BUSINESS MAURITIUS
Building our Future

Implementing a National Business Roadmap for a better Mauritius by improving the management of our scarce natural resources, developing our human capital, strengthening our governance and addressing our environmental vulnerabilities.

Memorandum for the 2019 – 2020 National Budget

Validated by BM Council on 17 April 2019; Submitted to the Financial Secretary, Budget 2019/20 Proposals, Government House, Port Louis on 19 April 2019

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Furthermore, this memorandum draws strongly on the recommendations of BM's three strategic commissions on Economy, Social Capital and Sustainable and Inclusive Growth. These commissions serve to advise BM on nationwide economic strategies and policies, and to identify and recommend macroeconomic strategies and orientations that will contribute to unlock the country's potential.

This Memorandum relies on the National Business Roadmap (NBR), a document prepared by Business Mauritius to identify the short, medium and long term improvements in the business environment for sustained growth. The NBR has been prepared following consultations with BM partner members, BM Commissions (drawing on the practical and pragmatic experience of over 45 CEOs and senior officials), public Institutions, Statistics Mauritius, the Mauritius Ports Authority, ATOL and EDB among others, to which our gratitude is also extended. The exercise has led to the identification of binding constraints to growth which have then been prioritised during a validation workshop with BM Council and BM Commission members.

Business Mauritius

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1 INTRODUCTION

The object of the Budget Memorandum is to highlight the views of Business Mauritius with respect to the Mauritian economy and to submit proposals in the context of the 2019– 2020 National Budget.

This memorandum is divided into eleven chapters as follows:

- Chapters 1 and 11 respectively introduce and conclude the document;
- Chapters 2 and 3 provide an overview of the global situation and the challenges facing the Mauritian economy;
- Chapter 4 lays out four key priorities for the business community which are (i) better management of our natural resources, (ii) developing Human Capital for the high income economy, (iii) strengthening governance for smart regulation and (iv) addressing the challenges of environmental vulnerability. These priorities have been determined through a validation workshop carried out with members of Business Mauritius Council and its three commissions on economy, social capital and sustainable and inclusive growth;
- Chapters 5 to 8 provide fact sheets and detailed recommendations for each of the above priorities;
- Chapter 9 provides recommendations on four tactical measures which are seen as requiring urgent attention, namely support to local businesses, a holistic review of the fiscal framework to minimise distortions, connectivity and the creation of a joint structure where data can be consolidated to guide policy and innovation. This chapter also includes a section which regroups the private investments that can be quickly mobilised if the proposed recommendations and the necessary regulatory frameworks are put in place;
- Chapter 10 makes the case for the joint implementation and monitoring of the National Business Roadmap which has been prepared by Business Mauritius in collaboration with its partner members in agriculture, manufacturing, tourism, financial services, ICT, trade and industry and construction. The NBR would provide the business development roadmap within the overarching economic development strategy of Government.

2 CONTEXT

The promise of a strengthening global economy in 2018 has not materialised with the downside risks (exacerbated by inward-looking policies, geopolitical tensions, and political uncertainty in some countries) taking the forefront. Together with financial tightening in the larger advanced economies as well as China, this led to a significantly weakened global expansion, especially in the second half of 2018.

According to IMF[1], this weakness is expected to persist into the first half of 2019 with global growth projected to decline to 3.3 percent in 2019, a downward revision of 0.6 percentage points from the same time last year (and a 0.2 percentage point downward revision from January). Of particular concern to Mauritius are the revisions for several major economies including the euro area, the United States and the United Kingdom.

However, growth in the second half of 2019 is expected to pick up, supported by significant monetary policy accommodation by major economies, including the US, the euro area, China, UK and Japan. In addition, the increased fiscal stimulus in China to counter the negative effect of trade tariffs and the

[1]The Global Economy: A Delicate Moment, Gita Gopinath, IMF Chief Economist, 9 April 2019

generally improved outlook for US–China trade tensions should also contribute to a more positive outlook for second half of 2019 and 2020.

According to IMF (see Figure 1), the world average GDP growth at constant price (equivalent to our GVA at constant price) is expected to grow at 3.3% and 3.6% in 2019 and 2020 respectively.

- Among our key markets for trade, tourism and investment, India and China are expected to register the strongest growth at 7.3% and 6.3% respectively in 2019 and 7.5% and 6.1% in 2020. This trend is expected to continue beyond 2020.
- The US is also expected to grow at a fair rate of 2.3% in 2019 and 1.9% in 2020.
- However, our other key markets (France, Germany, UK and South Africa) are projected for sluggish growth, at 0.8% to 1.3% for 2019 and 1.4% to 1.5% in 2020.
- Generally, Euro zone and G7 economies expect subdued growth rates (1.3% to 1.6% in 2019 and 1.5% in 2020) with other advanced economies growing at a slightly better 2.2% and 2.5% in 2019 and 2020 respectively. Within this category, Australia, Ireland and Korea are noteworthy, with Spain also witnessing some improvements.
- Within the emerging and developing markets, growth is expected at 4.4% to 4.8% for the next two years, with emerging Asia clearly the engine of growth followed by CIS countries. Sub-Saharan Africa is expected to do slightly better than world average at 3.5% and 3.7% for the next two years.
- Within the SSA group, our African partners such as Kenya, Mozambique, Cote d'Ivoire, Ghana and Senegal are expected to show strong growth, up to 8.8%. Ethiopia, with whom economic relations could be accelerated, is also expected to have exceptional growth.
- Among our IOC partners, Madagascar would, as an outlier, grow above 5% both years. Seychelles would hover around the world average growth rate.
- In the Middle East, growth is expected to remain sluggish, with Egypt, with whom we have a significantly negative trade balance, being the exception at growth rates above 5%.
- Emerging Europe would grow around the world average, particularly with Bulgaria, Hungary and Poland. Turkey, one of our trade partners, may witness contraction in 2019.

For the Mauritian economy, the macroeconomic growth projection is positive. As per latest National Accounts Estimates, GDP growth at market prices would be 3.8% in 2018 and projected at 3.9% in 2019. GVA at constant prices would be 3.6% for 2018, with the same projection for 2019. At this rate, Mauritius would be at par with world average in 2018 and 0.3 percentage points above in 2019. It would compare favourably with the Sub Saharan Africa region, Seychelles and do significantly better than South Africa.

In the words of IMF, in the context of the delicate situation of the global economy,

> "it is imperative that costly policy mistakes are avoided. Policymakers need to work cooperatively to help ensure that policy uncertainty doesn't weaken investment. Fiscal policy will need to manage trade-offs between supporting demand, protecting social spending, and ensuring that public debt remains on a sustainable path... Monetary policy should remain data dependent, be well communicated, and ensure that inflation expectations remain anchored… Across all economies, the imperative is to take actions that boost potential output, improve inclusiveness, and strengthen resilience."

Country	Subject Descriptor	Units	2018	2019	2020	2021
Key markets (trade, tourism, FDI)						
France	Gross domestic product, constant prices	Percent change	1.5	1.3	1.4	1.5
Germany	Gross domestic product, constant prices	Percent change	1.5	0.8	1.4	1.5
United Kingdom	Gross domestic product, constant prices	Percent change	1.4	1.2	1.4	1.5
United States	Gross domestic product, constant prices	Percent change	2.9	2.3	1.9	1.8
China	Gross domestic product, constant prices	Percent change	6.6	6.3	6.1	6.0
India	Gross domestic product, constant prices	Percent change	7.1	7.3	7.5	7.7
South Africa	Gross domestic product, constant prices	Percent change	0.8	1.2	1.5	1.8
Selected Country Groups						
World	Gross domestic product, constant prices	Percent change	3.6	3.3	3.6	3.6
Euro area	Gross domestic product, constant prices	Percent change	1.8	1.3	1.5	1.5
Major advanced economies (G7)	Gross domestic product, constant prices	Percent change	2.1	1.6	1.5	1.5
Other advanced economies (Advai	Gross domestic product, constant prices	Percent change	2.6	2.2	2.5	2.5
Emerging market and developing e	Gross domestic product, constant prices	Percent change	4.5	4.4	4.8	4.9
Sub-Saharan Africa	Gross domestic product, constant prices	Percent change	3.0	3.5	3.7	3.7
Selected African Markets						
Kenya	Gross domestic product, constant prices	Percent change	6.0	5.8	5.9	6.2
Mozambique	Gross domestic product, constant prices	Percent change	3.3	4.0	4.0	4.0
Botswana	Gross domestic product, constant prices	Percent change	4.6	3.9	4.1	4.0
Ethiopia	Gross domestic product, constant prices	Percent change	7.7	7.7	7.5	7.0
Côte d'Ivoire	Gross domestic product, constant prices	Percent change	7.4	7.5	7.2	7.0
Ghana	Gross domestic product, constant prices	Percent change	5.6	8.8	5.8	4.4
Senegal	Gross domestic product, constant prices	Percent change	6.2	6.9	7.5	7.1
IOC countries						
Madagascar	Gross domestic product, constant prices	Percent change	5.2	5.2	5.3	5.1
Seychelles	Gross domestic product, constant prices	Percent change	3.6	3.4	3.3	4.1
Comoros	Gross domestic product, constant prices	Percent change	2.8	2.8	2.9	3.1
Selected Middle East Countries						
United Arab Emirates	Gross domestic product, constant prices	Percent change	1.7	2.8	3.3	3.0
Egypt	Gross domestic product, constant prices	Percent change	5.3	5.5	5.9	6.0
Saudi Arabia	Gross domestic product, constant prices	Percent change	2.2	1.8	2.1	2.2
Selected Emerging Europe Countries						
Bulgaria	Gross domestic product, constant prices	Percent change	3.2	3.3	3.0	2.8
Croatia	Gross domestic product, constant prices	Percent change	2.7	2.6	2.5	2.4
Hungary	Gross domestic product, constant prices	Percent change	4.9	3.6	2.7	2.4
Poland	Gross domestic product, constant prices	Percent change	5.1	3.8	3.1	2.8
Turkey	Gross domestic product, constant prices	Percent change	2.6	(2.5)	2.5	3.0
Selected Advanced Economies						
Australia	Gross domestic product, constant prices	Percent change	2.8	2.1	2.8	2.8
Belgium	Gross domestic product, constant prices	Percent change	1.4	1.3	1.4	1.5
Canada	Gross domestic product, constant prices	Percent change	1.8	1.5	1.9	1.8
Denmark	Gross domestic product, constant prices	Percent change	1.2	1.7	1.8	1.6
Finland	Gross domestic product, constant prices	Percent change	2.4	1.9	1.7	1.4
Ireland	Gross domestic product, constant prices	Percent change	6.8	4.1	3.4	3.1
Italy	Gross domestic product, constant prices	Percent change	0.9	0.1	0.9	0.7
Japan	Gross domestic product, constant prices	Percent change	0.8	1.0	0.5	0.5
Korea	Gross domestic product, constant prices	Percent change	2.7	2.6	2.8	2.9
Spain	Gross domestic product, constant prices	Percent change	2.5	2.1	1.9	1.7
Sweden	Gross domestic product, constant prices	Percent change	2.3	1.2	1.8	1.9

Figure 1: Selected indicators, International Monetary Fund, World Economic Outlook Database, April 2019

3 CHALLENGES FACING THE ECONOMY

As an export-oriented economy, our key challenge for the coming years lies in the external context with our traditional base for trade, tourism and investment witnessing slow growth. Policy measures to boost output and investments, to support diversification in the higher growth markets and to promote sustainable and inclusive development would need to be bold, relevant and quickly implementable.

Sugar and manufacturing are particularly affected by the international market conditions. With the current balance of payment situation and the projected exceptional imports (metro leger, aircraft etc.) in 2019, there is a need to further stimulate exports and incentivise import substitution. In that respect, the strengthening of the secondary sector for import substitution of foods and energy would be a critical success factor. Cost competitiveness (particularly labour sector reforms for the sugar industry), technology absorption in the manufacturing sector, as well as the creation of a level playing field for our strategic local enterprises also requires attention.

The transformation of our financial services with the end of the grandfathering clause of the Indian treaty, and the necessary regulatory changes to meet FATF, OECD and EU guidelines, would also affect performance of a sector which has been one of the drivers of the economy in the last years. Bold reforms would be necessary, but with a precautionary approach, particularly in carefully planning the fiscal framework for integration of the global sector to the domestic economy with minimum distortions.

Tourism, the second engine of growth for the economy in recent years, is also showing some signs of slowing down this year particularly in tourists who arrive by air, stay longer and contribute more to the economy. However, the national estimate is a 3.8% growth in GVA underpinned by 3.6% growth in arrivals for the year with a turnaround as from April. The changing structure of the industry including the increase in para-hotel accommodation, arrivals by sea, the global shift from tour operator business to dynamic packaging, shift of economic power from our traditional markets as well as local issues linked to conflicting use of the resources, climate change/environmental vulnerability and connectivity frequency/pricing issues among others need to be addressed.

ICT growth is projected to be the highest amongst the traditional pillars in 2019, at a rate of 4.8%. The transformational challenge towards research and innovation, AI and robotics has been engaged, with other traditional pillars, particularly agro-industry and manufacturing, prepared to implement the productivity that can be obtained through this transition. To further grow our ICT sector, leveraging on industries where Mauritius has substantial knowhow and goodwill, such as financial services and tourism, can also bring new value addition to the economy through new poles of innovation in Fintech and digitalisation in tourism. This will require a focused approach to organising and promoting these sub-sectors.

In this sectoral transition phase, and furthermore with a vision to graduate towards a high-income economy, several cross-cutting, fundamental programmes are noteworthy, namely:

- the e-licensing project (NELS) to improve the business climate,
- the infrastructure programme including road decongestion and metro,
- the development of world class infrastructure through the ports (seaport and proposed new airport development) and business parks
- the Africa strategy, through MAF and regional and bilateral cooperation initiatives, and
- the development of an innovation economy through the matching grant schemes (CRIGS, POIGS etc.) as well as bringing Artificial Intelligence discussions to our shores

Some key challenges remain, including improving productivity, skilling and skills mismatch, employer-employee relations, strengthening of institutions and climate adaptation among others.

Our macro-economic fundamentals including public debt management, budget deficit, inflation, employment would need to be carefully monitored. The Government's fiscal strategy, which aims at enforcing greater fiscal discipline and financial prudence, particularly in view of the recent rising trend in public debt, would be particularly relevant in this context.

4 PRIORITISATION OF POLICIES

The Growth Diagnostics Model[2] provides a framework to identify binding constraints on private sector development. The prioritisation of these binding constraints enables a focus on the policies with the biggest impact. This is done taking into consideration the country's resource capabilities and its multiple, often conflicting, uses as well as the challenges of developing a common strategy which remains relevant within and across sectors of economic activity.

The model uses a three-pronged framework of returns to resources, appropriability and cost & access to finance to determine the binding constraints to economic activity (see annex A for details).

Following consultations with BM partner members in agriculture, manufacturing, tourism, financial services, ICT, trade and industry and construction, as well as some ad-hoc stakeholder consultations, the following thirteen (13) binding constraints have been identified:

RETURNS TO RESOURCE	APPROPRIABILITY	COST & ACCESS TO FINANCE
• **Natural resources** • **Human capital** • Infrastructure • Innovation • Globalisation	• **Governance** • Macroeconomic stability • Business & investment climate • **Environmental vulnerability**	• Capital markets & investments • Consumption & savings • Ease of borrowing • Cost of borrowing

Figure 2: Binding Constraints to private sector development, The National Business Roadmap, Business Mauritius, April 2019

[2]Hausmann, R., Rodrik, D. & Velasco, A., 2005. Growth Diagnostics. John F. Kennedy School of Government, Harvard University.

A validation exercise[3] with members of the Business Mauritius Council and its three Commissions (Economy, Social Capital and Sustainable and Inclusive Growth) has led to the prioritisation of 4 binding constraints which are seen as fundamental and urgent for the sustainable and inclusive growth of Mauritius as follows:

1. Natural resources
2. Human capital
3. Governance
4. Environmental vulnerability

5 Policy Area 1: Improving the Management of Scarce Natural Resources

This chapter deals with improving the management of scarce natural resources, identified as one of the 4 key binding constraints by Business Mauritius members.

In order to address this binding constraint, five enabler categories have been identified, namely:

- EEZ management: The capacity to sustainably exploit resources in our EEZ and bring maximum benefits to the population (major untapped potential)
- Land resource optimisation: Our strategy in choosing the optimal use to be made of our scarce land
- Energy framework: The ability to ensure a sustainable, cost-effective and reliable energy supply to the transport sector, households and businesses
- Water management: The ability to ensure quality and quantity of water resources
- Waste management and evolution towards a circular economy

These enabler categories regroup issues relating to better management of natural resources. The recommendations to trigger these enablers and therefore unbind the constraints to returns to natural resources are given below.

5.1 EEZ Management Policies

Fact sheet

- 2.3 million km2 of EEZ
- Accelerating beach erosion and coral bleaching estimated at 75%
- Limited implementation of the National plans on developing the ocean Economy (BOI 2014 and World Bank 2017).
- Importance of agreements with EU and fishing companies
- Current Fish-processing capacities are underutilised due to lack of fish
- Limited local maritime surveillance capabilities

[3] The National Business Roadmap Validation Workshop, Business Mauritius, 3 April 2019 (participant list in annex B)

The following recommendations are proposed:

- Develop an investment framework for the EEZ, including for:
    - managing surveillance of the EEZ
    - investment in scientific research on marine biotech
    - coral farming and new niche products
    - a concessions framework
- Encourage Research and Development on the resources of the EEZ by:
    - Granting incentives on the research component using the matching grant incentives of CRIGS
    - Developing a cheaper, fast-tracked OP to attract experienced researchers
    - Launch research funding for joint projects between Mauritius and international partners with whom we have signed MoUs (Chennai and China Ocean University) such as combination of sugar and algae growing, textiles and new materials from the ocean, to develop synergies with traditional manufacturing.
- Development of sustainable fishing in the EEZ through:
    - Mobilising against IUU Fishing in our EEZ through enforcement of laws against transhipment of catch at sea and illegal fishing.
    - Better manage the resulting increase in by-catch

5.2 LAND RESOURCE OPTIMISATION

Fact sheet

- 2040 km2 of land
- Usage: 42% Agriculture, 30% Built-up, 19% Forests
- 80k hectare of agricultural land: 50k - Sugar cane, 20k-non sugar (Fruit, vegetable including livestock), 10k – abandoned
- Cane industry = Sugar + Bagasse, Fertilizers, Molasses, Rum, Vinegar, Ethanol, Animal Feed
    - + Energy production
    - + generates value-added services (transport, fuel delivery, port)
- Lack of visibility on Sugar prices, Bagasse price and Biomass Framework
- Fruits and Veg: Need for import substitution, Decreasing yields, but No assistance to large growers
- Food import more and more exposed to impact of climate change on producing countries
- No clear overall strategy for local agriculture
- No clear strategy for national territorial planning
- EIA is the only consideration for new development v/s environment

The following recommendations are proposed with regard to general land optimisation:

- Develop a GIS digital twin of Mauritius (3D representation of the territory and infrastructure) with digitalized survey of topology, land uses, flooding vulnerability, zoning, repository of data
- Develop and update a national development plan including a transport master plan, with proper planning to ensure sustainability. The plan would include National zoning guidelines, including coastal activities zones (motor zones in lagoons, …), industrial, commercial, residential zones, green belts, etc.

- Simplify the process for development of zones which have been classified as mineral zones despite linked to non-essential activities such as sand quarrying
- Open up LAVIMS datasets to identify Usage of land
- For large projects, review the injunction mechanism that puts the project at risk due to last minute objections – clear and reasonable cut-off dates for objections

In addition, the following specific recommendations are proposed with regard to sugar:

- Implement Labour reforms to integrate the sugar sector within the local economy, including mainstream labour laws.
- Implement a Biomass Framework for long-term visibility, including a mechanism for the price regulation of Bagasse and biomass, in order to sustain the production of Energy from renewable sources
- Develop Mechanisms to finance investment in:
    - replacement of cane plants after 7 years (MUR 250k/hectare)
    - mechanisation of cultivation (MUR 1M/arpent)
- Study the environmental benefits of sugarcane planting activities (erosion prevention, CO2 absorption, water retention)
- Develop greening processes of the value chain by implementing internationally renowned certifications such as and not limited to Bonsucro, VIVE or Fairtrade
- Promote value added products for our sugar such as organic sugar by promoting R&D and setting up accompanying measures for the long transition period for audit preparation up to certification.

Finally, the following recommendations are proposed with regard to food production:

- Reduce import dependency on food by identifying sustainable local alternatives
    - Min. of Agro to set food security targets and ensure that measures are in place to achieve targets on Fruits, Vegetables, alternatives to rice and flour and Farm products
    - 10k hectares of Abandoned Agricultural Land to be used for Food Crops for Import Substitution
    - Statistics Mauritius to compile data on Sheltered Farming (with FAREI)
- Set standards for Local Production and Imported food
    - Sustainable Agriculture practices to apply to 100% local and imported produce by 2030 - provide assistance to empower, train and protect local producers
    - Incentivise and assist the creation of long term working linkages between large producers / agro-processors and small producers for an increase in production and quality (e.g. sectors of milk and pig production)
    - Assistance to producers should be result oriented – refund of grant on non-performance/abandonment
- Take advantage of the upcoming National Wholesale Market (with a Cold Room) to:
    - set up a Register of Producers
    - open the market with fewer intermediaries

5.3 ENERGY FRAMEWORK

Fact sheet

- Electricity production = 2875 GWh of which 21.8% from renewable energy sources
- Dependency rate on imported energy of 85.4% and on fossil fuels (78%)
- 68% of electricity is generated by 4 large Independent Power Producers (mix of coal and 16% of bagasse)
- National target to achieve 35% of RE in the electricity mix in 2025 based on solar PV, wind, biomass and waste to energy (INDC)
- National target of 10% reduction in energy consumption through energy efficiency measures by 2025 (for secondary and tertiary sectors & households)
- Forecast of electricity demand in 2025 = 3500 GWh (+22%)
- URA still not operational and CEB acting as main operator and de-facto regulator
- SSDG and MSDG long term strategy not clear enough to sustain operators and slow procedures discourage investors.
- Import substitution through bagasse, solar PV and wind

The following recommendations are proposed with regard to the energy framework:

- Setting the appropriate regulatory framework to unlock energy investment and improve visibility for private operators and developers, through:
    - Proclamation of the Electricity Act 2005
    - Operationalisation of the URA Strategic Plan to create an investment friendly framework for private projects, including the sale of electricity by private operators and a framework for large residential projects
    - Pricing of energy to be determined by URA
    - Implementing a National Biomass Framework for long-term structuring of the market, including a Mechanism for the Remuneration of Bagasse and Biomass
    - Setting a clear and timely mechanism on the renewal of IPP contracts (2019, 2024 and 2027)
- Improving the quality of imported fuels to reduce consumption and pollution, by:
    - Improving the quality of imported gasoline and diesel from EURO 1,2,3 to EURO 4,5,6 standards;
    - Introducing minimum engine standards for commercial vehicles
- Accelerating the energy transition to renewable sources by:
    - Setting a more ambitious target on % of RE in electricity mix (e.g. 50%), based on more accessible battery storage
    - Defining long-term predictable SSDG and MSDG frameworks to enable investors to plan their investment
    - Removing the 30% of consumption cap which is a result of financial structuring of CEB (commercial subsidizing industrial)
- Accelerate the migration to a smart grid by:
    - Publishing studies on Smart grid and elaborating an implementation plan
    - Developing and implementing a Road Map on Smart grid
- Set up a regulatory framework for Electric Vehicles and a pilot for EV in mass transportation

5.4 WATER MANAGEMENT

Fact sheet

- 961 Million m3 Water utilisation
- 37% Agriculture, 19% Domestic, 7% Commercial
- 4 000 M m3 annual rainfall with changing pattern
- 260 Mm3 Potable water production
- 50% losses in old distribution network being addressed by pipe replacement programme

The following recommendations are proposed:

- Develop a long-term vision and sustainable strategy for Water. This needs to be shared with the public at large and businesses, with a clear way forward, open information on the resources available and priority areas.
- Review the water collection and distribution system by:
    - Rethinking the gravitational distribution of water, namely through increased rain harvesting and decentralised water storage in coastal areas
    - Developing Rainwater Harvesting requirements for large real-estate developments
    - Improving public information on Incentives for Rainwater Harvesting by households
    - Modernising the water distribution management system with smart meters, pressure monitors, quality standards and controls, fault detection technology
- Government to drive Desalination projects on 5-6 specific coastal zones instead of individual projects by businesses
- Develop a framework for access to utilities in large projects (smart cities, RES, large gated developments), where the promoter is expected to provide utilities infrastructure and end-user billing and maintenance services.

5.5 WASTE MANAGEMENT

Fact sheet

- 480 000 tons/year of solid waste going to 1 landfill through 5 Transfer Stations
- Current landfill reaching full capacity by 2020
- Annual average cost of Waste Management = MUR 1,200 M
- NO waste sorting by authorities
- Emerging recycling sector
    - Most of the collected waste is exported after minimal processing
    - Private initiatives to process and revalorise locally (E-waste, Plastic, Used Oils, Paper, Glass)
    - Hazardous Waste Facility set up by Government, under private management
- Environment Protection Fees and taxes collected are not used to support environmental issues
- 2015-2030 Waste Management Strategy not finalised
- The tax on PET bottles assures only 40% of collection. In addition to this, the members of the Bottlers' Association pay about MUR 30 million directly to two recyclers to maintain the level of collection. The manufacturers and importers of products based on plastic packaging are voluntary to build and finance the Extended Producer Responsibility (EPR) mechanism. The EPR on plastic goods (PET, HPDE, PP…) is a pilot project and would be developed for others types of waste.

The following recommendations are proposed:

- Publication of the draft National Waste Management Strategy
- Setting up 25 Waste depots across the island
- Support existing waste streams and operators by:
    - Reviewing Waste Management Tender Criteria to recognize the value addition of local processing of waste, value creation, Innovation and circular economy
    - Sharing the cost of waste collection and
    - Encouraging the legal trade of secondary raw materials
- Replace the tax on PET bottles by a full voluntary Extended Producer Responsibility (EPR) mechanism to ensure a better collection of plastic waste
- Develop Regional Waste Management policy, taking into account the private sector collaboration which has already been engaged, for the following categories of goods:
    - Textiles (with Madagascar), Tyres (with Réunion), Heavy Plastics, Batteries, Oil, PET Bottles

6 POLICY AREA 2: DEVELOPING THE MAURITIAN HUMAN CAPITAL FOR THE HIGH INCOME ECONOMY

This section deals with developing the Mauritian Human Capital for the high income economy, identified as one of the 4 key binding constraints by Business Mauritius members.

In order to address this binding constraints, six enabler categories have been identified, namely:

- Demography and employment which considers the quantitative aspects of human capital
- Demography and the quality of healthcare delivery
- Quality of primary and secondary education in the formative years of tomorrow's workforce
- HR Development (skills, training, leadership)
- Conducive workplace relations with the evolving employer-employee relationship
- Attracting talent and talent mobility

6.1 DEMOGRAPHY AND EMPLOYMENT

Fact sheet

- Population: 1.3 M (Population age 16+: 990,700; Labour Force: 576,600, Outside Labour Force: 414,100)
- Unemployment: 6.9% (39,800) - (Male (15,800), Female (24,000), Youth (19,300))
- Evolution of the Projected population from 2017 to 2047 (source CSO):
    - Total population to reduce by 146,620
    - Active Population (15-64 years old) to reduce by 190,279
    - Population above 65 years old will increase by 136,390
- Ageing population thanks to Increasing Life Expectancy, Low Infant Mortality rates
- Better health services: life expectancy increases by 1 year every 4 years
- Steady decline in fertility rate, 1.41 in 2017 due to later and fewer marriages, higher divorce rates, parental choices

Mauritius is faced with an ageing population. The main changes observed over time are:

- the shrinking of the base of the pyramid due to falling fertility
- the thickening of the upper body of the pyramid indicating an increase in life expectancy
- the relatively longer bars on the female side of the pyramid around its apex indicating the predominance of females among the elderly
- Low activity rate for women of 44% v/s Male (70%) and v/s Peers (55% for upper middle income group)
- Ageing population statistics (aged (14%) by 2022, super aged (21%) by 2040.)
- Our Capacity to Attract and Retain International Talent (including Mauritian students) will determine the pace and degree of development
- A worrying increasing projected Dependency Ratio (0.2 in 2015 to 0.6 in 2060)
- IMF estimate that the National Pension Fund will have used its reserves by 2063
- Increasing pressure on the Funding of Public and Private Health, Pension and Welfare services
- Low investment by working age population in long-term Insurance and Pension schemes

The following recommendations are proposed with regards to the changing pattern of employment due to demography:

- Improve participation rate of working parents who also want to start a family through targeted incentives:
    - Trigger a programme for maternity leave support for micro enterprises
    - Incentivising family friendly work practices, including flexible working arrangements
    - Proximity crèche facilities with late closing times that may be provided by third parties in central business districts (Ebène, Port Louis etc.) against incentives either for companies using the shared services or to the provider to reduce the location rental costs
- Encourage private services for the silver economy that deal with issues like improving mobility, health, accommodation, leisure and physical activity by netting off against the imputed cost to social security and health systems for the elderly.
- A National Consultation on the sustainability of public and private pensions through social dialogue among social partners:
    - Alignment of Old age pension with Retirement age
    - Selective targeting of Old Age pension and sensitisation on complementary plans
    - Improve coverage on personal insurance and pension

6.2 Demography and Quality of Healthcare Delivery

Fact sheet

Public (free) and Private infrastructure and services ensure a good access to a wide range of health services for the local and foreign population. However:

- Current healthcare service levels in public services are far lower than from those expected in a high income economy, which Mauritius hopes to attain by 2023.
- Because of high delivery cost and existing public debt level the public sector cannot bridge this gap.
- In the context of an ageing population, high prevalence of diabetes and Non-Communicable Diseases, High prevalence of Substance abuse, additional pressure on the public health service will be difficult to sustain by public delivery model
- Medical, Dental and Veterinary Councils are limiting the registration of foreign professionals in Mauritius (against the national strategy to boost medical tourism)

The following recommendations are proposed with regards to the pressure of demography on public health:

- A new model of health care delivery where private sector efficiency contributes to the delivery of public services in specific services such as geriatrics, maternity, eye care, dialysis, etc. A consultative study to be engaged in the current budget to prepare for implementation by 2020.
- Implementation of a E-Health Management system to improve efficiency and quality of public health services, and improve management based on data.

- Develop, through the PoIGS mechanism, a specific scheme to incentivise world-class research centres on Diabetes, Cardio-Vascular diseases and Oncology, and attract top researchers to work in or collaborate with Mauritius.
- Building on the 'Fighting Diabetes at the workplace' model, a similar initiative on the prevention and reduction of Occupational Diseases and Substance abuse can be introduced.

6.3 QUALITY OF PRIMARY AND SECONDARY EDUCATION

Fact sheet

In 2017, on average in respective age groups:

- only 71% hold PSAC (67% boys, 75% girls),
- only 56% hold SC (47% boys, 66% girls), and
- only 36% hold HSC (28% boys, 45% girls)

Academic and technical levels are not always matched by the relevant soft skills like people management, negotiation, empathy, systemic thinking, particularly at middle and higher management levels

Enrollment is still ongoing in low-demand fields while high-demand fields (STEM, specialized manual) remain under-served with local skills

The labour market now demands workers who have technical attributes, soft skills, knowledge and the ability to innovate and adapt to a fast-changing world. It is therefore important to review our school curriculum and upgrade teaching methods. The following recommendations are proposed to achieve the above:

- Identify Future Skills for a high-income Mauritius and adapt teaching methods and curriculum accordingly (sustainability, emotional intelligence, values, leadership, confidence, projects, etc.)
- Valorise and encourage enrolment in STEM with specific capacity building for teachers to address gender gap in STEM and other subjects
- Integrate AI and Blockchain in the curriculum
- Study to revalorise the status of teachers and review training and recruitment methods
- Allow the use of Kreol language in the first few years of primary school when needed

Schools need to prepare children to become responsible and autonomous citizens by inculcating more civic values, for example:

- Enhance multi-stakeholder collaboration to curb drugs in schools, suicides, fading out of values (sharing, caring about others instead of individualism)
- Promote Group Activities to reduce after-school tuition and unhealthy competition, and promote collaboration and life skills required for future life

It is also essential to better prepare our youth to join the world of work, through:

- Increased interaction between secondary schools, universities and Industry to sensitise students and young graduates on the technological requirements of Industry, through interactive Career Information, site visits and placements

- SC and HSC be more hands-on with specific streams for tourism, coding and other specific technical skills required by industry
- Valorisation of Technical training by integration in Colleges and Universities

6.4 HR DEVELOPMENT (SKILLS, TRAINING, LEADERSHIP)

Fact sheet

Labour Productivity growing at 2.5% (2017; consistently below GDP growth over the last 10 years)

Declining productivity: continuous drop in Total Factor Productivity, unit labour cost high compared to our peers in manufacturing sector

Female and Youth unemployment persist, despite GDP growth:

- Not qualified for high-value jobs
- Not attracted to labour-intensive jobs, which end up with foreign workers

There is a need to provide up-to-date information regarding location and types of jobs available, forecasts of changes in the labour market, skill composition of the current labour force and prospective changes over time.

It is recommended that HRDC, in collaboration with the business community, prepares a continuous plan to identify talent needs (and fading needs) for the future.

It is recommended to incentivise upskilling/reskilling of existing employees and enhance employability of the youth through the following means:

- Set up a system for Industry to participate in Curriculum Development
- Scale up the Dual Training Programme
- Renew existing employability schemes (NSDP, GTES, SWG etc.) to be managed under one roof

In addition, the following industry specific measures are recommended:

- Valorisation of manual and agricultural jobs through certified training and formal recognition of work experience, with information in schools and communities
- Set Up an Agriculture School to train college students and small planters (partnership with international Partners like Lycée Agricole de St Pierre, Réunion)
- Implement certified and recognised training for BPO sector, with international recognition, for the upskilling of SC and HSC Holders
- Hotel School to have a strategic partnership with an International Institution to upgrade its courses
- Set up a Lycée Hôtelier with strong industry linkages
- Certified Training for jobs in the ocean economy: divers, underwater technicians, ship building, etc.

6.5 CONDUCIVE WORKPLACE RELATIONS

Fact sheet

There is lack of predictability in the way payroll costs evolve yearly. There is a multiplicity of institutions (NMWCC, NRB, CCM, ERT, Tripartite Committee, PRB, etc.) which impact on the wage determination mechanism.

Rigid and outdated Labour Regulations - Currently there are 30 Remuneration Orders with more than 500 different job categories. The detailed conditions of employment and job descriptions in the Remuneration Orders erode the ability of employers to have recourse to flexible work practices and multi-skilling.

Annual Tripartite Committee – Mode of calculation of salary compensation does not explicitly take into account macroeconomic indicators. A one size fits all approach is being adopted yearly. Annual salary compensation exercise increases compliance costs irrespective of capacity to pay and performance considerations of individual sectors and enterprises

National Minimum wage has been introduced. It has to be pitched at the right level which serves as a minimum floor to enter the labour market. Transitionary measures have been introduced to support specific sectors to align with the National minimum wage.

Need for enabling environment– There are many IR institutions and their functioning do not promote collective bargaining. An enabling environment is crucial for the creation of opportunities for better terms and conditions of employment through collective bargaining.

The following is recommended with regards to the promotion of conducive workplace relationships:

- Increase linkages between businesses and schools/universities through open days, internships, career guidance by the business community, business talks in schools, collaborative research

In addition, the following is recommended with regards to wage determination:

- The review of the National Minimum Wage by the National Wage Consultative Council through a process based on objective criteria in 2020 and thereafter every 5 years. Furthermore, an overall revisit of the current wage determination ecosystem.
- To streamline and consolidate all core and fundamental conditions of employment of the 30 Remuneration Orders in the Employment Rights Act;
- The 30 Remuneration Regulations to be revisited to provide henceforth only conditions of employment which are specific to the respective sectors of employment and salary structures above the national minimum wage for specific occupational groups;
- The yearly salary compensation adjustment be determined by:
  - The National Minimum Wage Consultative Council which made recommendations for the fixing of the National Minimum Wage; or
  - An automatic indexation of the basic salary every year subject to a maximum ceiling to be determined based on the increase in the median wage

- To exempt the payment of additional remuneration in cases where terms and conditions of employment have been regulated through collective agreements which have been duly negotiated and are still in force.
- The promotion of collective bargaining process at enterprise and/or sectoral level, which it is felt is the best mechanism for regulating terms and conditions of employment - If promoted with time collective bargaining will gain momentum and terms and conditions of employment will be mostly determined through this process.
- To rationalise the social protection coverage – Apart from universal and contributory social protection coverage, to encourage additional coverage for those who can afford for same.
- Portable Gratuity Retirement Fund (PGRF) – the setting up of a PGRF should not impose financial burden which may affect the capacity to pay, especially those operating in the export enterprises and Small and Medium Enterprises sectors and lead to closures.
    - All the contributions to the PGRF should be based on basic wages instead of remuneration in order to align with the existing private pension schemes model and allow mobility of labour.
    - No contributions for past services should be paid to the PGRF.
    - A length of service threshold should be introduced as a qualification for the portability of contributions, so as to avoid attrition of the workforce and massive job hopping which can cause disruption in services in certain sectors.
    - Discontinue the contribution to the National Savings Fund as its objects and that of the PGRF are similar that is to provide for a gratuity to a worker at the time of retirement.
    - Revisit the Workfare Programme and review the contribution of the Training Levy from 1.5% to 1.0%.
- Proposed Amendment of Labour Legislations – Flexibility in the labour market is essential in order to ensure an enabling environment for doing business and at the same time promote the creation of employment. The four strategic objectives of Decent Work which sums up the aspirations of people in their working lives should be the guiding philosophy for the amendment of labour legislations.

6.6 ATTRACTING TALENT AND TALENT MOBILITY

Fact sheet

- Human Capital Index, 52nd/157 countries
- Human Development Index (HDI), 65th/189 countries
- High Emigration (70% of students do not come back from foreign studies)
- Growing Immigration (50,000 currently):
- Low-skilled or skilled workers in the manufacturing and construction sectors

The following recommendations are proposed:

- Encouraging flexible working arrangements by creating a system where a percentage of fee payable to Freelancers is directed to a pension fund and/or auto enrolment in pension scheme
- New mechanism to be implemented for financial lending institutions and insurance companies to cover free-lancers and work from home employees
- Recognition of essential low-skilled jobs through certifications

- Greater opening to low-skilled foreign labour to supply gaps in Manufacturing, Construction, Tourism and other scarcity areas.
- Devise specific legislation for the employment of foreign labour to regulate minimum salary and terms and conditions of employment
- Develop a rifle approach (customised packages beyond OP system) for attracting specific international talent to develop new niches such as Asset Managers, Specialised AI developers and Innovators
- Identification of a network of Mauritian diaspora across Africa
- Conduct a supply-side study to understand the motivations of targeted talent (South Africa, India) to relocate
- Introduce a Labour Migration Policy which will assist in the setting up of an enabling act for migration issues, including study-work visas, foreign spouses of Mauritian nationals and broader policy aspects relating to migration policy.

7 Policy Area 3: Strengthening Governance for Smart Regulation

This section deals with the strengthening of governance for smart regulation, identified as one of the 4 key binding constraints by Business Mauritius members.

In order to address this binding constraint, four enabler categories have been identified, namely:

- Developing strong & independent institutions
- Addressing security, law & order
- Inclusive Development
- A proper regulation for the financing of political parties

These enabler categories regroup issues relating to governance. The recommendations to trigger these enablers and therefore unbind the constraints linked to governance and smart regulation are given below.

7.1 DEVELOPING STRONG & INDEPENDENT INSTITUTIONS

Fact sheet

Strong and Independent Institutions are a key enabler for the transition from Medium to High-Income economy (Examples of New Zealand, Singapore).

They are essential to support other enablers, through:

- Clear Legislation, Rule of Law, Security, Transparency and effective Justice
- Reliable Implementation Capacity
- Adequate resources for effective Enforcement
- Result-based Economic Diplomacy
- International Market Research

Public institutions have been a key strength in the post-independence development of the Mauritius, and represent a USP in the business attractiveness of our country, particularly in the current global context where robust compliance is considered as an asset but which can be capitalized by businesses only if it remains flexible, i.e. smart regulation.

The following recommendations are proposed with regards to developing in a systemic way strong and independent institutions:

- Identification of Public Bodies and Parastatal bodies which are critical for businesses and ensuring that:
    - Different entry levels for key jobs, openly advertised to attract high-performers
    - SCE level to be revamped for fixed term contracts to attract business leaders
    - Review the Termination of appointment under the Constitution (Act No. 3/82) to reconcile independence of civil servants, continuity, *la permanence de l'état* and security of tenure
- Strengthening of Regulatory bodies in key sectors by recognizing the unique advantage of Smart Regulation and providing means for Mauritius to have best-in-class regulations
- For a selected list of parastatals (e.g. FSC, EDB, MITD, TEC, MCIA, MSB, MRA/Customs, MPA, AML), law to embed that the private sector representatives on these boards be appointed subject to recommendations by BM and/or its partner members, namely the MCCI and sectoral associations
- Mechanism to implement corrective measures as per audit report within set timelines (e-procurement, access to information)
- Development of an agreed time-table between the main public bodies and the PPO be set to reach 80% of e-Procurement system within the next 2 years and declare a cut-off date for using e-PS only. In order to meet the target of 80% for bids to be done on the e-PS, Business Mauritius would suggest that an implementation team comprising Public Procurement Office, Ministry of Civil Service and Ministry of ICT be set up to prepare the public bodies for administrative readiness (A-r) and the electronic readiness (E-r).
- Transparent process to steer the implementation of policy decisions to avoid delays and inconsistencies in operationalization, e.g. the case of double deduction on R&D
- Digitalization of processes to improve efficiency in the judiciary and improve speed of justice

Some specific sector recommendations are also highlighted:

- Increase coherence and efficiency between Public Agricultural Institutions
- FSC to be involved in ALL reforms related to the Insurance Industry, and to take a stand on key issues
- Build a strong financial services ecosystem (Insolvency fund with realistic stress test parameters, Centralized database of insurance covers (for bonus/malus), similar to MCIB

7.2 Addressing Security, Law & Order

Fact sheet

- 1st on the Mo Ibrahim Index for Africa
- 56th out of 180 (consistently 6th in Africa) on the Corruption Perception Index 218, with a score of only 51/100. Gradual roll-out of e-government and rules-based procedures has helped, but overall corruption perception levels have not improved, both in public and private sectors, particularly for awarding contracts and obtaining special licences.
- Perceived Favouritism (Score of 45.0 on Absence of Favouritism as per MO Ibrahim index)
- High levels of repeat offenders
- Increasing reports of domestic violence and youth violence
- Low perception of reliability of Police Services (Score of 54.2 on Mo Ibrahim Index)
- Safe City Project, with 4,000 intelligent CCTV cameras and 350 Intelligent Traffic Security Cameras
- National road safety programme, incl. BUROS, launched in 2018 to reduce road accidents

The following is being proposed:

- Improving Security
  - Accelerate the Safe City Project with defined timelines
  - Faster justice, harmonized sentencing and consideration of three-strikes law
  - Focus on rehabilitation of 1st-time delinquents to reduce re-offending
- Improving road safety through:
  - Creating an Observatoire for systematic centralized anonymized data collection on road accidents, claims on repairs, insurance experts to:
    - understand trends in and develop targeted strategies for road safety
    - reduce claims malpractices and improve insurance covers
  - Public-Private collaboration to improve road safety (through BUROS, to grow)
- Accelerate e-licensing with rules-based procedures and e-procurement to fight corruption
- Re-instate Taxi Meters to protect local users and tourists

7.3 INCLUSIVE DEVELOPMENT

Fact sheet

- Income Gap: Gini Index = 0.40 (same level in 2017 as in mid-1980's)
- Poor score on Poverty Reduction Efforts (45/100, Mo Ibrahim Index)
- Social Register created, National Minimum Wage introduced
- Gender Inequality Index (GII), 84th/160 countries
- CSR projects by companies under approved guidelines
- Significant CSR funds are now managed by NCSR Foundation
- Poverty alleviation through public-private cooperation
- Social commission of the NESC chaired by VPM

The following recommendations are being proposed:

- Reinstate the original terms for CSR money to be spent by companies according to agreed guidelines.
  - Evolution of the CSR mechanism is perceived as an increase in corporate taxation
  - This has also been highly detrimental to the ecosystem that was created since the introduction of CSR, network of NGOs that are today supported by the foundations, and whose survival depend on the continued financing from these foundations.
  - In addition, it represents only a fraction of the substantial funds that Government invests directly on social assistance and poverty alleviation.
  - CSR contributions used to implement the CSR projects of companies as per their own framework and within agreed guidelines.
- Public-private collaboration with the involvement of Business Mauritius's Sustainability and Inclusive Growth Commission to Issue Guidelines for businesses on Poverty Alleviation, focusing on:
  - Support to the Working poor, women, youth and vulnerable individuals
  - Community assistance, Support to NGOs
  - Involvement of staff and senior management
- Improve regulations to encourage flexible work arrangements
- Encourage female participation from low income groups through micro-measures:
  - access to child care
  - state-funded maternity leave costs for micro-enterprises
  - free basic insurance coverage on calamities (flood, accidents, health issues, etc.)
- Encourage civil society engagement on poverty alleviation
  - Access diaspora for fundraising on poverty alleviation
  - System for Mauritian families to 'parrainer une famille'
  - Re-instate the importance of 'accompagnement' of families by social workers
- Institutionalize the priority of Motivation, Attitude, Skills, Courage for recipients in all social programmes
- Develop acceptable minimum standards on housing and include improvement to these standards under CSR
- Improve the guidance system for medicine delivery in public pharmacies since social workers report that many poor patients are not well-informed on the medication that they require

7.4 Financing of Political Parties

Fact sheet Consensus within the business community of the utmost importance to make political parties accountable for their finances. Progress made through the National Code of Corporate Governance for BM members to declare their political donations in their accounts A cogent Act on Financing of Political Parties, as indicated in the consultative process, would ensure transparency and accountability of the political donation process, and serve to further strengthen good governance which has been the cornerstone of our socio-economic progress.

An Act on Financing of Political Parties would ensure transparency and accountability of the political donation process, and serve to further strengthen good governance. BM Recommendations are:

- Political parties to have a legal *locus standi* prior to the registration by the Electoral Supervisory Commission
- Private companies to be encouraged to abide to the Implementation Guidelines on "Reporting with Integrity" of the National Code of Corporate Governance for Mauritius 2016. In-kind donations by private companies to also be regulated.
- Private company donations to be capped to a small percentage (say 5%) of a party's total campaign budget.
- Donations by private companies to be solely to a party or to an independent candidate (exclude the possibility of donations to individual candidates of a party.)
- Funding to be limited to elections and differentiate funding for General Elections from partial elections.
- Parties to file financial statements and auditors' report as is the practice for companies and associations.
- Prohibition of overseas donations by non-citizens and overseas corporate bodies.
- Sanctioning powers of the ESC to be broadened to include, besides fines, court-ordered forfeiture and criminal sanctions in serious cases. Sanctions should be sufficiently strong to act as deterrent.
- ESC to confirm that sources of funds, receipts and expenses for each party have been verified and are compliant at year end. Non-compliance and sanctions should be highlighted in the respective reports.

8 POLICY AREA 4: ADDRESSING THE CHALLENGES OF ENVIRONMENTAL VULNERABILITY

This section deals with addressing the challenges of environmental vulnerability, identified as one of the 4 key binding constraints by Business Mauritius members.

In order to address this binding constraints, three enabler categories have been identified, namely:

- Climate change adaptation
- Rejuvenation of lagoon ecosystems
- Heavy rainfall adaptation

These enabler categories regroup issues relating to environmental vulnerability. The recommendations to trigger these enablers and therefore unbind the constraints linked to former are given below.

8.1 CLIMATE CHANGE ADAPTATION

Fact sheet

- The Environmental Vulnerability Index (EVI), 192nd (Highly Vulnerable)/243 territories.
- Environmental Performance Index (EPI), 90th/190 countries
- World Risk Index 2018 – Natural Disaster Risk, MRU 16th on 172 countries (High Risk) (Exposure, Vulnerability, Susceptibility, Lack of coping capacities, Lack of adaptive capacities)
- Global Green Economy Index (GGEI), 46th/130 countries
- 480 000 tons/year of solid waste going to 1 landfill (No waste sorting by authorities)
- Poor rate of insurance coverage against perils for houses and small businesses

The following recommendations are proposed:

- Create a Digital Twin (3D representation of the territory and infrastructure) to run scenario simulations of environmental vulnerability for in-land and costal activities
- Implementation of the Port Breakwater and Island Terminal are key to improve business continuity under bad weather
- Create a Biodiversity Corridor / Network of Forests to improve migration of species and disseminate information on the impact of initiatives
- Engage the population at large with dedicated awareness campaign on local climate change, risk assessment and preparedness plans
- Engage discussions and awareness campaigns with planters on risks and preparedness plans due to increased possibility of adverse impacts due to pests, diseases, flash floods and droughts.

8.2 REJUVENATION OF LAGOON ECOSYSTEMS

Fact sheet

- Visible and Accelerating beach erosion with rising water levels
- Coral bleaching estimated at 75% and reduced marine life
- No clear strategy for Lagoon and Coastal Rehabilitation (many individual initiatives)

The following recommendations are proposed:

- Publish the Integrated Coastal Zone Management (ICZM) report and establish a clear process for implementation
- Create a tripartite financing mechanism (private, public, DFI) on projects by natural geographical boundaries (cell-treatment) to rejuvenate our lagoon ecosystem in a sustainable manner:
- Use environmental taxes and fees to rehabilitate lagoons and beaches
- Establish a clear process for rehabilitation works, with reasonable cut-off dates for objections
- Improve Sensitization and Enforcement to reduce waste disposal on beaches and in rivers
- Install 'floating nets' at river mouths to capture floating waste
- Review the existing configuration of public beaches to provide more leisure space, by moving parking off-site and integrating an online parking reservation mechanism

8.3 HEAVY RAINFALL ADAPTATION

Fact sheet

- BM and NDRRMC working on a Heavy Rainfall Protocol to protect human life, assets and economic activities.
- Some businesses have already developed preparedness plans and Business Continuity Plans for building resilience and managing climate related risks.

The following recommendations are proposed:

- Increase awareness for all businesses to set up a Preparedness Plan and a Business Continuity Plan for rainfall
- Develop a holistic approach for the Land Drainage System, including monitoring of progress and maintenance of the drains to reduce risks of floods and water accumulation
- Data collection and remedial actions on road strips subject to water accumulation and aquaplaning
- Inform and encourage businesses and households to adopt risk assessment and management principles regarding risks associated with climate change and heavy rainfall, including the increase in insurance coverage

9 TACTICAL ENABLER CATEGORIES

This section provides recommendations regarding specific enablers for binding constraints which were not seen as immediate priorities but on which immediate actions were seen as necessary by Business Mauritius Council and Commission members during the validation workshop carried out in April 2019.

9.1 SUPPORTING THE LOCAL BUSINESS ECOSYSTEM

Fact sheet

- The Mauritian manufacturing industry, regrouped under the umbrella definition of Domestic Oriented Enterprises (DOEs), has for several years now felt the brunt of international trade. The benefits of international trade to take advantage of competitive and comparative advantages are well known and certainly benefit the Mauritian consumer in the short term with cheaper prices and more variety.
- However, in the case of the small open economy that is Mauritius, DOEs are meshed in a local manufacturing ecosystem, and the difficulties faced by some producers may lead to a negative tipping point for the secondary sector.
- It must also be highlighted that local manufacturing forms the seedbed for the complexification of the economy and the increase in local multiplier which can strengthen resilience and create jobs.

The following recommendations are proposed to support the local business ecosystem:

- Identify Strategic Local Enterprises to be protected to ensure long term supply commitments and provide the following support:
    - Imports of strategic local products should be guided by Quality-cost consideration (product grade as per international norms; supplier to prove pricing equivalence to home country, without subsidy)
    - Security of supply to be included as condition, including local warehousing for strategic products
    - Certification for Decent work, Environmental norms, MSB standards or equivalent
    - Implement control mechanisms on importer criteria
        - Maintaining a list of approved suppliers (and non-eligible ones) based on previous experience on quality, timeliness and other critical issues
        - Enforcement of import criteria requirements
        - Factory visit / process review on quality, delivery and respect of the certification norms
        - Review of the financial stability of parties to ensure consistency of supply
        - Implement the Minimum Shelf life requirement
    - Margin of Preference to local production – to be calculated on local employment, local multiplier and other factors.
- Possibility for a minimum guaranteed quantity for local producers and/or local preference on Government procurements
- Open a dialogue with the Competition Commission on limitations of local market

- Push variable geometry agenda for SIDS at WTO study
- Develop cross-sectoral synergies to improve the local multiplier and increase resilience:
    - Develop an Industrial Base in the Freeport zone and Riche-Terre Park, to consolidate MRU as a Port HUB
    - Better synergies to be developed between the Financial Services Sector and other Sectors to share investment opportunities and interests
    - Synergies between sugarcane sector for new materials for textiles and packaging
    - Develop linkages between captive tourist markets and local industries and informal activities
    - Specific Local Industries to be used as tourist attractions (vanilla, pineapple, fishing, rum, tea) with capacity building and financial support
- Encouraging the provision of local needs with local resources and production
- Value addition based on local know-how with complexification of local production
- Encouraging the production of handcrafted items and the development of a circular economy through recycling and upcycling
- Strengthening standards in the local construction industry, with requirement of full compliance with all law and regulations by all contractors (local and foreign)
- Instil a new dynamism to commercial areas in existing towns by establishing pedestrian and parking zones with a new smartphone-based system for payment of parking and push-technology for commercial offers
- Incentives to encourage businesses to join International Networks to Collaborate on Technical Issues

Support to SMEs

- Public/Private Collaboration to identify and mentor high-potential SMEs (>3years, growing)
- Mechanism to assist large companies to help improve the quality of small suppliers
- Assistance to large growers and agro-processors to help them buy from small producers (for example, milk processors and large pig farmers)
- All sectors, including services, to be eligible to SME Factoring Scheme
- Small businesses' difficulty to access finance is hampered by their ability to demonstrate independently their turnover. By creating a national cartography of small businesses and allowing validated users to rate their services, a first step is achieved towards financial institutions ascertaining reliability of these business streams.
- A scheme by Government to Partly finance Insurance covers for SMEs and Freelancers to cover assets, pensions, health cover for staff, parental leaves
- Online Access to Local and Export Market Information including access conditions (measure proposed by the Tradecom project in 2018)
- SME Equity Fund to intervene in Medium-sized companies up to MUR 200M turnover to support Private Investment, Innovation and Growth

9.2 REVIEW OF THE FISCAL FRAMEWORK TO MINIMISE DISTORTIONS

Fact sheet

- A simplified and automated tax framework has brought transparency and predictability to businesses. However, specific sector support and new fiscal regime for global businesses may lead to market distortions.
- Fiscal reforms implemented in 2018 with regard to OECD requirements may be further revised for EU compliance.
- In addition, the debate for tax neutrality may be enlarged by considering revenue neutrality with the development of licence fees.

In view of the above, the following is recommended:

- A holistic review of the tax system, which would take in its stride the integration of global business to the economy and the position of Mauritius as a jurisdiction of substance and an economic and business hub for investments between Europe, Asia and Africa. This model should favour efficiency and certainty (through a long-term fiscal framework).
- Upholding the highest standards of AML & Financial Crime Compliance
- Adhering to the highest levels of transparency and compliance
- Providing clarity and certainty on the partial tax exemption system for foreign sourced income as well as the special bank levy

It is important that 'star' sectors are not consistently over-taxed, as they bring significant cash reserves that benefit the entire economy.

9.3 IMPROVING SEA, AIR AND DIGITAL CONNECTIVITY

Sea Connectivity

Fact sheet

- Logistics are the backbone of Trade. Good logistics reduce trade costs and help countries compete globally. In the 2018 Logistics Performance Index, Mauritius ranks 78th out of 160 countries, with a score of 2.72 / 5. This is at par with Upper Middle Income countries but lower than South Africa on all fronts.
- The score does not exceed 3 / 5 on any of the 6 dimensions, with a very low score of 2.12 for Ease of arranging competitively priced shipments which is lower than the average for Sub-Saharan Africa.
- The port captures only 10% of the maritime traffic between Asia and Southern Africa
- Major shipping lines are not using Mauritius as a Hub and this causes lack of direct lines with emerging destinations.

The following recommendations are proposed with regard to improving sea connectivity and logistics performance:

- Special incentives to be provided to attract businesses with high volume exports (captive export market) to the Riche-Terre Business park and thereby increase the attractiveness of Port Louis as a hub for shipping lines
- Improve the cargo handling capabilities, particularly in terms of productivity and executive leadership
- Benchmarking of airport charges and private operator charges at Port Louis with competing destinations
- Develop the necessary regional framework for a regional feeder with support until intra-regional trade builds up with Madagascar, Réunion, Seychelles, Kenya, South Africa and Mozambique.

Air Connectivity

Fact sheet

- The current airport terminal is nearing its full capacity of 4 million passengers per year, creating a potential infrastructure pressure for the coming years. Some projections point to approximately 8 million passengers being expected through the airport in 2040.
- In terms of connectivity, Mauritius has direct service to 9 of top 15 airport Hubs in the world (13 of the top 24) but the frequency varies.
- In the World Economic Forum's Travel and Tourism competitiveness report, Mauritius ranks 116th on Price competitiveness, including a 115thplace on the competitiveness of ticket taxes and airport charges, and 89th place on the competitiveness of fuel price levels.

The following recommendations are proposed

- Develop Air Freight Connectivity and consider the operation of a Cargo Air Freighter to EU, Africa and Asia
- Improve Link to key Hubs with high frequencies, particularly
    - In Asia: Higher frequency for Shanghai and Mumbai in view of the expected high growth rates, consider simulation models on HK and Bangkok
    - In Africa: additional Johannesburg and Nairobi connectivity, new connectivity for Addis in view of the high growth rate forecasted for Ethiopia for the next few years
    - In Middle East, to explore the possibilities of Doha and Abu Dhabi through simulation models
    - In Australia, to run simulation model on Melbourne connectivity
- Consider providing incentives for the national carrier to establish a strategic Asia partnership to improve Shanghai connectivity
- Grow emerging European tourist markets (Nordic and Central Europe) with relevant air connectivity
- Establish an independent regulator to keep airport and air navigation charges competitive since, according to the Board of Airlines Representatives (BAR), Mauritius has the highest charges among its peer tourist destinations.

Digital Connectivity

Fact sheet

- High-Speed International Optical Fibre connectivity expanding since 2001, thanks to a number of underwater cables to Europe, Asia and Africa.
- The local optical fibre backbone is in place in towns and is being extended to more and more localities.
- However, while high-speed fibre and mobile service are available, they are still expensive despite high usage.
- There is low level of competition on International Connectivity and High-speed Internet.

The following recommendations are proposed with regard to digital connectivity:

- Encourage more private International Optical Fibre providers to set up in order to improve competition, price and quality
- Allow ISPs to use existing international and local infrastructure to provide services, to increase competition and reduce prices
- Improve Digital Connectivity to support growing E-commerce for manufacturing sector
- Public-private consultations to set up a Framework for usage of various frequencies (IOT, Mobile, Private networks, etc.)

9.4 IMPROVING PRIVATE SECTOR INVESTMENTS

Fact sheet

- Private sector investment is expected to decline by 0.8% in 2019, after a high growth of 10.4% in 2018.
- Private sector investment rate would be 13.6% compared to 14.1% in 2018, with the share of private sector investment in GFCF expected to reach 69.9% from 75.4% in 2018, excluding aircraft and marine vessel.

In view of the above, it must be noted that substantial private sector investment projects would be immediately triggered upon implementation of the relevant regulatory frameworks. These projects are highlighted below:

Renewable energy

- A potential of MUR 7 Billion on RE based on a National Biomass Framework
- MUR 700m on Solar PV by launching next MSDG scheme 10 MW, and more with the new Smart City Scheme for Solar PV.
- RE could generate more investment by reviewing the cap of 30% on MSDG

Circular Economy

- Publication of the draft National Waste Management Strategy will bring visibility for private investment. Mauritius has to move from a structured waste management to the circular economy engaging businesses

Blue Economy

- Capex from private investment in lagoon rehabilitation as per tripartite proposed under NEF
- New services for the ocean economy (certification programmes, training programmes, R&D and Innovation clusters, etc.)

Healthcare and social services

- By allowing companies to benefit from incentives for employees using third –party crèches in urban zones, develop a new industry for urban crèches
- Investment in private sector delivery of specific public healthcare services
- Investment in Services to the Ageing Population (Health, Nutrition, Accommodation, Transport, Leisure) by creating a framework to encourage businesses to invest in this new sector and hence reduce the burden of social cost to government

National Infrastructure

- By creating the appropriate framework for PPPs, encourage private investment in forthcoming projects in the Port and Airport infrastructure and services, such as the new airport terminal, new port facilities and shared services for port and airport operators and other users
- Investment in digital connectivity (private International Optical Fibre providers)

R&D and Innovation

- Investment in R&D and Equipment for High-value Manufacturing by operationalizing the double deduction on R&D and ISP measures for modernisation
- Investments in Fintech and Blockchain by strengthening SMART Regulation and implementing Financial Services blueprint
- New investments in R&D and Innovation by increasing budget on MRC's Collaborative Research and Innovation Grant Scheme (CRIGS), and involving investment funds and private equity firms in final year of successful projects.

9.5 DATA TO GUIDE POLICY DIALOGUE AND ENCOURAGE R&D AND INNOVATION

Fact sheet

- Public-private sector dialogue has been the cornerstone of the economic development of Mauritius. Today, Mauritius can boast of a healthy and modern policy structure which:
- Institutionalises collaboration and dialogue
- Focuses on identifying constraints and opportunities
- Generates pragmatic private-public solutions
- However, as per international research, the policy dialogue loop is only perfectly complete when research capabilities factually inform the institutions on pertinent policy issues and when monitoring and evaluation capabilities exist to measure the effectiveness of policies.
- The National Open Data Policy 2016 sets the right objectives and adopts the 'Open by Default' principle, and the National Open Data portal houses and provides links to 204 datasets of Government Agencies.
- While open data teams exist in ministries, they are not operational.
- While main statistics are publicly available, there is a need for more 'exploitable, raw' data to enable better position papers to guide regulations and policy implementation. Such exploitable data can also support the leap into the Knowledge Economy, Big Data Analytics and apps, which are highly dependent on openly available data.

It is therefore proposed that a joint public private research house be created which would combine raw anonymised data from public and private source to:

- Develop policy papers to guide the instances of public-private policy dialogue such as the Investment Support Programme, Industrial Policy, Agricultural Policy among others
- Ensure that more anonymised data is available from public and private sources to fully implement the Open Data Policy
- Provide information for innovators in the Knowledge Economy, AI, Big Data Analytics etc.

In addition, some specific recommendations are made with regard to specific sectors:

- Exports Statistics to be made available faster
- Study to be conducted and recurrent data collected to measure the total impact of global business on the economy

10 A PROPOSAL TO INTEGRATE THE NATIONAL BUSINESS ROADMAP TO NATIONAL ECONOMIC PLANNING

The four (4) priority areas with their collective seventeen (17) enabler categories, together with the five (5) tactical enabler categories presented in this document form part of the broader landscape of a National Business Roadmap prepared by Business Mauritius. In fact, the NBR encompasses a total of 13 binding constraints with a full set of 42 enabler categories (see annex for full list)

The National Business Roadmap (NBR) aims to:

- identify the critical enablers for growth of business
- provide a comprehensive statement which would guide our public-private policy dialogue
- highlight initiatives for the development of the business community

The NBR is expected to be iterative and will be used as a tool to guide policy dialogue and monitor progress on the binding constraints over the short, medium and long-term as follows:

	Within 1 year	**Within 1 – 3 years**	**Beyond 3 years**
Binding Constraints	Natural Resources	Infrastructure	Macroeconomic Stability
	Human Capital	Innovation	Capital Markets & Investments
	Governance	Globalisation	Consumption & Savings
	Environmental Vulnerability	Business & Investment Climate	Ease of Borrowing Cost of Borrowing

It is proposed that this methodology and the National Business Roadmap be shared with the relevant public sector institutions for a joint implementation and monitoring of the progress achieved on the binding constraints as well as the periodical review of the constraints themselves and the enablers to ensure coherence with the international context and the overarching economic development strategy of Government.

11 Conclusion

While the challenges posed by the global economy cannot be underestimated for the 2019-2020 period, it is however noted that expectation of growth continues at a reasonable rate and a global recession is not in IMF's baseline projections. Addressing the resulting pressures on our traditional sectors with individual sectoral responses may be easier to implement and indeed resolve our short-term issues. However, in many ways it would result in kicking the can down the alley.

Further to extensive consultations with our stakeholders, at Business Mauritius we believe that the right choice is to address the fundamental changes that are required as we transition from a middle income economy towards a high income one. For the development of business, the key priorities that have been identified are improving the management of our scarce natural resources, the development of human capital, strengthening governance and addressing our environmental vulnerability. We further believe that tactical solutions must be found to increasing private sector investments, supporting the local business ecosystem, improving connectivity, reviewing the fiscal framework with minimum distortionary effects and working towards an open data framework to support policy dialogue and encourage innovation. Finally, we would propose a shared methodology to improve the business environment for sustained growth.

We look forward to discussing our proposals with you and your team.

19 April 2019