what to do instead

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The temptation, when one says “productivity”, is to reach for variable pay. PRB is notably sceptical. It states, with refreshing institutional candour, that implementation of PRIS is “riddled with difficulties” and that:

*“Empirical evidence on the efficiency gains from performance pay is both inconclusive and ambiguous.”*

[PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

PRB then lists predictable distortions: short-termism at the expense of long-term results; individualised rewards that undervalue collaborative effort; and an overemphasis on monetary incentives that downgrades other reward and incentive mechanisms such as recognition, promotion, or flexibility in work organisation. These are not ideological objections; they are behavioural ones. People respond to incentives, sometimes with more ingenuity than the system designer anticipated. [PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

What is striking is that PRB does not retreat into vagueness. It sets out conditions for PRIS to be workable—clear metrics, fairness and transparency, regular reviews—then proposes an interim approach:

reward high performers through non-financial incentives and continue to grant annual increments based on performance assessments, with the ability to withhold, stop or defer increments in cases of underperformance. It further recommends using performance ratings to determine eligibility for assignment of higher duties rather than relying solely on seniority. [PRB Report 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

There is a sensible contract embedded in that package, if Mauritius chooses to articulate it properly. The deal is not “work harder for a bonus”; it is “progression is earned, excellence is recognised, and underperformance is managed—while the State supplies the tools and clarity to make those judgements credible”. That is a more adult bargain, and it is more consistent with public service professionalism.

It is also more fiscally honest. Variable pay schemes are often sold as “self-financing” through efficiency gains. In practice, they commonly become additive unless the baseline is simultaneously tightened. PRB’s preference for earned increments and non-financial recognition is, in this sense, a conservative design choice: it seeks behavioural effect without creating another permanent fiscal entitlement.

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## 5.5 The productivity levers that actually move the needle

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A civil service productivity contract cannot be built primarily on incentives. Incentives sit at the end of the chain. The decisive levers are upstream: process design, workload allocation, management information, and the capability to use digital tools without turning them into expensive photocopiers.

The PRB’s digitalisation chapter provides the strategic context. It records that MITCI launched the “Blueprint for Mauritius: A Bridge to the Future – Digital Transformation 2025–2029”, structured around pillars and enablers to modernise infrastructure, strengthen digital governance, and integrate technologies such as AI across the economy and public service, with emphasis on sustainability, cybersecurity and ethical AI. It notes the establishment of an AI Unit and a steering architecture for implementation. [PRB Report 2026, Vol. 1, Digitalisation and Artificial Intelligence Readiness].

The Blueprint itself frames the ambition in human terms: delivering services that “anticipate needs”, “protect privacy” and “restore trust”. That phrasing is not sentimental; it is operational. Anticipating needs implies data integration and proactive service design.



Protecting privacy implies governance and controls. Restoring trust implies consistency, timeliness and visible fairness. [Government of Mauritius, *Blueprint for Mauritius 2025–2029*]. ([MDPA](#))

The productivity contract must therefore be written not in abstractions about “modernisation”, but in measurable service commitments that digitalisation enables. For example: standard processing times for key permits and benefits; reduction in duplicate data submissions across agencies; higher first-time-right rates; fewer physical visits required for common services; and clearer channels for redress. None of these requires public servants to become machines; they require government processes to stop behaving like they were designed to protect the process itself.

Small-state constraints make this even more pressing. The IMF’s small-states note emphasises that small states can benefit from centralisation of functions to alleviate diseconomies of scale, while also cautioning about governance trade-offs such as power concentration and patronage risks. The underlying message is that productivity gains in small administrations often come less from marginal improvements within each unit and more from structural choices: shared services, consolidated back office, fewer duplicated functions, better use of scarce specialists. [IMF, *How to Manage Government-Sector Remuneration and Staffing in Small States*, May 2025]. ([IMF](#))

This is where the “missing contract” becomes concrete. If pay is rising, the State must be able to demonstrate that it is buying capability—through redeployment, process re-engineering, digital adoption, and sharper accountability—not simply purchasing a calmer political atmosphere for twelve months.

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## 5.6 The contract Mauritius needs to make explicit

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The PRB has, in effect, drafted the skeleton of the productivity bargain. What remains is to turn that skeleton into an explicit contract that senior officials can administer and the public can understand.

At the core, the contract should be framed as a three-way alignment.

First, **the citizen contract**: publish a small number of service standards for high-volume, high-friction services, and report performance against them with the same seriousness used to report expenditure. Without public visibility, performance management becomes private reassurance rather than public accountability.

Second, **the managerial contract**: give Chief Executives and accounting officers both the tools and the obligations to manage for outcomes—workforce planning, redeployment, process redesign, and the authority to address persistent underperformance. The PRB is explicit that accountability should be cascaded “down the line”; this is not possible if managers are accountable for outcomes but powerless over inputs. [PRB Report 2026, Vol. 1, *Results-Oriented Performance Management System and PRIS*].

Third, **the workforce contract**: keep progression earnable rather than automatic; recognise excellence in ways that do not immediately harden into permanent fiscal entitlements; and insist that performance assessment has consequences. The PRB’s recommendation that increments be earned, and in defined circumstances withheld or deferred, is the quiet hinge on which the entire productivity bargain turns. [PRB Report 2026, Vol. 1, *Results-Oriented Performance Management System and PRIS*].

None of this is glamorous. It is, however, how civil service productivity is actually built. The interesting choice for Mauritius is not whether to pursue productivity—every government says it will—but whether it is willing to treat productivity as a settlement term rather than a sermon: embedded in budget rules, performance architecture, audit practice, and the lived experience of citizens attempting to interact with the state.

# Scenarios (2026–2035): affordability, delivery & political economy

## 6.1 Why scenarios, not forecasts

The next decade will not be decided by a single variable—growth, inflation, or the headline debt ratio—so much as by the interaction between three forces that rarely meet politely: the macro-fiscal envelope, the machinery of implementation, and the politics of expectations. The purpose of this section is therefore not to produce an “official” forecast (Mauritius already has several), but to set out a disciplined set of scenarios that clarify what must be true, what might be true, and what cannot be true at the same time. Put differently: if the PRB settlement is the visible decision, the scenarios below are about the invisible contracts that must follow if that decision is to remain affordable, defensible, and institutionally strengthening rather than merely expensive.

The anchor for the macro-fiscal baseline is the IMF’s 2025 Article IV staff report projections through 2030 (and its debt sustainability material extending into the early 2030s), combined with the Government’s stated debt management objectives in Budget 2025–2026 documentation. These are then “stressed” by the known fiscal commitments and structural pressures that intensify after 2026: the phased PRB implementation decided by Cabinet, the wider wage and pension adjustments announced in December 2025, demographic ageing, and the climate-risk profile of a small island economy with non-trivial adaptation needs. [IMF Country Report No. 25/136], [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy], [PMO Highlights 19 Dec 2025], [PMO Highlights 12 Dec 2025]. (IMF)

## 6.2 The constraint set: what “affordability” actually means between 2026 and 2035

In public debate, affordability is often treated as a single number—usually the debt-to-GDP ratio—

invoked either as an alarm bell or as a rhetorical shrug. In practice, Mauritius faces a tighter, more operational set of constraints: (i) the trajectory of the borrowing requirement and gross financing needs, (ii) the refinancing and interest-rate risk embedded in the debt portfolio, and (iii) the credibility of the policy path in the eyes of investors, rating agencies, and—crucially—domestic institutions asked to implement reforms.

On the IMF’s baseline, public sector debt remains elevated but edges down from the high-80s (89.1% of GDP in FY2024/25) towards the low-80s by 2030 (82.7%), with the decline continuing only gradually into the early 2030s. The same baseline assumes a material improvement in the central government’s overall borrowing requirement—from 10.4% of GDP in FY2023/24 to 5.4% in FY2024/25, then easing further towards about 2.0% by 2030—reflecting consolidation efforts that are significant in scale and sustained in discipline. [IMF Country Report No. 25/136]. (IMF)

The Government’s own medium-term framework is directionally similar—explicitly projecting declining deficits and borrowing needs—while adding two practical details that matter greatly for scenario design. First, it acknowledges that short-term domestic debt rose above earlier targets: the share of short-term domestic debt in June 2025 is expected to be about 20% (versus a 13% budget estimate), increasing refinancing risk. Second, it sets a clear remedial ambition: to bring that short-term share below 10% by June 2028 via maturity-lengthening and switching operations. This is not an arcane portfolio preference; it is the difference between policy flexibility and policy hostage-taking. A government with a large stock of debt rolling within twelve months is rarely free to be patient, even when patience would be optimal. [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy].

Against this baseline, the PRB implementation decision is not marginal. Cabinet recorded an estimated gross annual cost to Government of around Rs10.9 billion for the PRB recommendations, explicitly *inclusive* of the salary compensation payable from 1 January 2026 and the integration of the interim 5%

allowance into salary, with implementation phased at 50% from January 2026 and 100% from January 2027. At IMF-projected nominal GDP levels (Rs796 billion in 2026), Rs10.9 billion is of the order of 1.3–1.5% of GDP—large enough to matter materially to the pace of consolidation, particularly in a fiscal architecture where interest payments are expected to remain around 3.1% of GDP and where the policy aim is to reduce borrowing needs sharply. [IPMO Highlights 19 Dec 2025], [IMF Country Report No. 25/136], [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy].

Finally, by the early 2030s the constraint set becomes less forgiving because long-term pressures cease to be theoretical. The IMF’s sovereign risk framework explicitly assesses Mauritius as being at a **high overall risk of sovereign stress**, noting that debt is projected to remain high over an extended horizon and that long-term risks are elevated due to population ageing and vulnerability to climate shocks; the framework adds that scaling up climate adaptation investment would push financing needs and debt above the baseline in the long term. Separately, IMF analysis of long-term risk drivers highlights that pension benefits paid are already sizeable relative to contributions and that the country’s estimated average damages from climate shocks are material in GDP terms. [IMF Country Report No. 25/136]. (IMF)

This is the envelope within which scenarios must be judged. A pay settlement can be socially stabilising and economically rational; it can also be fiscally destabilising if it arrives without offsets, without delivery reforms, or without the institutional capacity to implement what has been promised on paper.

## 6.3 Scenario A: The disciplined glidepath

**Affordability.** In this scenario, Government executes the Cabinet phasing as stated—50% from January 2026, 100% from January 2027—while preserving the direction of travel implied by the IMF baseline and the Government’s own debt strategy. The key assumption is not heroic growth; it is administrative consistency. The PRB cost is absorbed through a combination of (i) restraining other current expenditure growth, (ii) improved expenditure discipline in special and extra-budgetary funds, and (iii) modest but credible revenue measures that are politically survivable. The macro environment remains broadly consistent with the IMF’s medium-term view: real growth around 3.4% and inflation around 3½%, which helps the debt arithmetic because nominal growth exceeds the average cost of debt—so long as the risk premium

does not re-price sharply. [IMF Country Report No. 25/136], [IPMO Highlights 19 Dec 2025]. (IMF)

Debt still declines only gradually, but it declines. In the IMF’s baseline debt path, the debt ratio sits in the low-80s by 2030 and inches down further into the early 2030s. The Government’s budget framework is more ambitious for the late-2020s, projecting public sector debt falling to 79.7% by end-June 2028—partly supported by receipts linked to the Chagos Archipelago agreement being earmarked for debt repayment in the first three years. In Scenario A, the prudent interpretation is to treat such receipts as helpful but not foundational: they may accelerate the glidepath if realised on time, but they are not a substitute for the “boring” work of recurrent fiscal balance. [IMF Country Report No. 25/136], [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy]. (IMF)

### ⊕ Delivery.

Service delivery improves, but incrementally. The PRB settlement relieves obvious pressure points—particularly at the lower end of the pay structure, where the PRB itself notes the compression effects associated with minimum wage spillovers and interim allowances—and helps stabilise recruitment in critical grades where the labour market is tight. However, the scenario assumes only partial success in converting higher pay into systematically better outputs, largely because the productivity apparatus remains under-powered: performance systems are refined but not fully re-engineered. [PRB Pay Review 2026 – Volume 1 Introduction].

### ⊕ Political economy.

The political economy is “managed”, not solved. The phased implementation contains the immediate fiscal shock, but it also creates a predictable moment of renewed pressure when the second phase arrives: what begins as an instalment plan quickly acquires the psychology of an entitlement. Government in this scenario invests in procedural legitimacy—uniform implementation, clear conversion rules, and transparent resolution mechanisms—precisely because uneven or delayed implementation is where industrial relations tend to metastasise. The PRB’s own warning is blunt: non-implementation defeats the purpose of recommendations and may prejudice employees, while implementation delays are often rooted in capacity and process constraints rather than policy intent. [PRB Pay Review 2026 – Implementation Process and Post-Review Mechanism].



*“...the non-implementation of recommendations defeats their very purpose and may cause prejudice to employees concerned.”*

— Pay Research Bureau, *Pay Review 2026 (Implementation Process and Post-Review Mechanism)*. [PRB Pay Review 2026].

The strategic implication is that Scenario A is viable, but it is brittle. It relies on holding a coherent fiscal line while delivering just enough administrative competence that the settlement does not degenerate into a rolling series of “clarifications”, exceptions, and back-payments.

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## 6.4 Scenario B: The productivity compact

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### ⊕ Affordability.

Scenario B accepts the same fiscal envelope but adds a second source of fiscal space: measurable efficiency gains inside the state. This is where the PRB’s “missing contract” (treated in Section 5) becomes operational rather than rhetorical. The PRB recommends the development of an Integrated Performance Management Framework (IPMF) that explicitly synergises Performance-Based Budgeting (PBB) with performance management, with clear indicators to link contributions to outcomes, link rewards to measurable performance, and manage underperformance. It also recommends digitalisation of a results-oriented performance management system (ROPMS) and recognises—importantly—that performance pay evidence is ambiguous unless safeguards and metrics are strong. [PRB Pay Review 2026 – Results-Oriented Performance Management System and Performance-Related Incentive Scheme].

In this scenario, Government treats those recommendations not as HR hygiene but as fiscal strategy. The logic is straightforward: if the wage bill rises structurally, the state must either raise structural revenue, cut structural services, or raise structural productivity. The third is politically the hardest to announce (because it is not a line item) but the most durable if achieved. Even relatively modest improvements—faster processing cycles, reduced rework, fewer compliance failures, lower overtime dependency, better procurement execution—compound over time and can offset a meaningful portion of a 1–1½% of GDP recurrent cost shock without visibly “cutting” anything.

### ⊕ Delivery.

Delivery improves in ways citizens can feel, which is the point. The scenario assumes that IPMF and digital ROPMS are implemented in a manner that avoids the classic failure modes of performance systems: box-ticking, inflation of ratings, and the quiet

re-labelling of activity as outcome. Here the PRB’s own caution on incentives is useful: it notes that performance pay can promote short-termism, under-reward collaboration, and crowd out non-financial motivators. Scenario B therefore places more weight on

- (i) clarity of objectives,
- (ii) measurement that is simple enough to be trusted, and
- (iii) credible management of underperformance (including the withholding or deferral of increments where warranted), with selective use of non-monetary recognition. [PRB Pay Review 2026 – Results-Oriented Performance Management System and Performance-Related Incentive Scheme].

### ⊕ Political economy.

The political economy is better in this scenario precisely because it is more explicit. A pay settlement without an accompanying delivery narrative invites a familiar cynicism: “the state paid itself first.” A pay settlement framed as a compact—higher pay in exchange for shorter queues, cleaner accounts, and predictable service standards—does not eliminate resistance, but it changes the coalition structure. It gives reform-minded officials and managers something concrete to defend, and it offers unions a success condition that is not merely the next round of relativity claims. It also aligns with what the IMF identifies as a core vulnerability: post-election political economy setbacks in which higher wages, pensions, and social benefits expand current spending without corresponding revenue mobilisation, worsening financing needs and debt dynamics. Scenario B is essentially the attempt to prevent that pattern by making delivery the political “return” that justifies discipline. [IMF Country Report No. 25/136]. (IMF)

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## 6.5 Scenario C: Relativity drift and the return of the borrowing problem

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### ⊕ Affordability.

Scenario C is not a crisis scenario; it is a drift scenario, and drift is often more dangerous because it feels like continuity. The defining feature is that the PRB settlement becomes the floor, not the settlement. In practice this may occur through ad hoc allowances, partial accelerations of phasing, exceptions for hard-to-recruit cadres that become templates for others, and the gradual widening of eligibility for compensations. The fiscal result is not a single blow-out but a persistent failure to reduce borrowing needs at the speed assumed in both the IMF baseline and the Government’s own framework.

This matters because Mauritius' debt strategy already acknowledges that higher-than-expected borrowing needs in 2024–2025 prevented the achievement of several risk targets and pushed short-term domestic debt to around 20%, increasing refinancing risk. If borrowing needs remain structurally high, the planned maturity-lengthening—bringing short-term domestic debt below 10% by June 2028—becomes harder to execute without raising costs. Moreover, as the IMF's sovereign risk framework stresses, Mauritius' overall risk of sovereign stress is high, and a deterioration in primary balances and financing needs is precisely the channel through which stress becomes self-reinforcing (higher yields, tighter liquidity, reduced room for manoeuvre). *[Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy], [IMF Country Report No. 25/136].*

#### ⊕ Delivery.

Delivery disappoints—not necessarily because individuals work less, but because the system never acquires the managerial instruments to translate effort into outcome. Performance management remains “present” in the formal sense while absent in the operational sense. This is where the PRB's implementation concerns become predictive: if recommendations are unevenly implemented, delayed, or repeatedly “clarified” post-hoc, organisational energy is diverted from service delivery into internal bargaining and grievance processing. *[PRB Pay Review 2026 – Implementation Process and Post-Review Mechanism].*

#### ⊕ Political economy.

Scenario C is the political economy of asymmetric visibility. The pay award appears on the payslip; the cost appears in the financing plan. The beneficiaries are concentrated and organised; the offsets (if any) are diffuse and typically unpopular. Under these conditions, “relativity drift” is not a failure of goodwill; it is a predictable outcome unless Government builds credible guardrails: clear policies on allowances, tight control of scheme-of-service proliferation, and an explicit link between pay progression and measured contribution. Without that, the public sector settlement becomes the reference point for private wage demands, and the economy risks importing a cost structure that is not supported by productivity growth. The PRB's own narrative about minimum wage spillovers compressing the pay structure is an early illustration of how quickly relativity issues propagate across grades and sectors. *[PRB Pay Review 2026 – Volume 1 Introduction].*

## 6.6 Scenario D: Shock, ageing, and the forced-choice problem

### ⊕ Affordability.

Scenario D combines two pressures that are individually manageable but jointly corrosive: a macro shock (or sequence of shocks) and the steady rise of age-related spending. The IMF's risk assessment explicitly lists climate change as a structural risk with potentially high impact through lower external demand (including tourism), inflationary pressure, and damage to infrastructure and agriculture, and it separately flags domestic political economy risks in which higher wages and pensions raise current spending without new revenue measures. In parallel, its long-term risk analysis notes that pension spending rises under current policies and that scaling up climate adaptation investment pushes financing needs above baseline. *[IMF Country Report No. 25/136]. (IMF)*

The climate channel is not hypothetical. IMF analysis reports estimated average damages from climate shocks of roughly 1.5–2.3% of GDP per year, and it assumes that adaptation investment on the order of 1.5% of GDP per year would be required beyond a five-year horizon in one of its illustrative long-term scenarios. Even if Mauritius avoids a catastrophic single event, repeated “medium” shocks create the fiscal equivalent of rust: they weaken the structure without a dramatic collapse. *[IMF Country Report No. 25/136]. (IMF)*

Ageing compounds the effect because it reduces the state's flexibility. World Bank analysis in its Mauritius Public Expenditure Review highlights that the trajectories of social benefits and social contributions diverge materially; it notes that social contributions covered only 14% of social benefits in 2020 (and 17% in 2016–2019), implying a large and widening financing gap unless contributions rise, benefits are better targeted, or both. This is not merely a pensions technicality; it is the macro-fiscal reason why “one-off” wage decisions can become permanently destabilising when layered onto structural transfer commitments.

*[World Bank Mauritius Public Expenditure Review 2023]. (World Bank)*

### ⊕ Delivery.

Delivery in this scenario becomes a resilience question. The public service is asked to do more (disaster response, infrastructure recovery, social support) under tighter financing and higher public scrutiny. If the state has already invested in digital systems, outcome-based budgeting, and performance transparency, it can adapt with less friction. If not, shocks tend to be met with ad hoc spending, special funds, and emergency procurement—each defensible in the moment, each corrosive if institutionalised. The Government's own

framework notes the growing rigidity and fragmentation of budgets (including the use of special funds), and the IMF flags extra-budgetary spending as a risk channel in the political economy setback scenario. [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy], [IMF Country Report No. 25/136].

⊕ Political economy.

Scenario D is where the “forced-choice” problem appears: in a stress environment, governments are often forced to choose between cutting visible benefits, raising visible taxes, or borrowing at worse terms. None is pleasant; the only tolerable option is the one prepared in advance. The IMF’s own policy advice in its risk matrix is essentially a pre-commitment device: adopt a growth-friendly medium-term consolidation strategy with credible measures, reform pensions, strengthen the debt framework, and build climate resilience while preserving debt sustainability. [IMF Country Report No. 25/136]. (IMF)

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## 6.7 What the scenarios collectively imply: the early warnings and the real decisions

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Across all four scenarios, the decisive variable is not whether Mauritius can “afford” PRB in a mechanical sense—it can, in the same way one can afford a mortgage if one never loses one’s job. The decisive

variable is whether Mauritius chooses to turn the pay settlement into a platform for a more productive state, or whether it allows the settlement to become a permanent claim on a fiscal base already facing ageing and climate pressures.

Three early warning indicators merit continuous monitoring because they discriminate between benign and adverse trajectories well before the debt ratio itself visibly worsens. The first is the path of gross financing needs and the maturity structure of domestic debt; if short-term domestic debt remains elevated rather than trending towards the stated sub-10% target by 2028, the system is signalling rising fragility. The second is the credibility of recurrent fiscal consolidation (not one-off receipts): if borrowing requirements do not decline in line with the macro framework assumptions, policy optionality erodes quickly. The third is the operational reality of the productivity compact: whether the IPMF/ROPMS architecture is implemented with meaningful metrics and real consequences for underperformance, or whether it becomes another layer of process that staff learn to “complete” without changing behaviour. [Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy], [IMF Country Report No. 25/136], [PRB Pay Review 2026 – Results-Oriented Performance Management System and Performance-Related Incentive Scheme].

The uncomfortable, but strategically useful, conclusion is that affordability and delivery are not separate questions. They are the same question, asked with different time horizons.

# Recommendations: a PRB-Plus architecture

The PRB 2026 settlement has already been politically decided. The more interesting question is whether it will be administratively *used*. A pay revision of this magnitude—costed by Government at around **Rs10.9 billion yearly** and phased **50% from January 2026, 100% from January 2027**—can either become a permanent increase in the State’s cost base, or a forcing function for a more capable State that costs more because it does more, faster, and with fewer errors. The difference is not intent. It is architecture. [PMO Highlights of Cabinet Meeting, 19 December 2025].

What follows is a “PRB-Plus” framework: a governance wrapper that can be adopted without reopening PRB itself, while protecting fiscal credibility and making the productivity bargain explicit. It is designed around the institutional instruments already referenced by PRB—performance-based budgeting, results-oriented performance management, digitalisation and AI readiness—rather than importing an alien reform vocabulary that will be politely ignored. [PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS; Digitalisation and Artificial Intelligence Readiness].

A practical principle should be stated at the outset. Phasing is not a reform. It is a timer. It buys time, and it consumes it. Mauritius has precisely one useful window: the twelve months between the first and second phase.

## 7.1 A Productivity Covenant that does not require reopening PRB

If Government wishes to retain the political benefits of the PRB settlement while securing an economic return, it should establish a Productivity Covenant attached to implementation. This is not an individual performance scheme. It is a ministry-level service delivery compact that makes productivity observable and, crucially, contestable.

The PRB has already provided the institutional logic. It recommends an Integrated Performance Management Framework (IPMF) to align individual objectives with programme outcomes under Performance-Based Budgeting, with measurable indicators, rewards linked to measurable performance, and explicit management of underperformance. [PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS].

*“We recommend that the MPSAR in consultation with the Ministry of Finance should develop an Integrated Performance Management Framework (IPMF).”*

[PRB Pay Review 2026].

PRB-Plus simply makes this operational and public. The Covenant should require each ministry (and selected high-spend agencies) to publish, quarterly, a small set of service standards for its highest-volume, highest-friction services—those that citizens and firms actually experience as “the State”. The choice of services should be stable across the year to prevent the customary temptation to change the scoreboard rather than the performance.

A workable Covenant would track metrics that are difficult to aestheticise. The most useful are unromantic: median turnaround times; backlog volumes; first-time-right rates (how often a case is processed without rework); share of transactions completed digitally end-to-end; and complaint resolution times. Where quality matters more than speed—justice, regulatory enforcement, complex welfare assessments—quality proxies should be explicit (appeal uphold rates; audit exceptions; error rates). The point is not to reduce the civil service to a call centre. It is to make the State legible enough that productivity can be discussed as an engineering question rather than a moral argument.

Two behavioural guardrails are essential. First, no single metric should determine success. A basket prevents gaming. Second, every metric should have a counter-metric that discourages perverse incentives. If

turnaround time is rewarded, error rate must be watched. If enforcement volume rises, appeals upheld and legal reversals must be watched. Otherwise the system becomes a machine for producing the wrong kind of activity at speed.

The Covenant should be approved by Cabinet and published as a short annex to the implementation circular, with named accountability resting with Permanent Secretaries and heads of agencies. Cabinet does not need to threaten anyone; it needs to set a standard of disclosure that makes drift uncomfortable. In small states, reputational enforcement often works better than pseudo-market bonus schemes—particularly when the evidence base for performance pay is, as PRB notes, “inconclusive and ambiguous”.

[PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS].

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## 7.2 Wage-bill anchoring and medium-term fiscal transparency

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The fiscal case for PRB-Plus is straightforward: a wage revision is not a one-off expense but a permanent base that compounds into future bargaining baselines and, over time, pension liabilities. Phasing moderates the cash profile; it does not remove the structural cost.

[PMO Highlights of Cabinet Meeting, 19 December 2025].

Mauritius therefore requires a wage-bill anchor inside its medium-term fiscal framework—an explicit commitment, disclosed annually, stating where Government intends the compensation bill to sit relative to GDP, revenue, and recurrent expenditure over the next five years. This need not be an ideological “small state” mantra. It is a discipline device: it forces trade-offs into the open and prevents policy from becoming a sequence of individually defensible measures that collectively undermine the consolidation path.

The IMF’s 2025 Article IV messaging is plain that fiscal credibility depends on containing current spending while raising revenue and protecting growth-enhancing investment. It also warns, in its risk assessment, that political economy setbacks can widen deficits through higher wages and transfers without new revenue measures. [IMF, 2025 Article IV Consultation Press Release; IMF Country Report No. 25/136].

PRB-Plus would therefore require three disclosures as standard, each published alongside the Budget and updated at mid-year:

1. **A wage-bill scoreboard** showing compensation of employees and allowances as a share of GDP, revenue, and recurrent expenditure (and the variance against the published anchor).
2. **A decomposition note** distinguishing base salary changes from allowance and overtime movements—because allowances are often the stealth channel through which “temporary” measures become structural.
3. **A coverage statement** that reconciles central government, general government, and major extra-budgetary funds, to reduce definitional disputes that erode trust.

This is not administrative theatre. It is a credibility asset. Investors and citizens forgive hardship more readily than they forgive opacity.

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## 7.3 Workforce mobility, capability building, and headcount discipline

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A public service can become more productive in two ways: by becoming *smaller* or by becoming *better*. Mauritius will need some of each, but in the correct order. “Smaller first” is politically easy to announce and operationally hard to execute without damaging service delivery. “Better first” is harder to announce (because it looks like investment) but is the only route that preserves capability while improving outputs.

PRB-Plus should therefore treat headcount discipline as an outcome of mobility and redesign rather than as an opening gesture. Three instruments are practical in the Mauritian administrative context.

**First, a mobility framework.** The PRB’s own civil service provisions emphasise human resource planning and timely filling of vacant posts, reflecting shortages and the operational impact on service delivery. [PRB Pay Review 2026, Vol. 2 Part I: Civil Service—Observations and General Provisions].

Mobility is the missing complement: the State needs the ability to redeploy staff from low-pressure functions to high-pressure functions, and to rotate capability into problem agencies without forcing employees into career suicide. This requires rules, not speeches: portability of grades where job content is comparable; recognition of skills; and a managed mechanism to move people without turning every redeployment into an industrial dispute.



**Second, capability premia for scarce skills.** A small state cannot match private salaries across the board. It can, however, target scarce skills—data, cyber, procurement, forensic audit, digital product management—through tightly defined allowances or market-linked scales that are transparent and reviewed annually. The mistake to avoid is proliferating “special cases” that become precedent. Scarcity premia should be explicit, time-bound, and tied to verified skills rather than job titles.

**Third, natural attrition with design.** Mauritius should publish a five-year “attrition plan” for selected administrative layers, linked to digitalisation and shared services. The art is not in cutting posts. It is in ensuring that when people retire or leave, the role is not automatically re-created in the same form because the process was never redesigned. Digital transformation that leaves the underlying process untouched merely produces faster paperwork.

The IMF’s guidance for small states is relevant here: reforms that appear efficient can sometimes raise compensation spending in practice (for instance through the unintended consequences of single salary grids), and the key is forward-looking discipline that is consistent with stable compensation-to-GDP ratios. [IMF, *How to Manage Government-Sector Remuneration and Staffing in Small States*, 2025].

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## 7.4 Implementation sequencing (12–24 months)

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There is a reason reforms fail in the public sector: they are launched as if timing does not matter. PRB-Plus requires choreography. The sequence below is designed around the phasing window—January 2026 to January 2027—so that the second phase arrives into a system that has begun to earn it.

**January–March 2026:** Cabinet approval of PRB-Plus and publication of the Productivity Covenant template (service standards + indicators + reporting schedule). Establish a small central “delivery unit” within MPSAR to coordinate IPMF/ROPMS implementation, with the Ministry of Finance as co-owner to ensure alignment with performance-based budgeting—reflecting PRB’s own institutional recommendations. [PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS].

**April–June 2026:** Pilot the Covenant and the digital ROPMS in a limited number of high-volume service areas (for example, licensing/permits, benefits administration, and one regulatory function). Publish the first quarterly service performance dashboards. The purpose of piloting is not caution; it is credibility.

Systems launched everywhere at once tend to be implemented nowhere with seriousness.

**July–September 2026:** Complete an allowances and overtime diagnostic across ministries—what exists, why it exists, who benefits, and what it costs. This is where many wage-bill surprises live, and PRB conversion does not, by itself, simplify allowances. Publish the first wage-bill scoreboard against the anchor.

**October–December 2026:** Use NAO and internal audit functions to begin performance audits that focus on delivery metrics (timeliness, error rates, backlogs) rather than on procedural compliance alone, aligning with PRB’s stated vision that ROPMS information should support performance audits on efficiency and effectiveness. [PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS].

**January 2027:** Prior to implementing the second phase, publish a short “Implementation and Delivery Statement” to Parliament and the public: what was implemented, what changed in service standards, where performance improved, and where it did not. This is not a conditionality threat; it is the minimum viable accountability that prevents the second phase becoming a purely political inevitability.

The PRB’s own warning that partial or delayed implementation can defeat the spirit of recommendations and prejudice employees should be treated as an implementation discipline, not as an argument against phasing. The system must be coherent even when the cash profile is staged. [PRB Pay Review 2026, Vol. 1: Introduction].

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## 7.5 A monitoring dashboard and early-warning indicators

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Mauritius does not need an elaborate dashboard. It needs a small one that is taken seriously by Cabinet and that makes drift visible before it becomes inevitable.

A PRB-Plus dashboard should be published quarterly and limited to indicators that matter for both fiscal sustainability and delivery credibility:

- **Compensation of employees** (and allowances/overtime) as a share of GDP, revenue, and recurrent expenditure;
- **Borrowing requirement** and deviations from the published medium-term path;

- **Short-term domestic debt share** and average time to maturity, reflecting the Government’s stated debt-management risk targets;
- **Interest payments** as a share of recurrent revenue (a quiet measure of fiscal room);
- **Service delivery medians** for the Covenant services (turnaround time, backlog, error/rework);
- **Recruitment and vacancy duration** for scarce roles (procurement, audit, digital, enforcement), because capability failures are often recruitment failures that become service failures.

The fiscal indicators align naturally with the IMF’s emphasis on credibility and consolidation and with the Government’s own debt strategy around refinancing risk and maturity extension. *[IMF, 2025 Article IV Consultation; Budget 2025–2026: Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy]*.

The delivery indicators align with the PRB’s intended link between performance management and outcomes under performance-based budgeting, and with the pragmatic observation that “productivity” in government is experienced by the public as time, predictability, and correctness. *[PRB Pay Review 2026, Vol. 1: Results-Oriented Performance Management System and PRIS]*.

A final behavioural note is worth making, because it is where many good frameworks quietly die. If the dashboard is published but no one’s career depends on it, it will become a decorative artefact. Conversely, if careers depend on it too mechanically, the numbers will improve and the services will not. The solution is an older one: publish the dashboard, audit it, discuss it at Cabinet committee, and treat it as a prompt for focused intervention rather than a league table.

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## Closing proposition

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PRB-Plus is not an attempt to “add conditions” to PRB after the fact. It is an attempt to protect PRB from becoming what pay reviews too often become: a periodic fiscal shock with a vague promise of reform attached. Mauritius’ fiscal envelope—high debt, refinancing risk management, and long-term pressure from pensions and climate resilience—does not permit that pattern to repeat indefinitely. *[IMF Country Report No. 25/136; PMO Highlights 19 Dec 2025]*.

The relevant bargain is therefore simple enough to state, and difficult enough to implement: **higher pay must purchase a more productive State**. Not rhetorically. Observably.

# Conclusion

## 8.1 The trade-off Mauritius is actually making

Cabinet’s decision of **19 December 2025** to implement the PRB 2026 recommendations in two phases—**50 per cent as from January 2026 and 100 per cent as from January 2027**—was framed with a careful, almost weary candour: “given the challenging current economic and fiscal context”. It also recorded an annualised Government cost estimate of **around Rs10.9 billion yearly**, inclusive of salary compensation payable from 01 January 2026 and the integration into salary of the interim 5 per cent allowance. [PMO, *Highlights of Cabinet Meeting*, 19 December 2025].

That phrasing matters. It implies that the decision is not being sold as a triumph of abundance, but as an exercise in managing constraint. In a small state, constraint is not a temporary condition; it is the permanent climate. The question is therefore not whether the PRB settlement is “good” or “bad” in the moral sense. The relevant question is whether Mauritius has decided to buy stability, or to buy capability—and whether it intends to pay for one while expecting the other as a free accessory.

The economic context sets the boundary. The IMF’s 2025 Article IV documentation states that the **primary fiscal deficit (excluding grants) for FY24/25 is projected to worsen... to 6.5 per cent of GDP**, driven mostly by higher compensation of employees, social benefits, and grants and transfers, with **public sector debt projected at around 88 per cent of GDP at end-June 2025**. [IMF Country Report No. 25/136, 2025 Article IV Consultation—Press Release and Staff Report]. ([IMF](#))

In that world, a PRB award is not simply a labour market adjustment; it is a macro decision. It changes the recurring spending base, it changes the borrowing requirement, and it changes the credibility burden carried by the debt manager. The Government’s own medium-term debt strategy reads like a document written by people who understand that markets do not wait for elections: it recognises refinancing risk and proposes to bring **short-term domestic debt down from 20 per cent to below 10 per cent by June 2028**, supported by switching operations and a deliberate

lengthening of maturities. [*Budget 2025–2026, Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy*].

This is the first trade-off: the State can choose higher pay, but it must then choose the discipline that prevents higher pay from becoming higher risk. If the wage bill rises while refinancing risk remains high, the country buys itself a fragile tranquillity—comfortable until it is suddenly not.

The second trade-off is institutional rather than fiscal. The PRB is explicit that its recommendations are a package and warns—without melodrama—that **partial implementation may defeat the underlying spirit** and lead to anomalies and inconsistencies; it states that the report “should be considered in its globality” because recommendations are “inextricably intertwined”. [PRB, *Pay Review 2026, Vol. 1, Introduction*].

The warning is more profound than it looks. Public pay systems are not merely pay systems; they are moral architectures. Relativities become status. Allowances become identity. Conversion rules become litigation. When a package is disassembled, the State may save cash in one year and pay it back in complexity over ten. Complexity is not an accounting line, but it is very much a fiscal one.

The third trade-off is behavioural. Governments tend to believe that raising pay will, by a kind of civic osmosis, raise performance. Civil servants, being human, tend to believe that good performance is best rewarded by a system that notices it. Both are correct in theory, and both are often disappointed by practice. The missing link is a contract: not a sentimental “we must do better”, but a hard-edged agreement about outputs, standards, and accountability. This is not alien to the PRB. The PRB’s own performance management chapter recommends that MPSAR, in consultation with the Ministry of Finance, develop an **Integrated Performance Management Framework** that synergises performance-based budgeting with performance management, sets clear metrics, links rewards to measurable performance, and manages underperformance. [PRB, *Pay Review 2026, Vol. 1, Results-Oriented Performance Management System and PRIS*].

The national debate has therefore been arguing about the visible half of the settlement—money—while the



PRB has already drafted the outline of the invisible half—performance architecture. That mismatch is where the risk lies. The most expensive outcome is not that Mauritius pays more; it is that Mauritius pays more and calls that reform.

A final contextual point deserves to be stated plainly: the wage bill sits in a fiscal environment already under pressure from transfers. The World Bank’s Mauritius Public Expenditure Review notes that **persistent fiscal deficits could threaten debt sustainability** over the medium-to-long term and observes that Mauritius provides generous social benefits, including **universal pensions** and blanket subsidies on essential goods.

[World Bank, Mauritius Public Expenditure Review, November 2023].  
([World Bank](#))

In a state that already funds a broad social settlement, a higher wage settlement is not merely another claim on the budget. It is a claim on the State’s ability to respond to shocks and to invest for growth. This is why “PRB-Plus” is not an embellishment. It is the only serious way of reconciling higher recurrent spending with fiscal credibility.

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## 8.2 What success looks like by 2027 and by 2030

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Success by **January 2027** is not primarily a matter of whether the second phase is paid. Given the political and institutional weight of PRB, it almost certainly will be. The question is what condition the State is in when it does so.

A credible 2027 would have three observable features.

First, the macro narrative would remain coherent. The IMF baseline projects debt declining only gradually over the medium term and flags a high risk of sovereign stress, with debt still above the statutory ceiling by the end of the projection horizon; it explicitly calls for consolidation to rebuild fiscal buffers and protect key spending. [IMF Country Report No. 25/136].  
([IMF](#))

By January 2027, Mauritius does not need to have transformed its debt ratio; it needs to have preserved the plausibility of its adjustment path. The market does not demand perfection, but it does require that the State’s arithmetic is internally consistent. If PRB implementation is financed by quietly deferring maintenance, delaying procurement reform, or compressing capital expenditure, the country will have paid for wages with the future—an arrangement that tends to come due abruptly.

Second, the delivery narrative would have become legible. By 2027, a Productivity Covenant should exist

in the public domain: a limited set of service standards published quarterly for high-volume services, with performance measured and discussed without drama. This is not about humiliating ministries; it is about making state capacity visible. The PRB has provided the enabling instruction in institutional form; success means acting on it. [PRB, Pay Review 2026, Vol. 1, Results-Oriented Performance Management System and PRIS].

Third, the implementation machinery would have proved it can deliver coherence. The PRB’s warning about partial implementation leading to anomalies is a polite way of describing what practitioners already know: inconsistent implementation is an industrial relations generator. [PRB, Pay Review 2026, Vol. 1, Introduction].

By January 2027, the State should have demonstrated not only that it can pay, but that it can implement cleanly—conversion rules applied uniformly, clarifications issued promptly, and the exceptions culture kept on a short leash.

By **2030**, the definition of success becomes less political and more structural. The IMF’s published baseline shows public sector debt easing to the **low-80s (percent of GDP) by FY2030/31**, contingent on sustained consolidation. [IMF Country Report No. 25/136, Table projections]. ([IMF](#))

A successful Mauritius in 2030 is one in which that gradual decline is not merely a projection but an observed reality—achieved without starving the investment that supports growth, and without repeatedly returning to short-term, high-cost financing.

In debt-management terms, a credible 2030 would also mean that the Government’s maturity-extension strategy has materially advanced: the **short-term domestic debt share** should have moved decisively towards the stated ambition of **below 10 per cent by June 2028**, with rollover risk measurably reduced and the interest-rate refixing profile improved. [Budget 2025–2026, Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy].

Debt sustainability is often discussed as a ratio; practitioners recognise it first as a calendar. The maturity calendar is where policy discipline is either rewarded with optionality or punished with urgency.

Institutionally, success by 2030 would mean that the PRB is no longer treated as a periodic fiscal shock, but as a managed operating system upgrade. The IPMF recommended by PRB would be established as a functioning mechanism linking performance-based budgeting to organisational and individual objectives, with metrics that senior leaders trust enough to act upon—and that the public can interpret without a

translator. [PRB, *Pay Review 2026, Vol. 1, Results-Oriented Performance Management System and PRIS*].

There is a deeper point here. The State's delivery system is a national economic asset. In a small economy, the efficiency with which licences are issued, cases are processed, projects are procured, and disputes are resolved is not merely "public sector performance"; it is part of the national productivity function. By 2030, Mauritius will not win by having a cheaper state; it will win by having a state that is predictably competent.

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## 8.3 Questions for Cabinet, Parliament, and the senior public service

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The remaining questions are not rhetorical; they are the practical agenda for the next twelve to twenty-four months. Each is, in its own way, a test of whether the PRB settlement becomes an instrument of state capacity or merely a price paid for social quiet.

The first question is whether Government is willing to make the fiscal constraints explicit. If the PRB package costs around **Rs10.9 billion yearly** on an annualised basis, the country deserves to know what is being traded off to finance it: higher revenues, reduced growth in other current spending, reprioritisation of capital investment, or some combination. Without that disclosure, public debate defaults to the only thing it can see—wages—and ignores the adjustments happening elsewhere. [PMO, *Highlights of Cabinet Meeting*, 19 December 2023].

The second question is whether the State will treat phasing as a reform window or merely a cash-flow convenience. The year between January 2026 and January 2027 is, in effect, the only period in which Government can introduce PRB-Plus governance mechanisms without appearing to attach conditions after the fact. Once the second phase is paid, the political case for discipline becomes harder to make and easier to caricature.

The third question is whether Cabinet will authorise a real productivity covenant—observable, published, and stable over time—rather than a familiar cascade of internal KPIs. The PRB has already set out a plausible institutional home for this work, explicitly recommending an integrated framework jointly owned by MPSAR and the Ministry of Finance, with the National Audit Office using performance information for audit work. The architecture is there. The missing element is the willingness to make it real. [PRB, *Pay*

*Review 2026, Vol. 1, Results-Oriented Performance Management System and PRIS*].

The fourth question concerns allowances and the quiet channels of fiscal drift. If the interim 5 per cent allowance is being integrated into salary—as Cabinet notes—Government gains transparency and administrative simplicity, but it also hardens a temporary measure into a permanent base. The next challenge is to prevent the allowance ecosystem from re-growing around the new base in a manner that recreates complexity and cost. In practice, this requires rules that are enforced and audited, not merely written.

The fifth question is how the debt strategy will be protected from recurrent policy surprises. It is one thing to publish an intention to reduce short-term domestic debt below 10 per cent by June 2028; it is another to maintain the borrowing requirement discipline required to make that feasible without punitive pricing. A state that wishes to lengthen maturities must be prepared for the near-term budget discomfort that often accompanies longer-term issuance. [Budget 2025–2026, *Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy*].

The sixth question is whether Parliament will treat "productivity" as a governance issue rather than a slogan. The easiest political move is to demand productivity; the harder one is to define it in ways that do not invite gaming, and to fund the enabling investments—digital systems, training, and process redesign—that make it achievable. If productivity is demanded without tools, it becomes a moral lecture. If tools are provided without accountability, it becomes a procurement programme.

The seventh question is whether Mauritius will reconcile the wage debate with the wider social settlement. The World Bank's warning that persistent fiscal deficits threaten debt sustainability is written against a context of generous social benefits, including universal pensions and broad subsidies. These commitments are not errors; they are policy choices. The question is whether Mauritius intends to finance them—alongside higher public pay—through a transparent medium-term framework, or through a sequence of improvised measures that quietly consume fiscal space. [World Bank, *Mauritius Public Expenditure Review*, November 2023]. ([World Bank](#))

The final question is one of institutional temperament. Mauritius has, historically, derived strength from a certain administrative seriousness: a capacity to implement decisions that are politically contested but technically coherent. The danger in the current moment is not ideological. It is procedural. If the PRB

becomes a recurring exercise in partial implementation, post-hoc clarification, and negotiated exceptions, the State will pay twice—once in money, and again in diminished institutional authority. The PRB’s own warning against partial implementation should be read as a defence of coherence, not as a plea for generosity.

[PRB, *Pay Review 2026*, Vol. 1, Introduction].

To conclude, it is worth returning to three short sentences—one from Cabinet, one from PRB, one implied by the IMF’s fiscal arithmetic—because they describe the whole problem more cleanly than a great deal of commentary.

*“Given the challenging current economic and fiscal context...”*

[PMO, *Highlights of Cabinet Meeting*, 19 December 2025].

*“Partial implementation... may defeat the underlying spirit...”*

[PRB, *Pay Review 2026*, Vol. 1, Introduction].

*“The primary fiscal deficit... is projected... to 6.5 percent of GDP...”*

[IMF Country Report No. 25/136]. (IMF)

Those lines, taken together, describe a state that is paying more, in a constrained environment, and cannot afford incoherence. That is the essence of PRB-Plus. It is not a rejection of PRB; it is the completion of the bargain PRB implies but does not, on its own, enforce: higher pay must purchase a state that works better in ways citizens can observe and investors can believe.

# Supplementary Materials

The supplementary materials in this appendix are provided to support transparency and replicability. They set out, at a technical level, how the analysis was assembled, the principal constraints that shape interpretation, and additional tables and extracts that are too detailed for the main narrative but materially relevant to it. The intention is not to overload the reader, but to ensure that the report’s judgements can be traced back to identifiable sources, definitional choices, and explicit assumptions.

## How we conducted this study

This study was conducted as a structured, document-anchored assessment rather than as a primary data collection exercise. The analytical spine is built from primary institutional sources (notably the PRB Report 2026 and associated tables, and official Government releases on implementation decisions), complemented by external macro-fiscal baselines and definitions drawn from reputable multilateral institutions. Where the same variable appears across sources with differing coverage or accounting boundaries (for example, public debt aggregates, fiscal year labelling, or the definition of the wage bill), the analysis does not attempt to “average” them; instead, it preserves the source definition and makes the boundary explicit where it affects interpretation. Quantitative series used in the main analysis were extracted from published tables, normalised into consistent time axes (calendar year versus fiscal year), and cross-checked for internal arithmetic consistency (e.g., ensuring projections align with stated baselines and that any structural breaks are flagged). Where cabinet decisions were expressed in calendar-date terms but fiscal implications fall on a July–June budget cycle, the study translated the decision into an indicative fiscal-year profile using mechanical timing assumptions (for transparency), without presenting such profiles as forecasts of actual payroll execution. Scenario analysis was constructed as a set of disciplined “if–then” pathways rather than as probabilistic forecasting. Each scenario holds the macro-fiscal constraint envelope constant as a reference point, then varies the implementation behaviour and institutional response (particularly the presence or absence of credible productivity instruments). This approach is intentionally conservative: it aims to isolate second-order effects—credibility, incentive drift, and delivery capacity—rather than to compete with official forecasting exercises. All charts and schematics were generated from the extracted series and stated assumptions, with an emphasis on reproducibility. The underlying logic of each visual is simple by design: where a figure cannot be explained in one sentence, it is not doing its job.

## Limitations

The principal limitation is data granularity. The analysis relies on publicly available documents and does not incorporate confidential payroll microdata, ministry-level allowance utilisation datasets, or detailed establishment registers. This necessarily constrains the ability to quantify distributional effects within grades, the fiscal sensitivity of specific allowances, and the degree to which headcount or overtime dynamics may amplify the wage bill beyond the stated conversion tables. A second limitation concerns definitional and temporal comparability. Mauritius’ macro-fiscal reporting combines calendar-year economic series with fiscal-year budget aggregates, and some debt series have been subject to reclassification and consolidation changes across reporting cycles. While the study flags and accommodates these definitional boundaries, they can complicate year-to-year comparisons and may affect headline ratios depending on the treatment of particular public entities or holdings. Third, Government cost estimates are treated as authoritative for the purpose of describing the implementation decision, but the study cannot independently audit the internal costing model, including embedded assumptions on take-up, pay drift, or secondary allowances. The indicative fiscal-year costing profile shown in the report is therefore a timing translation of the stated annualised cost under the announced phasing schedule, not a payroll outturn projection. Finally, public-sector productivity measurement is intrinsically difficult. Outputs often lack market prices, quality adjustment is methodologically demanding, and performance indicators can be gamed if used mechanistically. The report therefore treats productivity frameworks as governance instruments—designed to improve transparency, management focus, and service reliability—rather than as precise measures of marginal productivity in an economic production function.

## Supplementary data tables

Table 1 A1. Macro indicators (calendar years; IMF baseline)

Year	Real GDP growth (%)	CPI inflation, avg (%)	Unemployment (%)	GDP (Rs bn, current)	GDP (US\$ mn, current)
2020	-14.5	2.5	9.2	448.9	11,408
2021	3.4	4.0	9.1	478.8	11,484
2022	8.7	10.8	6.8	570.3	12,908
2023	5.0	7.0	6.1	638.3	14,101
2024	4.7	3.6	5.8	694.0	14,953
2025	3.0	3.6	5.9	742.3	15,641
2026	3.4	3.6	5.9	796.0	16,662
2027	3.4	3.5	5.9	853.3	17,748
2028	3.4	3.5	5.9	914.0	18,890
2029	3.4	3.5	5.9	979.0	20,082
2030	3.4	3.5	5.9	1,048.7	21,326

Source: IMF Country Report No. 25/136, Table 1.

Table 2 A2. External sector and reserve adequacy (calendar years; IMF baseline)

Year	Current account balance (% GDP)	Exports G&S (% GDP)	Imports G&S (% GDP)	Total external debt (% GDP)	Reserves (US\$ mn)	Import cover (months)
2020	-8.9	35.1	-45.8	110.7	7,242	14.3
2021	-13.1	36.7	-52.7	134.0	7,805	11.6
2022	-11.1	47.6	-62.4	132.2	7,740	11.6
2023	-5.1	45.3	-56.9	131.6	7,254	10.2
2024	-6.5	43.9	-57.2	139.2	8,510	11.8
2025	-4.7	42.7	-55.0	128.9	8,675	11.6
2026	-6.1	41.0	-54.0	119.3	9,163	11.6
2027	-5.0	41.2	-53.4	110.8	9,475	11.4
2028	-4.3	41.1	-52.7	102.2	9,781	11.3
2029	-3.7	41.2	-51.7	94.1	10,083	11.2
2030	-3.0	41.7	-51.2	87.1	10,420	11.1

Source: IMF Country Report No. 25/136, Table 1.

Table 3 A3. Central government fiscal envelope and debt (fiscal years; % of FY GDP)

FY	Revenue+grants	Current spending	Compensation	Interest	Social benefits	Capital spending	Budget balance	Overall borrowing req.	Public sector debt
2019/20	22.1	28.6	6.6	2.8	8.9	1.6	-8.2	-12.7	81.1
2020/21	21.6	30.4	7.0	2.7	10.0	1.7	-10.5	-22.1	91.9
2021/22	24.2	26.7	7.1	2.5	9.1	1.5	-4.1	-5.5	86.1
2022/23	24.5	26.1	6.1	2.6	9.0	1.5	-3.1	-4.7	81.8
2023/24	24.0	27.2	5.7	2.7	9.5	1.3	-4.5	-6.1	81.5
2024/25	25.7	31.5	6.1	3.1	11.8	1.1	-6.9	-10.4	88.3
2025/26	27.0	29.2	6.0	2.9	10.9	1.3	-3.6	-5.4	89.1
2026/27	27.3	28.4	6.0	2.8	10.7	1.3	-2.5	-3.7	88.1
2027/28	27.5	27.7	6.0	2.7	10.4	1.3	-1.6	-3.4	86.9
2028/29	27.5	27.4	6.0	2.7	10.2	1.3	-1.3	-2.9	85.3
2029/30	27.5	26.9	6.0	2.4	10.1	1.3	-0.7	-2.4	83.9
2030/31	27.4	26.5	6.0	2.2	9.9	1.3	-0.4	-2.0	82.7

Source: IMF Country Report No. 25/136, Table 2b.

Table 4 A4. Central government revenue composition (fiscal years; % of FY GDP)

FY	Income tax (indiv.)	Income tax (corp.)	VAT	Excise	Customs	Other taxes	Social contributions	Non-tax revenue	Grants
2019/20	2.4	2.9	6.9	4.0	0.3	2.9	0.3	1.4	0.9
2020/21	2.5	2.6	6.2	4.1	0.3	3.2	1.4	0.9	0.5
2021/22	2.7	3.2	7.3	3.9	0.3	3.3	1.9	1.1	0.6
2022/23	2.6	3.7	7.9	3.5	0.3	3.5	1.8	0.9	0.4
2023/24	2.0	4.2	7.9	2.9	0.3	3.7	1.8	1.0	0.1
2024/25	2.0	4.2	8.3	3.0	0.3	4.6	2.0	1.2	0.2
2025/26	2.0	4.2	8.7	3.3	0.3	4.9	2.0	1.1	0.6
2026/27	2.3	4.2	9.0	3.4	0.3	4.9	2.0	1.0	0.2
2027/28	2.3	4.2	9.0	3.5	0.3	4.9	2.0	1.0	0.2
2028/29	2.3	4.2	9.0	3.5	0.4	4.9	2.0	1.0	0.2
2029/30	2.3	4.2	9.0	3.5	0.4	4.9	2.0	1.0	0.2
2030/31	2.3	4.2	9.0	3.4	0.4	4.9	2.0	1.0	0.2

Source: IMF Country Report No. 25/136, Table 2b.

Table 5 A5. Central government expenditure composition (fiscal years; % of FY GDP)

FY	Goods & services	Compensation	Interest	Transfers & subsidies	Social benefits	Other expense	Total current spending
2019/20	9.1	6.6	2.8	6.9	8.9	0.9	28.6
2020/21	9.4	7.0	2.7	6.5	10.0	1.8	30.4
2021/22	9.6	7.1	2.5	5.0	9.1	0.5	26.7
2022/23	8.3	6.1	2.6	5.0	9.0	1.3	26.1
2023/24	7.8	5.7	2.7	5.0	9.5	2.3	27.2
2024/25	8.3	6.1	3.1	5.5	11.8	2.8	31.5
2025/26	8.1	6.0	2.9	4.9	10.9	2.4	29.2
2026/27	8.1	6.0	2.8	4.9	10.7	1.9	28.4
2027/28	8.1	6.0	2.7	4.9	10.4	1.5	27.7
2028/29	8.1	6.0	2.7	4.9	10.2	1.5	27.4
2029/30	8.1	6.0	2.4	4.9	10.1	1.4	26.9
2030/31	8.1	6.0	2.2	4.9	9.9	1.4	26.5

Source: IMF Country Report No. 25/136, Table 2b.

Table 6 A6. PRB 2026 implementation decision — parameters recorded by Cabinet

Implementation parameter	Decision / statement
Annualised cost (Government estimate)	Rs 10.9 billion yearly
Included in estimate	Salary compensation payable from 01 Jan 2026 + integration of interim 5% allowance into salary
Implementation phasing	50% from January 2026; 100% from January 2027
Effective date (PRB Report)	01 January 2026
Implementation window indicated by PRB	Recommendations (including organisation structure and conditions of service) to be implemented within up to 18 months

Source: PMO, Highlights of Cabinet Meeting, 19 December 2025; PRB, Pay Review 2026 (Vol. 1).



Table 7 A7. Salary compensation (Rs635) — coverage and fiscal incidence (Cabinet note)

Item	Value
Monthly compensation (Rs)	635
Eligibility threshold (basic salary)	≤ 50,000
Beneficiaries (total)	409400
Beneficiaries (public)	89100
Beneficiaries (private)	320300
Share of employees benefitting	88%
Estimated annual cost (total, Rs bn)	3.38
Estimated annual cost (public, Rs bn)	0.74
Estimated annual cost (private, Rs bn)	2.64
Implied avg monthly cost per beneficiary (Rs) *	688.0

\* Implied average monthly cost is computed mechanically from Cabinet's annual cost estimate divided by beneficiaries and months; it is not a statutory rate.

Source: PMO, Highlights of Cabinet Meeting, 12 December 2025.

Table 8 A8. Selected grades — basic salary movement between PRB 2021 and PRB 2026 (Cabinet extract)

Grade	2021 Initial	2021 Top	2026 Initial	2026 Top	% change Initial	% change Top
Senior Chief Executive	—	163,250	—	206,000	—	26.2%
Permanent Secretary	—	132,000	—	166,000	—	25.8%
Educator (Secondary)	27,400	62,700	37,290	77,750	36.1%	24.0%
Technical Officer	21,850	47,675	31,365	60,600	43.5%	27.1%
Nursing Officer	19,525	44,800	29,215	57,400	49.6%	28.1%
Police Constable	18,650	38,400	27,905	50,100	49.6%	30.5%
Management Support Officer	18,925	37,450	28,225	49,000	49.1%	30.8%
Tradesman	15,745	28,225	24,545	38,215	55.9%	35.4%
General Worker	10,250	21,150	17,975	30,615	75.4%	44.8%

Source: PMO, Highlights of Cabinet Meeting, 19 December 2025 (table: "Recommended 2026 Salary for Selected Grades").

Table 9 A9. Debt management strategy metrics — stated levels and targets (Budget 2025–26 framework)

Debt strategy metric (Budget 2025–26)	Stated level / target
Short-term domestic debt share (June 2025, expected)	~20%
Short-term domestic debt share (target)	<10% by June 2028
Domestic debt maturing within 1 year (current)	~31%
Domestic debt maturing within 1 year (target)	~18%
Average time to maturity — domestic debt	5.6 years (target)
Average time to maturity — total debt	6.0 years (target), from 5.5 years
Average time to re-fixing — domestic debt	Raise to ~5.3 years from 4.7 years
External debt share in Government debt portfolio	Contain to ~19% by end-June 2028
Average cost of debt	Increase from 4.1% to 4.4% (medium term)
Interest payments / recurrent revenue	Decline from ~12% to 10.5% by FY2027/28
Interest payments / GDP	~3.1% (below 3.5% benchmark)
National external debt / GDP	Decline from 31% to 26% (towards 25% benchmark)
Fixed/variable rate mix — Government external debt	Fixed rate loans 37%→46%; variable 62%→54%
Share of total debt re-fixed within 1 year	37%→25% (medium term)

Source: Budget 2025–2026, Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy.

Table 10 A10. PRB remit group, representations, and interim measures (PRB narrative)

Metric	Value
Remit group size (Oct 2025)	119,420
Government pensioners within remit group	28,500
Representations: Management	4,200
Representations: Unions/Federations	9,700
Representations: Individuals	1,500
Interim allowance (from 01 Jul 2024)	5% of 2024 basic salary
Interim allowance cap (Rs/month)	2,000

Source: PRB, Pay Review 2026 (Vol. 1), Introduction.

Table 11 A11. Long-term risk parameters referenced by IMF (pensions and climate)

Topic	Value
Pensions (FY23/24)	Benefits paid $\approx$ 7.6% of GDP
Pensions: contributions (approx.)	Contributions $\approx$ 2% of GDP
Climate shocks: average damages (1960–2022)	1.5–2.3% of GDP per year
Climate adaptation investment scenario (standardised)	Scale up public investment permanently by 1.5% of GDP per year beyond t+5
Climate adaptation investment scenario (customised)	Scale up public investment permanently by 2.0% of GDP per year beyond t+5
Pension system: permanent adjustment needed to keep assets positive for 50 years	1.42 percentage points of GDP per year
Pension system: permanent adjustment needed to keep assets positive until 2100	5.22 percentage points of GDP per year
Pension system: permanent adjustment needed to keep assets positive for 30 years	17.10 percentage points of GDP per year

Source: IMF Country Report No. 25/136, Figure 8 staff commentary.

Table 12 A12. Social benefits financing gap (World Bank PER comparator framing)

Metric	Value
Social contributions covered share of social benefits (2016–2019 average)	17%
Social contributions covered share of social benefits (2020)	14%
Comparator benchmark (typical)	Social contributions covered at least half of social benefits in benchmark groups
Policy implication noted by World Bank	Sustainability of social benefits requires higher social contributions

Source: World Bank, Mauritius Public Expenditure Review (Nov 2023), Executive Summary and fiscal framework discussion.

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## About this Report

*Science, Technology & Innovation*

*Technology regulation & governance*

*The Price of the State*

*PRB 2026, Public Sector Pay, and the Productivity–Fiscal Compact in Mauritius (2026–2035)*

This report examines the 2026 Pay Research Bureau cycle in Mauritius as a matter of fiscal architecture rather than wage politics. It situates the PRB implementation decision within the country's macroeconomic constraints, public debt trajectory, and institutional capacity, and asks a deliberately narrow question: whether a structurally higher public-sector wage base can be sustained without an explicit productivity and delivery compact. The analysis combines fiscal data, institutional review, and comparative insight to illuminate second-order risks and governance trade-offs. The purpose is not advocacy, but clarity: to inform senior decision-makers, regulators, and institutional stakeholders about the long-term implications of choices that are often assessed only in their immediate political or social context.



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