Memorandum for the 2018 – 2019 National Budget

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Acknowledgements

Business Mauritius (BM) would wish to acknowledge the contribution of its Council through its President, Mr. Cédric de Spéville, and the chairpersons of partner institutions namely AMM, AHRIM, BACECA, IAM, MBA, MCA, MCCI, MEXA and OTAM as well as the elected and co-opted council members in the preparation of this budget memorandum.

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.

We would wish to put on record the invaluable contribution of these commissions which drew on the practical and pragmatic experience of over 45 CEOs and senior officials under the guidance of the three chairpersons, Mr. Gilbert Gnany of the MCB Group, Mr. Patrice Legris of the Alteo Group and Mr. Philippe Espitalier-Noël of the Rogers Group. These commissions in turn relied significantly on the output of 12 subcommittees and their 25 co-opted technical experts, to which we would wish to convey our grateful appreciation.

Business Mauritius
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2 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 2018 – 2019 National Budget.

The key recommendations of this document are on:

(i) economic growth
(ii) social capital development
(iii) sustainable and inclusive growth

Section 3 sets out the international context and domestic backdrop with the proposals of Business Mauritius for the 2018-19 National Budget laid out in the following order:

- Section 4 considers macroeconomic concerns, improving governance and boosting women participation;
- Section 5 to 9 deal with measures to promote economic growth through a strong Africa strategy and proposals for traditional and new sectors;
- Section 10 proposes measures to improve human capital development and employer-employee relationship;
- Section 11 deals with accelerating SMEs for growth, and;
- Section 12 to 14 look at a series of measures for sustainable development and inclusive growth.

3 CONTEXT AND BACKGROUND

The latest figures from IMF highlight a strengthening global economy with a pickup in growth from some 120 economies, accounting for three quarters of world GDP. An upward momentum is on course for both 2018 and 2019 with a global growth of 3.9 percent projected each year.

IMF anticipates stable growth in Sub-Saharan Africa and the ASEAN-5 region, with EU growth led by emerging and developing Europe. However, medium-term risks are still tilted to the downside, exacerbated by inward-looking policies, geopolitical tensions, and political uncertainty in some countries.

Of particular interest to Mauritius are the higher than 2017 growth rates in most of our main export destinations and tourist markets for 2018 and 2019.
Growth is expected to pick up in India while it will moderate gradually in China. South Africa’s growth rate is expected to remain under 1 percent in 2018–19. In traditional Europe, our key markets are expected to grow at a higher rate in 2018, apart from the UK and Spain with marginally lower growth rates while the growth in emerging and developing Europe is expected to be higher than anticipated, especially for Poland and Turkey.

For the Mauritian economy, the macroeconomic growth is broadly positive at 3.8% in 2017, 3.9% in 2018 as per latest National Accounts Estimates and about 4.0% over the medium term (IMF). This is notably underpinned by an encouraging upturn in both public and private investment for 2017 and overall investment growth of 5.0% in 2018, exclusive of aircraft and marine vessel. However, the pace of implementation of the public investment programme is of concern.

The public sector debt as a percentage of GDP remains a challenge at 63.5% of GDP in view of the statutory ceiling of 60% to be attained by end of the fiscal year ending June 2021. In the words of IMF “Rising public debt, including contingent liabilities of the central government, has left Mauritius’ gross financing needs more exposed to adverse real growth, real interest rate, and fiscal shocks.”

Inflation is on an upward trend with headline inflation rising from 3.7 per cent in December 2017 to 5.0 in March. While this largely reflects the increase in the prices of food products, it is important to assess whether climate change may have a long-term impact on the price of local produce.

The unemployment rate is following a satisfactory trend with a downward revision of 0.2 point to 7.1% in 2017 and a projection of 6.9% this year. Large establishments have increased their employment. However, the prevalence of labour market rigidities and the general drop in the country’s activity rate, particularly the low female participation rate, should be taken into account.

Preliminary estimates of the balance of payments indicate that the country recorded a higher current account deficit in 2017 compared to 2016, essentially reflecting a deterioration in the deficit on the goods account because of rising imports and falling exports. The surplus on the services account was lower in 2017, as the buoyancy of the tourism sector was offset by falls in the transportation sector and other services. The surplus on the income account is estimated to be higher, driven by the strength of the global business sector.
International reserve buffers have improved substantially. The appreciation of the rupee since July 2017 is noted although a slight depreciation has been noticed of late.

In light of the broadly positive economic outlook for Mauritius, it is felt that the next two years should be treated as a rare window of opportunity for accelerated reforms on improving labour productivity and participation, unlocking economic opportunities, extending the diversification of markets both for trade and tourism, improving financial resilience and fiscal sustainability with the ambition to bring growth back to a rate exceeding 5%.

Moreover, in the wake of the Paris agreement on sustainable development goals, this growth should be achieved by simultaneously addressing climate change issues and inclusive growth.

4 CHALLENGES FACING THE ECONOMY

4.1 PUBLIC DEBT, INFLATION TARGETS AND TAX EFFICIENCY
While recognising the limited fiscal space and the courageous move to pursue the public investment programme, there is concern regarding the debt sustainability. It is recommended to develop and publish a comprehensive plan to reach an acceptable debt level over the next five years as well as embark on the reforms in the non-contributory pensions and social transfer systems.

Furthermore, in order to address delays in the implementation of the Public Sector Investment Programme as well as improve transparency perceptions, we would recommend a mandatory push for all public bodies to adhere to the eProcurement system with a target of 80% of all public procurement to be processed through the system by FY2018-19.

Moreover, we would support the recommendation for the Bank of Mauritius to set a medium term inflation objective.

Finally, we consider that our low, simple and predictable tax regime has served the country well over the years. We recommend that this regime be sustained without negative impact to the individual and corporate income tax regime which could potentially lead to mixed signals and affect the efficiency of the tax regime. Specific recommendations for domestic-oriented enterprises and global business companies are made in the respective sections.

4.2 CURRENT ACCOUNT DEFICIT
Business Mauritius believes that the deficit in the goods account is a serious concern which should be addressed by i) accelerating the Africa strategy ii) accentuating the competitiveness of our manufacturing sector and iii) developing our SMEs and DOEs for growth and export readiness.

Furthermore, we should address the issue of falling services account surplus through measures to improve the tourism and ICT sectors. In addition, the proposed measures for the resilience of the global business sector should further strengthen the income account.
4.3 **Doing Business**

Recognising the partnership to improve the ease of doing business in Mauritius, the first phase of Business Facilitation programme and the implementation of the e-licensing system that is spearheaded by the EDB is proving to be a successful model.

Two priorities are highlighted namely 1) the introduction of the Coordinated Border Management (CBM) for inspection clearance/release of goods at the Port and 2) the implementation of the EIA process within the first phase of the e-Licensing project. The latter should include sanctioning powers at the level of senior public officers of Ministries, in line with the principle adopted for the Building and Land Use Permit.

Furthermore, it is recommended that an Investment Policy document be created and updated every year to provide up-to-date information on the new schemes for investment and mobility of people. This document should be referenced with legal amendments and act as an authoritative document on which investors can base themselves for their investment decisions. The Investment Policy document should also provide greater predictability to the investor regarding occupation permits with a focus on rules-based policies.

It is also proposed to consider extension of the period of exemption of payment of Trade Fees under MUR5000 for new businesses.

4.4 **Governance**

The strength of institution is a key factor in the competitiveness of nations and hence of its industries. As per the 2016 Executive Opinion Survey of the Global Competitiveness Report, the most pervasive problems for doing business in Mauritius include improvements in public sector responsiveness and transparency and predictability.

Business Mauritius recommends that the necessary executive training, resources and discretionary powers be given to the senior public sector officials to ensure that the institutions falling under them are managed in a transparent and effective manner.

In addition, it is proposed to fast track the recommendations of the public private platform against corruption to ensure greater transparency and perception of transparency. The rapid adoption of the eProcurement system will also sustain this initiative.

Finally, it is recommended to rapidly come up with the guidelines on the funding of political parties. Much progress has been made at the level of our members who declare their political donations in their accounts, in line with the Implementation Guidance on the “Reporting with Integrity” of the National Code of Corporate Governance for Mauritius 2016, which sets the rules for companies to provide details of their contribution.

There is a consensus today that it is of utmost importance to make political parties accountable for their finances. To that effect, we would recommend that all political parties operate under an appropriate legal status of the highest standard, which would ensure transparency and accountability.
4.5 **Boosting Women Participation**

Women’s participation in the labour force remains low in Mauritius where we rank poorly in international comparison (108th out of 138 economies as per the Global Competitiveness Report). It is recognised that the women participation rate is heavily influenced by societal and cultural legacies which will require time for transformation. However, the following intermediary measures are proposed to closing the gender gap:

- affirm high-level support and direct top-level policies for gender equality and human rights and review existing legislation to ensure that all policies are gender-sensitive and advances equality and inclusion
- Develop programmes recognizing women’s accomplishments and advancement in the economy, particularly in fields where the gender bias is potentially more pronounced
- Identify and address security issues, including the safety of women traveling to and from work
- Include at the level of job placement services, a priority for women who have been subject to domestic violence
- implement the legal framework for freelancing and teleworking which will provide flexible working hours
- incentivise businesses to invest in nursery and childcare activities for their employees at work
- provide financial assistance to cover maternity benefits for SMEs engaged in activities where the workforce is largely female (beauty care, food production, restaurants, trade)
- develop special credit facilities (micro-finance) for women entrepreneurs in small scale businesses
- measure and publicly report on progress to achieve gender equality

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c. come up rapidly with the guidelines on the funding of political parties

**BOOSTING WOMEN PARTICIPATION**

a. affirm high-level support and review existing legislation for gender equality

b. develop programmes recognizing women’s accomplishments and advancement

c. identify and address security issues, including the safety of women traveling to and from work

d. Include job placement services for women victims of domestic violence

e. implement the legal framework for freelancing and teleworking which will provide flexible working hours

f. incentivise businesses to invest in nursery and childcare activities for their employees at work

g. provide financial assistance to cover maternity benefits for SMEs engaged in activities where the workforce is largely female

h. develop special credit facilities (micro-finance) for women entrepreneurs in small scale businesses

i. measure and publicly report on progress to achieve gender equality

**5 ACCELERATING OUR AFRICA STRATEGY**

Business Mauritius would wish to put on record our appreciation of the important developments on the Africa strategy. The Special Economic Zones (SEZ) initiative with progressive countries and supported by G2G agreements is a positive step towards a value proposition for international investors to use the Mauritian platform for their investments on the continent. In addition, the International Trade and Economic Cooperation agreements that are currently being pursued by Government - including those with the African continent, India and China among others, as well as regional agreements with neighbouring countries – also have the potential to firmly consolidate our position as the African platform for doing business on the continent and should be pursued in a focused and coordinated manner.

In light of the above, we would encourage Government to accelerate the second phase of the spirit which prompted the SEZ project in order to create a platform for the expansion of Mauritian businesses into African territories. This will enable the Mauritian business community to strengthen its activities with both its African counterparts and its international business partners towards common objectives of economic development of the continent. Such expansion will necessarily go beyond the SEZ to encompass the retail and corporate markets, including banking and financial services. In this respect, the initiatives towards improving business facilitation on the continent through peer-to-peer learning and further promoting mobility of Mauritian residents (professionals and investors) on the continent are of key importance.

Furthermore, risk mitigation should now also be accelerated at a more systemic level through assistance from international organisations on political risk insurance. To that extent, a fund to tap into these costly mechanisms would be a welcome initiative.
We would further recommend that the project to establish the secretariat for the APEI member states of the EU-EPA agreement in Mauritius be implemented rapidly in order to accelerate the programme of economic integration within the like-minded group of African countries.

We would also propose the creation of innovation funds accessible to professionals from Asia and Africa for better application of proven technologies for the continent, particularly in Fintech, energy and ocean economy.

In the same vein, funds could be earmarked for better cultural understanding of the continent from an Asia-Africa bridge perspective.

We would also recommend maintaining the policy towards opening of air access. It is expected that new developments such as Kenya Airways flying to Mauritius will further embed the Asia-Africa corridor initiative. However, for the successful development of our platform, affordable connectivity to more African cities is necessary. Our air access policy should be directed by the needs of a plethora of sectors including tourism, financial services, export-oriented manufacturing. It is recommended to 1) develop a national strategy to improve air passenger and freight costs and connectivity to the targeted African cities and 2) consider incentivising interline agreements to extend connectivity from Asia to Africa.

While the above should result in strengthening our position on the Asia-Africa corridor, a rifle approach needs to simultaneously be adopted regarding the improvement of export market penetration by large as well as small and medium local enterprises in African countries. We would recommend:

- the creation of a business intelligence database that would provide detailed information on African markets for specific products by HS code and customs information on trade competitiveness;
- coordinated marketing actions by EDB and trade negotiation agreements by the Ministry of Foreign Affairs based on the output of the business intelligence database, and;
- a subsidized export credit insurance and client risk assessment services for DOEs and SMEs which are building the export-readiness capabilities for the region.

Furthermore, we would encourage the acceleration of the project to integrate the Stock Exchange of Mauritius to the African network of stock exchanges, starting with the Johannesburg Stock Exchange.

Finally, we would recommend considering the long term advantages of making Mauritius the reference for conversion of African currencies in the context of the African Continental FTA. It is understood that the central bank is already the clearing house for COMESA and is considering extending its capabilities to the SADC. A logical next step would be to assist commercial banks to gradually move into the African currency conversion space. This will require favourable policies on bank reserves for clearing of these currencies, with the final position being a BoM backed-guarantee.
RECOMMENDATIONS: ACCELERATING OUR AFRICA STRATEGY

a. create a platform for the expansion of Mauritian businesses into Africa with local and international partners beyond the Special Economic Zones in retail and corporate services
b. assist in improving business facilitation on the continent through peer-to-peer learning
c. assist in improving mobility of Mauritian residents (professionals and investors) on the continent.
d. systemic mechanism for assistance from international organisations on political risk insurance
e. establish the APEI secretariat in Mauritius
f. create an innovation fund for professionals from Asia and Africa to develop proven technologies for the continent
g. create a fund for better cultural understanding of the continent from an Asia-Africa perspective
h. pursue opening of air access and affordable connectivity to more African cities
i. create a business intelligence database that would provide detailed information on African markets and information on trade competitiveness
j. ensure coordinated marketing actions by EDB and trade negotiation agreements by the Ministry of Foreign Affairs based on business intelligence
k. provide a subsidized export credit insurance and client risk assessment services for DOEs and SMEs which are getting export ready
l. encourage the acceleration of the project to integrate the Stock Exchange of Mauritius to the African network of stock exchanges, starting with the Johannesburg Stock Exchange
m. make Mauritius the reference for conversion of African currencies in the context of the ACFTA

6 Unlocking Investment Potential in the Economy

With the interplay of, on one side, the positive push from the national investment programme and the growing ICT, financial services and tourism sectors, and, on the other, the sub-par growth rate of the manufacturing sector and the decreasing price of sugar on the international market, it is essential to unlock new investment opportunities. New economic activities, such as the ocean economy or the healthcare industry, are yet to reach the maturity stage to be expected to take over from the traditional sectors in the next few years. In this context, opportunities in three specific sectors that could significantly push out the production function are highlighted, namely energy, infrastructure and the circular economy.

We could well envisage an economy back on a 5% growth track in an ideal scenario where the Public Investment Programme is implemented within a reasonable timeframe; the export-oriented manufacturing picks up from the proposed set of accompanying measures and benefits from the positive global context; the services sector continues on its growth path and further enhances its performance from a coordinated and successful Africa strategy; and, the unlocking of considerable investments in the energy, infrastructure and circular economy sectors.
6.1 Energy

The energy sector has the possibility to unlock significant private sector investment. In order to move fast and also to position Mauritius as a leader in the region, the following actions are recommended:

- ensuring that the Utilities Regulatory Authority becomes operational with a proper legal framework, capacity and resources;
- a clear roadmap, including the assessment of demand and supply in terms of peak and base load, for the next 5 years as well as the commitments of Mauritius in terms of renewable energy; a model that encourages private investment with the necessary review of the legal and regulatory framework and of the various existing schemes of the CEB (SSDG, MSDG) to give predictability to investors in the sector;
- the development of a National Biomass Framework to prepare for alternative sources to replace coal and fossil fuels;
- regrouping the functions for managing and processing of SSDG applications and the monitoring of the quality standards of installations under a single roof, outsourcing this function to private bidders, with the CEB retaining the role for testing, commissioning and approving the Grid Code aspects, and;
- finalisation of the proposed improvements to the MSDG framework.

Furthermore, with the Programme National d’Efficacité Énergétique (PNEE) which was launched in 2015, private operators have been provided with an impetus to invest in energy efficiency through this public-private cooperation which has resulted in potential savings of MUR423 M p.a. The PNEE Phase 2 (2018-2022) will be launched shortly and in this context, it is recommended to:

- define a clear transition from a voluntary energy audit scheme toward mandatory energy audit by introducing the system of “voluntary/negotiated agreements” with the support of the Energy Efficiency Management Office, and;
- provide a grant scheme to SMEs to benefit from PNEE pre-audit campaigns.

In addition, since non-renewable sources account for 85.4% of the national energy requirement, where land transport contributes to 37% of the energy consumption and 25.3% of emissions, we would propose the following measures to reduce carbon emissions and encourage use of alternative energy sources:

- Encourage a national strategy on quality of fossil fuel which should be relayed as clear quality standards in procurement contracts. In the first phase, the quality of imported gasoline and diesel should be improved from EURO 1,2,3 to EURO 4,5,6 standards;
- Create an enabling environment for the adoption of Electric Vehicles (EV) with Green Charging. A set of accompanying measures would include i) removing restrictions on third party resellers (including supermarkets) of electricity for EV recharging in order to enable the creation of a network of charging stations across the island and ii) create an incentive package for EV buyers.
- Introduce engine norms for commercial vehicles, and;
- Create awareness of the LEED / BREEAM standards to be adopted by corporates together with incentives to support the scheme.
We would also recommend that the necessary actions be taken to pave the way for a future carbon credit market and for a Local Footprint label.

### 6.2 INFRASTRUCTURE

With public sector investment expected to rebound by 17.9% in 2018, it is proposed that the scheme for a margin of preference for local companies be reviewed for more clarity on implementation. We would also recommend that the foreign labour constraints for the construction industry be reviewed to take into account labour market scarcity in the sector.

Furthermore, we would recommend that a public procurement mechanism for full scale projects be reviewed in order to build capacity for the consideration and analysis of public-private partnership bids and to operationalise the Build Operate Transfer Project Act. This particular model could be a game-changer in bringing private investment for infrastructure requirements such as the proposed port breakwater without unduly burdening the public debt situation.

In addition, a set of measures are proposed to facilitate the business environment for developers, namely:

- Open the “excision or distraction” at level of Local Authorities to one every year without limitation on size to alleviate undue burden and bottlenecks at the level of the Morcellement Board. It is understood the taxation per square metre that is applied by the Morcellement Board would remain;
- Propose a joint committee to review the guidelines of the Morcellement Act to align with best practices in planning, and;
- Recommend the elimination of the lapsing of land conversion rights as there are environmental benefits to keep cane plantation on land with conversion rights and a forced development ahead of the matching of demand and supply may cause an excess supply on the market with adverse impact on the construction industry.

### 6.3 CIRCULAR ECONOMY

There is an obvious crying need for mobilisation against the alarming rate at which waste is being produced and sent to landfill. It is urgent to put in place policies to reduce, recycle and re-use. While there are innovative solutions, operators in the circular economy are discouraged by delays in legislation, lack of enforcement and inconsistent regulations.

A key issue is that the environmental taxes are not going back to operators. It is proposed that part of the environment protection fees be directed into schemes to encourage biomass energy production and readily recyclable waste streams like used oils, electronic products and office waste.

In particular, we would wish to highlight the need to create a liquid industrial effluents waste stream as a priority. Based on a study jointly carried out with AFD for six industrial sectors, a 10-year roadmap has been produced for reducing usage of water by 20% and managing effluent treatment. BM would recommend to develop a pilot phase in partnership with the Ministry of Public Utilities to define the potential water usage and effluent management benefits for companies in the identified sectors.
Furthermore, we would recommend the creation of a network of ‘déchetteries’ (waste depot) for individuals and small companies. Local Authorities could allocate plots on 10-year leases for 25 waste depots across the island. These could be operated as concessions by small local businesses against payment for collection of cans, plastic bottles and other small consignment items.

In addition, we would propose that a continuous process be established for collection and dissemination of statistics for waste emission and treatment in Mauritius. An initial study is required to quantify currently non-recyclable waste which will open the way for a roadmap of possible recycling avenues.

Finally, we would advocate for a joint public private working group to coordinate actions on waste management with the Ministry of Environment and EDB as the public sector partners.

**RECOMMENDATIONS: UNLOCKING INVESTMENT POTENTIAL IN THE ECONOMY**

**ENERGY**

- a. operationalise the Utilities Regulatory Authority
- b. develop a clear 5-year renewable energy roadmap to give predictability to investors
- c. develop a National Biomass Framework to replace coal and fossil fuels
- d. improve SSDG by outsourcing the application function to private operators
- e. finalise the proposed improvements to the MSDG framework
- f. introduce “voluntary/negotiated agreements” for energy audits
- g. provide a grant scheme to SMEs to benefit from PNEE pre-audit campaigns
- h. encourage a national strategy on quality of fossil fuel and improving the quality of imports
- i. create an enabling environment for the adoption of Electric Vehicles (EV) with Green Charging
- j. introduce engine norms for commercial vehicles
- k. create awareness of the LEED / BREEAM standards to be adopted by corporates
- l. pave the way for a future carbon credit market and for a Local Footprint label

**INFRASTRUCTURE**

- a. provide clarity on implementation of margin of preference for local companies
- b. remove foreign labour constraints for the construction industry
- c. operationalise the Build Operate Transfer Project Act for private investment for infrastructure requirements
- d. open the “excision or distraction” at level of Local Authorities to one every year without limitation on size
- e. create a joint committee to review the guidelines of the Morcellement Act to align with best practices
- f. eliminate the lapsing of land conversion rights

**CIRCULAR ECONOMY**

- a. direct part of the environment protection fees to schemes to encourage biomass energy production and readily recyclable waste streams
- b. develop a pilot phase for liquid industrial effluents in partnership with the MEPU
- c. create a network of ‘déchetteries’ (waste depot) for individuals and small companies
- d. collect and disseminate statistics for waste emission and treatment in Mauritius
- e. coordinate actions on waste management through a joint working group
7 ACCENTUATING THE COMPETITIVENESS OF OUR MANUFACTURING BASE

This section deals with the manufacturing sector recommendations and has specific recommendations on Domestic Oriented Enterprises (DOEs). The competitiveness elements relating to labour productivity are dealt with in the labour section of this document.

At the outset, Business Mauritius would wish to highlight our conviction that at its current stage of development the Mauritian economy requires a solid manufacturing base which will provide employment opportunities to a tenth of our labour force including low skilled and unskilled workers, create an ecosystem for a cluster of small industries, generate foreign earnings and generally contribute to socio-economic development.

In this context, we note with concern that the manufacturing sector which a decade ago represented approximately 17% of GVA is now forecasted at 13.1% for 2018. The sector’s growth remains sub-par compared to the national growth rate and the export-oriented enterprises show negative growth over the last three years. The need for industrial FDI is also strongly felt.

However, on the positive side, out of our top trading partners - United Kingdom (UK), France, United States of America (USA) and South Africa – three out of four are expected by IMF to post higher growth rates in 2018 and 2019 compared to 2017, with the exception of the UK.

To accentuate the competitiveness of our manufacturing base, a set of measures are proposed below.

First, we would recommend a concerted plan by the national promotion agency to intensify presence in core markets to take advantage of higher growth rates and diversify our efforts in high growth markets, including emerging Europe.

Second, we would urge Government to consider investment in a break water for Port Louis harbour as a climate adaptation solution due to the increased downtimes of the quay as a result of high waves. In the same line, we would highlight the imperative to quickly address the management and HR development needs of cargo operations.

Third, we suggest to provide the mechanisms for a forward cover from the order to payment time. This forward cover can be operated by commercial banks with Government assisting in reducing the costs as a support to the manufacturing industry. Moreover, we would recommend that this measure be supplemented by a clear policy for the Bank of Mauritius to act as a last resort for the exchange of hard currencies to Mauritian rupees at a rate convenient to both parties.

Fourth, we would propose that a fast-track mechanism be put in place for the VAT refund on the import of raw materials for domestic oriented enterprises.

Fifth, we would propose a set of measures to improve innovation in manufacturing by:

i) scaling up of the Collaborative Research and Innovation Grant scheme;

ii) removing the process for VAT claim on purchase of equipment with embedded technologies to reduce the cash flow burden of small manufacturing units; preferably by zero-rating such equipment for VAT purposes;
reinforcing the New Technology Training Scheme to encourage awareness of new technologies and increase the ceiling to include overseas trainings;

iv) scaling up the StartmeUp programme, and;

v) creating an attractive Occupation Permit scheme for innovators.

Sixth, we would suggest that the EDB, together with the monitoring of Ease of Doing indicators, also engages in focused actions on components of The World Economic Forum’s Global Competitiveness Report where Mauritius lags behind. With regard to comparator countries from emerging markets, Mauritius should improve on the criteria of innovation, strength of institutions, infrastructure, higher education and training, labour market efficiency and technological readiness.

**Domestic Oriented Enterprises (DOEs)**

Business Mauritius recognises the role that DOEs have as a pillar of local communities, as part of the Mauritian identity and as a vector to reduce the country’s carbon footprint by providing import substitutes. However, in a globalised environment, these DOEs are required to compete against international products on their domestic market as well as get ready for export.

We would recommend a specific set of measures to assist DOEs in the transition period while they become export ready. This will include:

- a reduced corporate tax rate of 3% be applied to DOEs for a period of 8 years to enable DOEs to build export-readiness capabilities and to allow for a level playing field with imports
- the extension to DOEs of the investment tax credit 5 percent over 3 years (i.e. 15% in total) currently applicable to the EOE sector
- the implementation, for the list of highly sensitive products, of a freight rebate scheme on import of raw materials
- provision of a one-off grant for DOEs to set up their ecommerce sales channels
- provision of a grant to DOEs on legal assistance for the drafting of international export and investment contracts

**RECOMMENDATIONS: ACCENTUATING THE COMPETITIVENESS OF OUR MANUFACTURING BASE**

a. intensify presence in core markets and diversify our efforts in high growth markets
b. invest in a break water for Port Louis harbour
c. address the management and HR development needs of cargo operations
d. provide the mechanisms for a forward cover from the order to payment time by commercial banks with Government assisting in reducing the costs
e. recommend BoM to act as a last resort for the exchange of hard currencies at a rate convenient to both parties
f. fast-track the VAT refund on the import of raw materials for domestic oriented enterprises
g. improve innovation in manufacturing by:
   - scaling up of the Collaborative Research and Innovation Grant scheme
   - simplifying the process for VAT claim (zero-rated VAT) on purchase of equipment with embedded technologies for SMEs
   - reinforcing the New Technology Training Scheme to encourage awareness of new technologies and increase the ceiling to include overseas trainings
   - scaling up the StartmeUp programme and
   - creating an attractive Occupation Permit scheme for innovators.

h. recommend EDB to engage in focused actions on components of The World Economic Forum’s Global Competitiveness Report

i. propose a reduced corporate tax rate of 3% to be applied to DOEs for a period of 8 years to build export-readiness capabilities and to allow for a level playing field with imports

j. extend to DOEs the investment tax credit 5 percent over 3 years (i.e. 15% in total) currently applicable to the EOE sector

k. implement, for the list of highly sensitive products, a freight rebate scheme on import of raw materials

l. provide a one-off grant for DOEs to set up their ecommerce sales channels

m. provide a grant to DOEs on legal assistance for the drafting of international export and investment contracts

8 Promoting Resilience and Growth in Financial Services

While it is understood that banking and insurance issues are being discussed at the industry level, the following cross-cutting requirements for the financial services sector are proposed:

- improving training and skills development in the financial sector through a rationalization and acceleration of the programmes of the Financial Services Institute, and;
- developing as a priority the centralised KYC database for the financial services sector and planning interfaces with public databases to allow for specific queries on non-confidential information from businesses, with the necessary changes in the regulation governing the information highway. This should also have positive ripple effects on our ease of doing business ranking.

8.1 Global Business

This section deals principally with recommendations on the global business sector further to the signing of the multilateral convention to implement tax treaty related measures to prevent base erosion and profit shifting ("Multilateral Instrument" or "MLI").

Business Mauritius would wish to recognise the work being carried out at the level of the Ministry of Finance and Economic Development, the Ministry of Financial Services, the FSC and the Financial Services Consultative Council, particularly to develop the blueprint for the Mauritian economy and to progress on the MLI with the understanding that advantages can be maintained but in strict respect of
international laws, to reassure global players. We would recommend that the coordinating mechanism between the various bodies be strengthened and that the blueprint be developed and implemented at the earliest.

It is understood that the future of our global business sector would lie in creating an enabling environment to attract greater substance to the jurisdiction. In this context, we would wish to propose the following measures:

- review the taxation regime for GBC1 at 3% to align with the export of goods regime with the understanding that further discussions are necessary regarding revenue-neutrality;

- review the GBC2 vehicle i) by recognising that it is a preferred vehicle for specific transactions ii) transforming the GBC2 into a smarter and leaner SPV while ensuring that it is transparent and meets all KYC requirements and transfer pricing rules and iii) provide a harmonized tax regime for GBC2 aligned or below the proposed GBC1 regime;

- opening the economy to more global law firms with an action plan set with the local legal community towards this objective;

- review the FSC’s role with regard to the regulation of global business companies so that it focuses on non-banking financial services activities while putting the onus on management companies for compliance and governance of global companies that are not carrying out financial services activities. It is understood that under this proposal, the FSC will thereafter regulate management companies in a more stringent way;

- develop competencies on Fintech regulation, including Payment Intermediary Services licensing which can unlock large opportunities for mobile banking and peer-to-peer credit facilities on the continent, and;

- develop the necessary levers to synergise the need for substance of GBCs with the development capabilities of local technology companies. For example, FSC could encourage the development of digital platforms for international fund managers to communicate with the local tech industry.

This will pave the way for an eventual integration of the global business sector with the domestic economy, driven by the trust that GBCs have in the Mauritian economy. With these measures, clients, particularly African ones, may move some of the decision-making to Mauritius.
RECOMMENDATIONS: PROMOTING RESILIENCE AND GROWTH IN OUR FINANCIAL SERVICES SECTOR

- improve training and skills development in the financial sector
- develop the centralised KYC database for the financial services sector
- strengthen the coordinating mechanism in the IFC sector and develop/implement the financial services blueprint
- review the taxation regime for GBC1 at 3% with further discussions on revenue-neutrality
- review the GBC2 vehicle i) by recognising that it is a preferred vehicle for specific transactions ii) transforming the GBC2 into a smarter and leaner SPV while ensuring that it is transparent and meets all KYC requirements and transfer pricing rules and iii) provide a harmonized tax regime for GBC2 aligned or below the proposed GBC1 regime
- open the economy to more global law firms with an action plan set with the local legal community towards this objective
- review the FSC’s role with regard to the regulation of global business companies so that it focuses on non-banking financial services activities and regulate management companies in a more stringent way
- develop competencies in Fintech regulation and Payment Intermediary Services
- develop, through the FSC, digital platforms for international fund managers to communicate with the local tech industry

9 OTHER SECTORAL MEASURES

Some specific recommendations are brought to attention in the ICT sector, agriculture and agro-processing, and export of education services.

9.1 INFORMATION AND COMMUNICATION TECHNOLOGIES

BM notes with interest the planned increase in broadband infrastructure to add to the international backbone and the activities carried out the better service the domestic market.

It is expected that in the coming years, growth in the ICT sector would come from the development of software for the industry rather than outsourcing and telecommunications.

Some Fintech recommendations that could boost the IT sector have already been provided under the financial services section.

In addition, BM would wish to recommend the following:

- the operationalisation of research and development tax incentive scheme announced in last year’s budget at the earliest, and;
- the positioning of Mauritius as a centre for internet governance for Africa.

We would also recommend a set of measures that will focus on the transition towards higher-value added services for the industry. Particularly, companies engaged in the development of software products contribute significantly in terms of value-addition per full-time equivalent (FTE).
We would therefore encourage a government-university-local tech–international tech partnership model to develop university-level courses on software design and development, the funding of development workshops and boot camps, and a specific set of incentives for the creation of Intellectual Property by Mauritian companies, particularly for the creation of competencies linked to cloud opportunities and African growth in ICT demand.

Finally, we would encourage the simplification of the Occupation Permit for IT professionals and recommend a special class of Occupation Permit for innovators based on stringent capabilities criteria.

9.2 TOURISM
While the continued progress in the arrival figures is noted, the stagnation of unit tourist night spend is viewed with concern and clearly points to potential for growth of tourist spend outside accommodation, including attractions, shopping and cultural experiences among others.

The recent sharp increase in the share of para-hotel accommodation should be managed in terms of quality and reputational risks of the destination. To that extent, it is recommended that the grading of non-hotel accommodation be launched while the star-rating of hotels be completed at the earliest. The grading system should be accompanied by an increased enforcement capacity.

In addition, we would recommend a better regulation of the tourism leisure market, with clear directives on the number of permits and licences, increased enforcement, more stringent sanctions and a greater use of technology to ensure that permit holders are respecting their commitments. There should be abundant information to guide tourists towards conforming operators and warn them of non-conforming ones.

With regard to the hotel taxi operators, we would support the implementation of a taximeter system to ensure transparency and predictability for users.

Moreover, we would recommend that a clear aquaculture framework be first established backed by scientific data specific to Mauritius before allowing large scale operations to start.

Finally, with regard to the Environment Protection Fee (EPF), we would recommend that the scheme be fully reviewed in the light of major changes since its implementation in 2003. In line with proposed waste management schemes, we would recommend a model where private environmental initiatives could be offset against the levy.

9.3 AGRICULTURE
Business Mauritius, as co-chair of the Joint Technical Committee on sugar, would support and recommend the structural and support measures proposed by the committee for the transition of the sugarcane industry towards sustainable production over the next five years.

Against the threat of decreasing prices in our main export market, bold measures are required with the twin objectives of (i) increasing the revenue of producers and (ii) reducing the production costs. The two objectives have to be met concurrently and, in that regard, the JTC has identified two major components
which will act as game changers in bringing the necessary structural reform of the sugarcane industry. The game changers are:

- First, the Energy component that would provide the means to increase the producer revenue; and
- Second, the overhaul of the Labour laws that would enable the industry to reduce significantly its production cost and, more importantly, the viability price of the sector which has to be brought downwards in the context of lower sugar prices.

Furthermore, in line with the international and regional market requirements, Business Mauritius recommends the implementation of measures to accompany the producers towards the production of certified sugar production.

In addition, we consider that the issues in the non-sugar sector are overwhelming and require a determined approach for the creation of a framework that encourages the development of sustainable agriculture which will positively impact on the food quality, respond to the objectives set up in the Non-Sugar Strategic Plan 2016-2010 and ultimately the health of our society.

The actions listed below are necessary for the implementation of sustainable agriculture:

- Enact the Pesticide Use Bill with the accompanying measures for surveillance, enforcement and to train producers: control on the use of pesticides through traceability and enforcement on one side and on the other, better education and information on pesticide use and alternatives, particularly towards ageing growers with low education level;
- Promote sustainable production technology for fruits and vegetables to increase volumes per area of cultivation;
- Harmonize of the mandates of institutions in the agro-industry to remove overlaps and focus on complementarities;
- Create a reliable database of Producers through the setting up of a compulsory registration mechanism of producers for the benefit of agro-industry’s supply chain, and;
- Implement a holistic approach for sensitization programmes and training on best practices.

Furthermore, we would encourage the creation of a learning institution that would disseminate practical skills in agriculture, for example a New School of Agriculture.

While we welcome new schemes to encourage increased foreign investments in agro-processing for the export market, when there is a possibility for these exporters to sell on the local market while not paying corporate taxes, market distortions exist. In order to create a level playing field, it is proposed that either these foreign operators pay taxes on the share of their local sales or the local agro-industry operators also benefit from a low tax environment.

Furthermore, we would recommend that the foreign investors who opt to sell on the local market are mandated to abide to all the safeguards that apply to local producers. This will include, but not be limited to, sanitary and phyto-sanitary rules, MSB norms on import of raw materials and where relevant the clearances from the Drugs and Pharmaceuticals Board.
In the same context, the guidelines for import of raw materials, particularly fresh and frozen meat, for agro-processing should be reviewed in order to ensure that local operators with the obligation to meet HACCP certification as a mandatory condition pertaining to their customers’ cahier des charges are not penalised with respect to imported finished products. Local sourcing conditions should be subject to the primacy of SPS and HACCP requirements.

9.4 EDUCATION HUB
While recognising the effort done to establish Mauritius as an education hub, we would wish to bring to the attention of Government the pressing issues linked to the development of the sector. Since 2012, the number of foreign students have grown at a slow pace, below the initial targets.

We would recommend the development of a new roadmap to accelerate the growth of the sector while ensuring the quality of the education ecosystem.

In the meantime, some key recommendations are provided as follows:

- To provide Marketing Support to training institutions to move towards export of education services by extending the SME refund scheme to certified education providers to cover refund on marketing trips;
- To re-establish Study Work rights of at least 20 hours per week during the course to international students in Mauritius;
- To create post-Study Work rights for a duration equivalent to the course duration;
- To review the system of Students’ Pass which currently only applies to students with 720 course hours;
- To establish public-private discussions for a better agreement regarding Quality Assurance costs;
- To take into account that entry-level requirements should be as per international University standards and not based on Mauritian standards;
- Since research is an integral component of higher education, to open research grants to private institutions and;
- To develop a system of temporary student visa with regard to accommodation acceptance which must today be done prior to the student’s arrival for visa purposes.

**RECOMMENDATIONS: OTHER SECTORAL MEASURES**

**INFORMATION AND COMMUNICATION TECHNOLOGIES**

- operationalise the research and development tax incentive scheme
- position Mauritius as a centre for internet governance for Africa
- encourage a government-university-local tech–international tech partnership model to develop university-level courses on software design and development and other related training
- implement incentives for the creation of Intellectual Property by Mauritian software companies
- simplify the Occupation Permit for IT professionals and recommend a special class of Occupation Permit for innovators based on stringent capabilities criteria.
### TOURISM

- Tap into the potential for growth of tourist spend outside accommodation, including attractions, shopping and cultural experiences among others
- Complete the star-rating of hotels and start grading of non-hotel accommodation with increased enforcement capacity
- Better regulate the tourism leisure market and information campaign for tourists
- Implement a taximeter system to ensure transparency and predictability for users
- Establish a clear aquaculture framework backed by scientific data specific to Mauritius
- Review the environment protection fee and develop a model where private environmental initiatives could be offset against the levy

### AGRICULTURE

- Implement sector-specific measures of the Joint Technical Committee on sugar
- Promote sustainable production technology and environment for the sugar and non-sugar sector to meet local, regional and international certification standards
- Enact the Pesticide Use Bill with the accompanying measures
- Harmonize the mandates of institutions to remove overlaps and focus on complementarities
- Create a reliable database of Producers through the setting up of a registration mechanism for commercial and artisanal producers
- Implement a holistic approach for sensitization programmes and training on best practices.
- Create a New School of Agriculture for practical skills in agriculture.
- Maintain a level playing field for agro-processing industry between new foreign investors selling on the local market and local operators
- Ensure that foreign investors who opt to sell on the local market are mandated to abide to all the safeguards that apply to local producers
- Review local meat production guidelines to meet HACCP certification to reduce dependency on imports of frozen and fresh meat for certified local agro-processors
- Review urgently meat importation guidelines in line with the development of the agro-processing industry

### EDUCATION HUB

- Develop a new roadmap to accelerate the development of the sector while ensuring the quality of the education ecosystem
- Provide Marketing Support by extending the SME refund scheme to cover refund on marketing trips
- Re-establish Study Work rights of at least 20 hours per week during the course to international students in Mauritius
- Create post-Study Work rights for a duration equivalent to the course duration
- Review the system of Students’ Pass which only applies to students with 720 course hours
- Engage with the private sector for a better agreement regarding Quality Assurance costs
- Review entry-level requirements to ensure that international University standards apply
- Open research grants to private institutions
- Develop a system of temporary student visa with regard to accommodation acceptance
10 IMPROVING HUMAN CAPITAL DEVELOPMENT AND EMPLOYER-EMPLOYEE RELATIONSHIP

This section provides recommendations regarding human capital development, proposes amendments to the labour law and the vocational training environment among others.

10.1 HUMAN CAPITAL DEVELOPMENT

Recognising that work should allow the individual to satisfy not only material needs, but also the need for personal development and the desire to contribute to something larger than oneself or one’s family; that there is a common objective to make Mauritius a prosperous society to improve the quality of life of all Mauritians; that macro-trends in employability are at play and that the future of work needs to be managed in function of the levers which control these scenario, namely technological change, learning evolution and talent mobility; it is proposed to rethink in a sustainable way the relationship between employers and employees in tomorrow’s world of work.

In Mauritius, the supply of quality human capital is negatively affected by brain drain (70% of Mauritians studying abroad do not come back), staff turnover, mismatch between demand and supply of talents and employability of young adults. In light of the above, it is therefore recommended to:

- Develop the right ecosystem to allow for teleworking and the freelance economy. Provide a guarantee scheme towards commercial banks for them to reduce the cost of credit for freelancers. Encourage Statistics Mauritius and HRDC to compile and analyse statistics with regards to freelancers;
- Review the HRDC refund scheme, in view of the recurrent surplus of employer contribution over training refunds, in order to increase the refund to 80% for employers and up to 100% for SMEs as a measure to encourage training for productivity gains;
- Extend the HRDC refund scheme to include HR-related research and development with the possibility of grouping such research through national business associations;
- Provide greater facility of permits for international talents based on a national needs assessment, and for innovators based on stringent criteria;
- Open up the economy for foreign workers based on scarcity areas, including the construction industry where a quota is applied;
- Provide greater predictability to investors on occupation permit with a focus on rules-based policies and potentially the removal of discretionary powers for rules-based applications;
- In view of the developments in robotics and artificial intelligence, create a national Future Economy Council under the aegis of the HRDC to advise and make recommendations on the future of work, develop projects for skills mastery and lifelong learning of all Mauritians as well as life skills and meta skills to be introduced in the education system, and;
- Incentivise businesses to invest in leisure activities for their employees at work in the form of accelerated depreciation of leisure assets bought for the health benefits of employees.
10.2 SKILLS DEVELOPMENT

Business Mauritius would support the fast tracking of the National Skills Development strategy which is being developed by HRDC in collaboration with AFD. This should set a common skills system for the country and provide a Career Guidance and Counselling System for school leavers and youths with emphasis on behavioural aspects and effective employability skills.

We would also recommend the operationalisation of the Skills Development Authority (SDA) as a regulator with the responsibilities to i) regulate TVET ii) award national certificates and diplomas and iii) execute National Skills Development policies with enhanced participation of the private sector.

Furthermore, we would propose the widening of the scope of the National Apprenticeship Scheme to include all economic sectors.

We would also support the recognition of on-the-job skills through MITD’s project to set standards for certification, conduct trade tests and award the trade test certificates to successful candidates.

Finally, we would recommend to extend the successful model of managing the NSDP and GTES through a public-private Steering Committee under the HRDC to include the YEP and DTP schemes in order to achieve greater coherence and effectiveness.

10.3 IMPROVING EMPLOYER-EMPLOYEE RELATIONSHIP

The issue of ageing population cannot be underestimated in society as the proportion of people within the 60+ age band is growing over the years. BM is of the opinion that the impact of an ageing population on the labour market and precisely on social protection systems should be given due consideration.

We recommend that the High Level working group on pensions reform set up a few years ago at the level of the Ministry of Social Security be revived and that the impact of an ageing population on the financing of the universal old age pension and on the financing of free health be looked at.

In the first instance, we would recommend the realignment of the basic retirement pension rights for those over 60 and still in employment and earning above a reasonable threshold in order to take into account the extension in retirement age.

Regarding the promotion of sound and conducive industrial relations among the tripartite social partners, we propose that:

- the existing wage determination mechanism should be reviewed following the introduction of the National Minimum Wage (NWM) in order to give enterprises more visibility on payroll and employment issues;
- better coherence be brought among the various private and public institutions involved in the wage determination mechanism;
- supportive measures which have been provided to employers in certain sectors in the wake of the NMW should be extended to domestic oriented enterprises which employ a sizeable proportion of the national workforce and which are facing certain difficulties, and;
• in order to encourage the joint determination of terms and conditions through the process of collective bargaining, the existing industrial relations framework be rendered more conducive by outlawing the unilateral variation of duly negotiated collective agreements during their tenancy without the consent of parties.

RECOMMENDATIONS: IMPROVING HUMAN CAPITAL DEVELOPMENT AND EMPLOYER-EMPLOYEE RELATIONSHIP

a. develop new legislation to allow for teleworking and the freelance economy
b. provide a guarantee scheme towards commercial banks for them to reduce the cost of credit for freelancers
c. collect statistics with regards to freelancers
d. review the HRDC refund scheme to increase the refund to 80% for employers and up to 100% for SMEs
e. extend the HRDC refund scheme to include HR-related research and development
f. open up occupation permits for international talents and innovators
g. open up the economy for foreign workers based on scarcity areas
h. provide greater predictability to investors on occupation permit
i. create, in view of the developments in robotics and AI, a national Future Economy Council to make recommendations on the future of work, lifelong learning, life skills and meta skills
j. incentivise businesses to invest in leisure activities for their employees at work.
k. fast-track the National Skills Development strategy
l. operationalise the Skills Development Authority
m. widen the scope of the National Apprenticeship Scheme to include all economic sectors
n. provide recognition of on-the-job skills through MITD’s project to set standards for certification, conduct trade tests and award the trade test certificates to successful candidates
o. ensure coherence and efficiency by regrouping employability schemes (NSDP, GTES, YEP and DTP) through a public-private Steering Committee under the HRDC
p. revive the High Level working group on pensions reform
q. realign basic retirement pension rights for 60+ still in employment and earning above a reasonable threshold following the extension in retirement age
r. review the existing wage determination mechanism following the introduction of the National Minimum Wage (NWM)
s. bring better coherence among the various private and public institutions involved in the wage determination mechanism
t. provide supportive measures in the wake of the NMW to be extended to DOE
u. outlaw unilateral variation of duly negotiated collective agreements
11 Developing SMEs for Growth

Recognising the importance of SME for economic growth, an SME for Growth plan is proposed to bring SMEs into the export sector through a joint collaboration between SME Mauritius and Business Mauritius for a hands-on approach for the export-ready quality standards and business development skills for SMEs. SME for Growth would require sufficient resources for enrolling high calibre facilitators and access to a pool of international experts through cooperation agreements.

Furthermore, we would recommend a set of business facilitation measures for entrepreneurs and SMEs as follows:

- creating an SME grant to accede to Quality Assurance certification
- improving the SME Refund Scheme disbursement procedures for overseas marketing action
- including an additional section in the Building Control Act for main contractors to include a list of sub-contractors in order to protect small suppliers from delays/non-payment from the main contractor
- renewing the Leasing Equipment Modernisation Scheme (LEMS)
- automatic waiving of trade fees for the first two fiscal years of operation for a SME
- including a monitoring clause in Government contracts for SMEs which looks at the value-added and jobs sustained by SMEs prior to award of contract

RECOMMENDATIONS: DEVELOPING SMES FOR GROWTH

a. provide the SME for Growth initiative with sufficient resources
b. consider an SME grant to accede to Quality Assurance certification
c. improve the SME Refund Scheme disbursement procedures for overseas marketing action
d. include an additional section in the Building Control Act for main contractors to include a list of sub-contractors in order to protect small suppliers from delays/non-payment from the main contractor
e. renew the Leasing Equipment Modernisation Scheme (LEMS)
 f. consider the automatic waiving of trade fees for the first two fiscal years of operation for a SME
g. include a monitoring clause in Government contracts for SMEs which looks at the value-added and jobs sustained by SMEs prior to award of contract

12 Inclusive Growth

The 2018 World Bank report on ‘Addressing Inequality through More Equitable Labor Markets in Mauritius’ highlights the increasing gap between the incomes of the poorest and the richest 10 percent of households. The business community endeavours to accelerate its efforts in addressing the underlying causes, namely through sensitisation, information, guidelines, sharing of best practices and
training on issues like talent management, management of new generations, improving the employee experience and encouraging women’s participation.

With the vision of making Mauritius a world example of collaboration across the society to ensure inclusive growth, togetherness and serenity for the people, the business community would be willing and able to play a leadership and coordinating role in the Fight Against Poverty (FAP).

We would recommend the scaling up of the Lovebridge project which is now showing concrete results on poverty alleviation. The project addresses six pillars in the fight against poverty, namely:

- Education
- Food
- Housing
- Healthcare
- Jobs
- MASCOR (individual levers: Motivation, Attitude, Savoir-Faire, Courage and Responsibility)

The project recognises that the pillars are inter-connected and that only a systemic approach to all 6 pillars can lead to long-term solutions.

Therefore, it is also recommended to create an interactive platform in order to encourage synergies between social transfer programmes (either directly by Government or by NGOs that are implemented on these axes) to cross-cutting projects such as Lovebridge. The enhanced interaction will enable the immediate connection of low-income families to the various social transfer projects through local facilitators, sustaining the progression of these families towards autonomy. The Lovebridge pilot has demonstrated in a measurable way that vulnerable families on the programme have leapt from precarious livelihood to autonomy is an encouraging example that can be scaled up.

In addition, with regard to Corporate Social Responsibility, since 2009, enterprises have directly or through their foundations implemented projects or financed NGOs in the following fields:

- poverty alleviation
- dealing with health problems
- leisure and sports
- environmental and sustainable development, and
- educational support and training

These endeavours have contributed immensely to the sustainable social and environmental development of the country through:

- the integration of vulnerable populations (reinsertion, work, schooling, literacy);
- awareness on prevention, testing and treatment of communicable and non-communicable diseases;
- promotion and organisation of leisure and sports activities;
- cleaning and upgrading of the environment, and;
• raising awareness and promoting access to local tertiary institutions, provide educational and psychological accompaniment.

The CSR capabilities of the private sector through their foundations support the NGO networks which would otherwise not exist.

It should be recalled that when the CSR programme was introduced in 2009, profitable companies were required to devote 2% of their book profits for carrying out CSR activities under approved programmes as per published guidelines either directly, through an NGO, a Special Purpose Vehicle (SPV) or a Corporate Partner. In 2010, the utilisation of CSR was reviewed with 50% of the resources used to focus on three national priorities, namely social housing, welfare of children from vulnerable groups and eradication of absolute poverty. In 2015, CSR guidelines were removed and companies were allowed to use funds according to their own CSR framework. In 2016/17, the CSR framework was again modified to set up a National CSR Foundation (NCSR), to reintroduce guidelines through six priority areas of intervention and to require businesses to contribute at least 50% of their CSR money to the NCSR.

With the evolution of the CSR mechanism where 50% is remitted to the MRA, this contribution runs the risk of being perceived as an increase in corporate taxation for the Mauritian economy. It is also highly detrimental to the network of NGOs that are today supported by the foundations, and whose survival depend on the continued financing from these foundations. It must be noted that the list of NGOs which were receiving funding from foundations and those now funded by the NCSR are, to a few exceptions, the same. These NGOs have expressed their concerns over the predictability and sustainability of long-term funding through the NCSR. They have also expressed their appreciation of their dealings with the foundations as they were able to benefit from CSR funds in a predictable long-term manner and in addition take advantage of the facilities, resources, equipment, managerial experience and networks of the foundations and their corporate partners.

It is therefore proposed that companies continue to keep 50% of their CSR contributions to implement their CSR projects as per their own framework. Moreover, we would recommend that section 50L sub-sections 9(a) and (b) as per the Finance (Miscellaneous Provisions) Act 2016, which allowed companies to use part or whole of the remaining 50% for investing in priority projects be reinstated.

RECOMMENDATIONS: INCLUSIVE GROWTH

a. scale up of the Lovebridge project
b. encourage synergies between social transfer programmes and cross-cutting projects
c. allow companies to retain 50% of their CSR contributions and to use part or whole of the remaining 50% for investing in priority projects agreed jointly by authorities and the business community
13 LAGOON AND BEACH PRESERVATION

The degradation of the Mauritian coastal ecosystem is very near the point of no return, with more than 75% of our coral reefs damaged or dead, fewer fish in our lagoons and an increasing problem of beach erosion. Urgent action is needed for the preservation our beaches in the foreseeable future.

The causes of degradation are known. They include intensive farming and agriculture, fishing, industrial pollution, sand extraction and deforestation. Many laws and regulations exist, but a national effort is required for the conservation and sustainable management of our lagoons and coastal ecosystems.

We would recommend the development of a national strategic plan to drive these objectives, combined with a methodical survey of the lagoon and related ecosystems, cell by cell and from ridge to reef.

A key issue is the enforcement of regulations. Currently, up to 14 authorities have a say for every action on a public beach, leading to lack of ownership and responsibility. It is therefore proposed that the roles and responsibilities of regulatory agencies to be clarified, simplified and communicated to stakeholders through appropriate channels.

Furthermore, we would recommend the setting up of a joint working group to review the existing framework and process for lagoon and coastal improvement works with the objectives of providing clarity and assigning responsibilities to all relevant stakeholders as well as ensuring more efficient actions for the sustainability of our lagoons and beaches.

In the same vein, it is recommended to include the EIA procedures for lagoon and coastal improvement in the business facilitation initiative so that the complex issues are followed and resolved in a systemic manner.

RECOMMENDATIONS: LAGOON AND BEACH PRESERVATION

a. develop a national strategic plan for lagoon and beach preservation
b. carry out a methodological survey of the lagoons and related ecosystems
c. review and simplify roles and responsibilities of agencies enforcing beach-related regulations
d. set up a joint working group to review the existing framework and process for lagoon and coastal improvement works
e. include the EIA procedures for lagoon and coastal improvement in the business facilitation initiative
14 SUSTAINABLE CITIES AND COMMUNITIES

There is a need to make cities and human settlements inclusive, safe, resilient and sustainable. Notwithstanding the natural beauty of Mauritius, our urban and rural areas are showing signs of obvious architectural pollution. The quality of infrastructure and services are inconsistent. There is an inconsistent use and enforcement of building standards and practices.

All this points to the need for long term planning of our cities and communities which should go hand in hand with an efficient implementation of national projects and effective multi stakeholder engagement and collaboration which gives priority to the maintenance, refurbishment and improvement of public infrastructure and spaces.

We recommend the preparation of a Sustainable Cities and Communities Framework, in consultation with all stakeholders as a guideline for the implementation of national projects, including best practices and a solutions-based approach to the systemic and operational issues of such project.

We would also support the proposed National Urban Regeneration Scheme which would aim at making existing cities smarter.

RECOMMENDATIONS: SUSTAINABLE CITIES AND COMMUNITIES

a. prepare a Sustainable cities and Communities framework
b. consider a National Urban Regeneration Scheme to make existing cities smarter

15 CONCLUSION

The window of opportunity presented by the upward momentum for the next two years can be meaningfully harnessed by Mauritius to accelerate the implementation of our Africa strategy, unlock investment potential in new sectors, accentuate the competitiveness of our manufacturing base, ensure resilience and growth of our financial services sector, improve the competitiveness of our labour force and develop an inclusive growth framework and the sustainable development of our cities, communities, lagoons and coastal zones.

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

April 2018