Memorandum on
2016-2017 Budget

14 April 2016
MEMORANDUM ON 2016-2017 BUDGET

1. INTRODUCTION

The object of this Memorandum is to highlight the views of Business Mauritius with respect to the economy of Mauritius and to submit proposals in the context of the 2016-2017 National Budget.

Business Mauritius regroups 1200 companies and 9 nine major business organisations, namely:-

- Association des Hôteliers et Restaurateurs de l’île Mauritius (AHRIM);
- Association of Mauritian Manufacturers (AMM)
- Building and Civil Engineering Contractors Association (BACECA);
- Insurers’ Association of Mauritius (IAM);
- Mauritius Bankers Association Ltd (MBA);
- Mauritius Chamber of Commerce & Industry (MCCI);
- Mauritius Chamber of Agriculture (MCA);
- Mauritius Export Association (MEXA); and
- Outsourcing & Telecommunications Association of Mauritius (OTAM)

The Council of Business Mauritius comprises nine Partner Members and six elected representatives from its corporate membership.

The focus of this Memorandum is on macro issues while its Partner Members, in their respective memoranda have adopted a more sectoral approach with specific proposals in their submissions.
2. CONTEXT

2.1 International Landscape

The recovery of the global economy remains fragile. With the exception of the US economy which is on a clear recovery path, all the BRICS (except for India) are facing serious economic challenges and the Euro zone performance remains very modest. The significant decrease in the price of commodities and that of oil is having an adverse impact on the performance of a number of countries in Africa. The pick-up in global activity is projected to be more gradual, especially in the emerging markets. According to the latest IMF World Economic Outlook, global growth is projected to be 3.2% in 2016 and 3.5% in 2017 with global risks tilted to the downside if China’s economic conditions do not improve and the US gradual exit from its extremely accommodative monetary policy proves to be painful to the emerging economies.

2.2 Domestic Landscape

In 2015, while the tourism sector renewed with double digit growth, the performance of other sectors namely, ICT, financial services and manufacturing kept their post crisis ‘new normal’ growth levels. Sugar production was abnormally below target (366,070 tons instead of 410,000 tons).

The economy has underperformed and not reached the pre-global financial crisis level of 5%. Investment rate has also continued to decrease as well as the share of private sector investment. Table 1 summarises these main indicators for the past 5 years.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP growth</td>
<td>3.6</td>
<td>3.4</td>
<td>3.2</td>
<td>3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Investment rate % GDP</td>
<td>24.0</td>
<td>23.0</td>
<td>21.2</td>
<td>19.2</td>
<td>17.7</td>
</tr>
<tr>
<td>Private Sector’s share of GDFCF</td>
<td>76.9</td>
<td>76.0</td>
<td>76.4</td>
<td>74.4</td>
<td>72.8</td>
</tr>
</tbody>
</table>
It is pertinent to highlight that the average annual GDP growth over the last 5 years is the lowest compared to the economic performance of Mauritius over the last 30 years as shown in Chart 1.

3. CHALLENGES FACING MAURITIUS

The decrease in the investment rate, especially the share of Private Sector investment is indeed a matter of concern. The constraints to investment are fairly complex resulting from a mix of regulatory, lack of policy clarity, infrastructural and business facilitation issues. These have to be addressed in an integrated approach.

This section raises some of the structural challenges and the proposals on the way forward are submitted in Section 4 of the Memorandum.
3.1 Raising the ‘productivity’ level across the economy

In a recent IMF study (January 2016) entitled “Africa on the Move – Unlocking the potential of small middle-income states (SMICS)”, (Botswana, Namibia, Seychelles, Cape Verde, Lesotho, Swaziland and Mauritius), one of the key findings for growth moderation in many Sub-Saharan Africa SMICS is the slowdown in the contribution of total factor productivity to GDP growth. According to the study, this slowdown reduces the potential of the SMICS to graduate from middle-income status into high-income country (HIC) status.

In Mauritius, the growth in productivity (labour, capital and total factor) over the last 5 years has either been negative or very modest. Compared to the productivity trend over the last 10 years and in spite of a modest recovery, productivity remains still low as shown in chart 2.

Chart 2

Labour Productivity; Capital Productivity & Multifactor Productivity – 2010 – 2014
3.2 Moving towards an innovation driven economy

The stage of development in which the economy of Mauritius is presently positioned as defined by the last Global Competitiveness Report (2015-2016) is one of a transition economy moving from an efficiency driven economy to an innovative driven economy as shown in Chart 3 below.

![Chart 3 – Stage of Development](chart)

At present, Mauritius does not perform well with respect to innovation and in the GCR, Mauritius ranks poorly when compared to the middle income countries which graduated into high income economies as shown in Tables 2 and 3.

<table>
<thead>
<tr>
<th>Category / Ranking in GCR</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>76</td>
<td>26</td>
<td>9</td>
<td>10</td>
<td>43 (South-Arica)</td>
</tr>
</tbody>
</table>

Another indicator which measures innovation in an economy is the industry/university collaboration and as shown below, the ranking of Mauritius is very low.

<table>
<thead>
<tr>
<th>Category / Ranking in GCR</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry/University collaboration</td>
<td>101</td>
<td>28</td>
<td>5</td>
<td>14</td>
<td>31 (South-Arica)</td>
</tr>
</tbody>
</table>
3.3 Other areas of weaknesses of SMICS relevant to the Mauritian context

While there are several areas where SMICS and graduated MICS are performing at comparable level, it is relevant to highlight some of the key areas where the SMICS are lagging behind. It has been observed across all the countries, including Mauritius, that these areas very often go beyond the Ministries of Finance and Central banks and, as such, require coordination across several Ministries and agencies. These areas relate to:-

(i) Inadequate connectivity infrastructure (Telecoms, Port and airport infrastructure);
(ii) Business Facilitation;
(iii) Labour market efficiency; and
(iv) Education and Training (Skills mismatch).

3.3.1 Inadequate connectivity (Telecoms, Port and airport infrastructure)

- *Telecommunications Infrastructure*

Mauritius does not perform well with respect to ‘advanced infrastructure’, namely, telecommunications infrastructure, as shown in Table V, vis-à-vis the high income economies as well as the top African performers.

<table>
<thead>
<tr>
<th>Category/ in GCR</th>
<th>Ranking in GCR</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed broadband penetration</td>
<td>56</td>
<td>16</td>
<td>23</td>
<td>30</td>
<td>54 (Seychelles)</td>
<td></td>
</tr>
<tr>
<td>International bandwidth availability</td>
<td>76</td>
<td>2</td>
<td>4</td>
<td>41</td>
<td>53 (Kenya)</td>
<td></td>
</tr>
<tr>
<td>Mobile broadband subscriptions</td>
<td>68</td>
<td>9</td>
<td>1</td>
<td>32</td>
<td>19 (Botswana)</td>
<td></td>
</tr>
</tbody>
</table>
3.3.2 Business Facilitation

Mauritius has improved its business environment over the last 10 years, as a result of constant collaboration between Government and the private sector, and now ranks first in Africa in the World Bank’s Ease of Doing Business Report. However, when compared to the graduated MICs, Mauritius still lags far behind.

<table>
<thead>
<tr>
<th>Category / Ranking in World Bank Report</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of doing business ranking</td>
<td>28th</td>
<td>3rd</td>
<td>1st</td>
<td>19th</td>
<td>43 South-Africa</td>
</tr>
</tbody>
</table>

3.3.3 Labour market efficiency

The labour market environment in Mauritius to-day is characterized by the contradiction contained in the outcomes and decisions of the NRB and PRB (by fixing both wages and conditions) and the philosophy of negotiations through collective bargaining as per the labour legislations of 2008. It is pertinent to highlight that with respect to this indicator, Mauritius lags far behind the MICs that graduated into high income countries and the top performer in Africa as per Table 7.

<table>
<thead>
<tr>
<th>Ranking in GCR</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour market reforms</td>
<td>52</td>
<td>3</td>
<td>2</td>
<td>32</td>
<td>9 (Rwanda)</td>
</tr>
</tbody>
</table>

3.3.4 Education and Training (Skills mismatch)

Quality of education and skills development is a key factor for graduating to a high income economy. Though Mauritius performs well with respect to some of the indicators like enrolment in primary education, and ranks highest in Africa, its ranking is
nonetheless far below that of each of the graduated MICs in higher education and training.

Table 8

<table>
<thead>
<tr>
<th>Category / Ranking in GCR</th>
<th>Mauritius</th>
<th>Hong-Kong</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Best of top African countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education and training</td>
<td>54</td>
<td>22</td>
<td>2</td>
<td>12</td>
<td>85 (Seychelles)</td>
</tr>
</tbody>
</table>

4. THE WAY FORWARD

The prudent macro-economic management and improved institutional arrangements in the country which resulted in impressive macro-economic performance in the past few decades will not suffice for the economy to achieve long term growth of 5%. In order to remain competitive as wages rise, the unifying theme of Mauritius should be how to raise investment rate to around 25% and to improve productivity across all sectors to avoid the middle income trap.

In the light of the above context and in order to address both the immediate bottlenecks constraining productivity as well as the structural changes blocking the long term investment, Business Mauritius would like to make the following proposals:-

4.1 Enhancing the fiscal environment

- **Effective rate of 15% across all sectors of the economy**

The dilemma of reconciling a simplified and uniform fiscal regime with the need to incentivise some specific activities while keeping fiscal revenue at an appropriate level of GDP is a daunting challenge. We believe that consolidating the 15% level of corporate and income tax while incentivising some key sectors, such as, global business R&D, smart agriculture, innovation and Africa centric activities could offer a balanced
solution. Accordingly, we would invite the authorities to remove all the additional taxes (above 15%) which are penalising some sectors, such as, tourism (EPF), telecommunications (levy) and segment A of banking (levy) to make the flat rate of 15% effective across the economy. These levies which were introduced years ago as a temporary measure can be removed given that the fiscal deficit has improved recently.

- **Rationalising the VAT environment**

In 1998, prior to the introduction of VAT, a structured Government/Private Sector consultation took place to resolve a range of specific issues, such as, VAT in the textile sector and other locally manufactured goods. In 2010, another round of discussions took place and a satisfactory conclusion was reached on these products. In the same process, we believe that there is scope for some further rationalisation of the VAT regime with respect to the following:

4.1.1 **Enable the recoverability of Input VAT on Credit Card Commissions**

As per section 50 of the first schedule of the VAT Act (Goods & Services exempted), banking services are exempted from VAT and, accordingly under S21(2) of the VAT Act, no Input VAT is recoverable on banking services. However as per the section 50 of the first schedule of the VAT Act, some banking services are not exempted from VAT such as merchant’s discount (or commission on credit card) whilst S21(2) still prevents the recovery of input VAT on all banking services (including merchant’s discount).

Hence VAT charged on merchant’s discounts is not recoverable by a registered entity even if this entity incurred these costs to make taxable supplies. This results in an increase of the operating costs of the said entity.
The general principle under the VAT Act is that input VAT is recoverable to the extent that such costs are incurred to make taxable supplies. As such S21(2) of the VAT Act has to be amended to be consistent in this respect.

4.1.2 VAT for Mauritians travelling abroad

We would like to invite the Authorities to consider granting Mauritians travelling abroad the VAT refund on goods purchased with a view to encourage local sales as opposed to them purchasing abroad.

4.1.3 VAT for Healthcare Service Provider

A study by the World Bank published in June 2015 revealed that out-of-pocket health spending is becoming an increasingly heavy burden on the households, particularly for the lower income groups. Between 2006 and 2012, the overall level of out-of-pocket health spending as a share of household income for the bottom 40% increased and did so at a much higher rate that the population as a whole.

Services provided in a health institution are currently VAT exempt, and as such, the service provider cannot apply for VAT registration and consequently, it has to bear the costs in relation to the VAT paid on the purchase of equipment, furniture and other goods and services required to provide the health services. The additional cost is ultimately passed on to the final consumer.

In order to pass on the full benefits of the ‘No VAT’ to the local and foreign consumers, Business Mauritius invites the authorities to make healthcare services a zero-rated service instead of being an exempt one.

4.1.4 VAT – Public Aquarium and Marine Life Centres

The growth in the tourism sector was achieved because of a more open air access policy as well as a broader and more comprehensive approach adopted in marketing Mauritius to the emerging markets of the Far East and Eastern EU countries. It is established that
visitors from these new origins are looking for new products, new forms of leisure and entertainment based on natural, cultural and educational experiences and discoveries. To match this demand, it is essential that Mauritius be in a position to offer a range of diversified and innovative products to supplement the existing and still dominant leisure approach.

Additionally, in keeping with our vision to develop the Ocean Economy and the provisions of the post-COP 21 Treaty of Paris, there is an urgent need to further increase public awareness on the vital importance of oceans and aquatic biodiversity on the sustainability of life on our planet and closer to us, in the Indian Ocean region and in our own lagoons.

For these reasons, appropriate incentives should be provided to support the setting of a world-class state-of-the-art public aquarium in Mauritius. Business Mauritius is thus proposing the following:

(i) that the exemption granted under Schedule 1 of the VAT Act of 1998 with respect to “Entrance fees to cinemas, concerts and shows” be extended to include “aquariums and marine life centres”; and

(ii) that “public aquariums and marine life centres” benefit from the same incentives as those granted under the Smart Cities Scheme, namely tax exemption, including VAT, on capital goods and services.

4.2 Overhauling the existing arrangements for granting clearances and permits, namely with respect to the construction sector

In the Ease of Doing Business ranking of the World Bank, one area in which Mauritius did not perform well is in the construction sector. Chart 4 below illustrates this low performance.
In the findings of an analysis of a joint Government/Private Sector Working Group entitled “Le Parcours du Combattant”, it was established that though according to the guidelines all permits should be cleared in 11 months, the reality shows that the process, in fact, takes more than 40 months. Chart 5 below summarises the various permits and the time line.
Though the above applications (Land Conversion Permit, EIA License, Morcellement Permit and Building and Land Use Permits) are processed by representatives of almost same Ministries/Departments, the discussions take place in 3 different committees operating in silos. The utilities (water and electricity) and traffic management clearances are given separately in spite of being consulted by the various committees. Chart 6 below summarises the existing arrangements.

**Chart 6**

<table>
<thead>
<tr>
<th>Ministry/Authority</th>
<th>LCC</th>
<th>EIA</th>
<th>MP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min/Agro Industry</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Housing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Environment</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Relevant Local Authority</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Energy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Health</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Public Infrastructure</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Min/Fisheries</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Min/Tourism</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Min/Tourism</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Min/Finance</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
We believe that this approach should be overhauled and replaced by one which is more integrated whereby all applications can be processed simultaneously. If we succeed in streamlining the existing arrangements, the time taken and the cost incurred for the processing of construction permits would be reduced significantly. Consequently, a number of projects which have already obtained their letter of intent would start sooner and as such, the construction sector which has witnessed a constant deceleration for the last five years would pick up at an accelerated pace.

4.3 Enhancing the telecoms, port and airport infrastructure

Business Mauritius welcomes the significant efforts being undertaken with respect to the road, port, telecommunications and airport infrastructure. However, we would like to reiterate the urgency of implementing some projects in the telecommunications, port and airport infrastructure with a view to raising productivity and investment opportunities.

- **Telecommunications**

In a Working Paper by the Joint Research Centre for European Commission which reviewed the EU/US productivity and the role of ICT, it was established clearly that ICT was responsible for the US acceleration in productivity growth during the period 1996-2006. As such, around two thirds of the total factor productivity growth was due to ICT. ICT will be a major enabler in productivity gains in our endeavor to become a high income economy.

Given that there is a shared understanding on a number of significant projects, we would suggest that the 2016/2017 Budget establishes a clear time line for the implementation of all these projects, namely:-

(i) Establishing an integrated platform for e-licensing for all permits and licenses issued by various government department by June 2018;
Business Mauritius

(ii) Establishing a second backbone in the country by mid 2017;
(iii) Enhancing the connectivity of Mauritius to the world through a third fibre optic which will not only increase competition but also provide the necessary redundancy capacity needed to accelerate development of new segments such as DRC and BCP.

- **Port Infrastructure**

The appointment of a strategic partner in the port operations will bring a paradigm shift in Mauritius and, therefore, it would be crucial that a final decision be made as soon as possible.

The port infrastructure is being upgraded with the extension of the container terminal (additional 240 meters) and dredging of the approaches (depth of 16.5 meters). New equipment is being purchased. A new Masterplan has been developed. However, there is an urgency for implementing the breakwater project. During bad weather and especially during the active export months of December and January, exporters may lose 5–10 days of port operations because of the absence of breakwater protection. In order for Port-Louis to become a regional hub, Mauritius cannot afford to lose 10 days during December and January, every year.

- **Improving the airport operations**

In the context of developing the air corridor between Mauritius and Singapore, the level of efficiency of the airport in handling passengers, including transit passengers and air cargo must become be significantly upgraded. Accordingly, Airports of Mauritius Ltd should be able to build on the partnership between Changi Airport and Mauritius for a transfer of know-how regarding airport operations to complement the increase in air connectivity.
4.4 Upgrading of the human capital to lift productivity and employability

4.4.1 Labour market environment

We believe that the Authorities should undertake consultations with a view to removing the contradictions between the decisions of the NRB in sectors where collective bargaining is making progress and the provisions in our legislations to encourage collective bargaining.

Furthermore, we reiterate the need to recognize the impact of the public sector salaries adjustment through PRB on the collective bargaining in the private sector.

The proposal in the Government Programme for the introduction of a national minimum wage warrants caution in the present wage determination mechanism which is pushing the unit labour cost at a rate higher than that of productivity gains. It would appear that the modest gains in productivity during the last year was a result of companies restructuring their workforce to achieve greater competitiveness. We should be careful not to take measures that would dampen this corporate re-engineering without ascertaining productivity gains.

We believe that a full impact study has to be undertaken prior to any final decision be taken prior to the introduction of a national minimum wage.

4.4.2 Addressing the challenge of mismatch of skills

The existing ecosystem to upgrade the human capital and facilitate employability does not allow for an effective response to our high skills needs to become a high income economy and to train our youth with an unemployment rate of 24%. The main drawbacks of the present system are:-
(i) Two separate Ministries responsible for training;
(ii) The unemployment database is neither reliable nor accessible on line; and
(iii) A range of schemes presently implemented in a sub-optimum manner.

The challenge of mismatch of skills has to be urgently addressed and accordingly, we would like to propose the following:-

(i) The data base to be overhauled to allow for the mapping, profiling and connectivity between the unemployed and operators;
(ii) The information to be accessible on-line by the end of December, 2016;
(iii) A review of conditions under the existing schemes, namely, YEP, GTES and DTP where mandatory employment after training and placement be reduced;
(iv) The refund period be set within an agreed time frame; and
(v) The implementation mechanism which is to-day, very heavy, be simplified.

As far as the review of our education system is concerned, the introduction of nine-year schooling goes in the right direction. However, as Government is reviewing the curriculum, we would invite the authorities to include some thematic contents in line with the various sectors of the economy, such as, hospitality, etc.

4.4.3 Research and Development and Innovation

Research and development is a sine qua non if we want to improve productivity and competitiveness and become an ‘innovation driven’ economy. The Collaborative Research and Innovative Grant Scheme (CRIGS) has been successfully launched last year and 14 projects have already been approved out of which 9 are being implemented. We believe that CRIGS should be maintained.

Furthermore, Business Mauritius proposes a Matching Grant Scheme on a 50-50 basis between government and companies for the establishment of Research Cells in companies on the same parameters set by CRIGS.
The government could also match investment on a series of activities as follows:

- Training for R&D personnel under CRIGS;
- Acquisition and registration of IP rights (patent, copyright, registered design, geographical indication, layout design of integrated circuits, trade secret or information that has commercial value and plant varieties);
- Automation through technology or software;
- Design activities (e.g. Fees to an outsourced designer); and
- Technology Diffusion Scheme in the manufacturing sector.

**4.4.4 Openness to Skills**

Notwithstanding the existence of skills development programmes, in the short term Mauritius will still have to attract high end skills in a number of key areas, such as, ICT, hospitality, financial services, fashion and design. Furthermore, with an ageing population Mauritius is losing its demographic advantage and this will have a further negative impact on an already declining overall productivity rate. Accordingly, it is critical that Mauritius adopts a flexible policy to attract these skills to the country.

**4.5 Independent Air Access Policy Unit**

In his vision of Mauritius 2030, the Prime Minister stated clearly that we “inevitably need a more open and robust air access policy that takes into account both the national interests and the economic growth”.

The opening of the air access has already started to bring positive results. The tourism sector grew by double digits in 2015 and is poised for similar growth in 2016. More recently, with the arrival of Turkish Airlines, new market segments in Eastern Europe as well as in existing markets have been developed. Tourist arrivals from Asia is on the rise.

The recent launching of the air corridor between Singapore and Mauritius with a broad objective of connecting Asia and Africa through Singapore and Mauritius has to be
reinforced and connectivity of Mauritius will be crucial in the construction of this corridor.

In the light of the above, Government has to build independent capacity for formulating air access policy and facilitate the signing of Bilateral Air Service Agreements (BASAs). BASAs negotiations are difficult, technical and have to be seen to be independent of Air Mauritius.

Accordingly, it is urgent that an independent air access policy unit be set-up in the appropriate Government department which will not only give visibility to the air access policy of the country but also negotiate BASAs with airlines wishing to connect to Mauritius.

4.6 Unlocking the full potential of specific economic sectors

4.6.1 Support to SMEs

SMEs represent a significant share of the economy and would contribute significantly to our GDP growth if properly supported. However, SMEs suffer from the triple constraints of:-

(i) inadequate institutional support;
(ii) in-house capacity constraints to optimize the implementation of the various support schemes; and
(iii) representing higher credit risks to financial institutions.

In the light of the above and with a view to facilitate the re-structuring and expansion of SMEs, Business Mauritius would reiterate its request for the re-introduction of some instruments which helped the SMEs during the global financial crisis.
These instruments relate to:-

(i) Partial guarantee to banks granting loans to SMEs;
(ii) Leasing of equipment for modernization scheme with some partial guarantee as per LEMS 1;
(iii) Planters Harvest Scheme for planters wanting to reduce their harvesting cost; and
(iv) Credit finance scheme (factoring) for SMEs.

4.6.2 Renewable energy

Business Mauritius believes that there is an investment potential of Rs 10 billion by the private sector in renewable energy for the production of electricity. The investment potential for firm electricity production using a mix of biomass and fossil (50-50 basis) is around Rs 8 billion. In the sub segment of intermittent roof/top photovoltaic electricity production (MSDG), potential investment of around Rs2 billion exists. However, the investment landscape in terms of additional costs which operators have to incur over and above their investment is not defined, and is at present, an obstacle to the implementation of several projects.

While we welcome the setting up of MARENA, which will have an advisory role, Business Mauritius would invite the authorities to operationalise urgently the Utilities Regulatory Act as mentioned in the Government Programme to clarify the investment landscape in the sector and to define the role of CEB as a producer, distributor and a ‘buyer’ of electricity.

We also believe that the policy on the development of a smart grid has to be clearly defined.

4.6.3 Sustainable Food Production – Bio Farming

Healthy living of local population is directly correlated with our food consumption. The food we consume is more and more contaminated with chemical products – (pesticides,
insecticides, fungicides or other chemicals) and studies link the emergence of diseases to the new consumption pattern.

Last year it was announced that Mauritius would embark on an ambitious target of producing no less than 50% of our total food production according to bio norms. To achieve this objective and to encourage production of bio food Government announced two main targets:-

(i) the introduction of Bio Farming Development Certificate (BFDC) with clear fiscal incentives; and

(ii) the launching of an intensive campaign to sensitise the population on the risk of chemicals in our food products and to shift to the consumption of healthier products;

In spite of intensive consultations between the public and private sector, no final decision has been taken regarding both targets.

In the light of the huge potential of the sector, Business Mauritius would like to invite the authorities to take necessary measures to:

(i) introduce a Bio Farming Development Certificate; and
(ii) launch jointly with the Private Sector intensive campaigns to sensitise the population on the risk of chemicals in our food products.

4.6.4 International Financial Services

The recent Report of the IMF following the last Article IV Consultations has highlighted the importance of the global business in terms of not only its contribution to the economy but also with respect to its macro-financial linkages.

In the light of the above, Business Mauritius is of the view that the transition of this sector from being a preference dependent to one which would be less preference-led be
handled cautiously and to allow time for the industry to be more diversified and to build more capacity and resilience to realise its full potential.

4.7 Quality of life

As Mauritius moves into a high income country status, the quality of life and how we integrate the vulnerable and disadvantaged groups of society would become increasingly a key determinant for sustaining our development goals. Therefore, activities related to security, law and order, drug abuse prevention and harm reduction, sports, entertainment recreation and cultural development would need to be looked into and adequately supported.

Involvement of the civil society, public and private partnership and the emergence of the new ‘industries’ would provide the building blocks for supporting an inclusive society. In this respect, we would invite Government to consider a package for encouraging initiatives and investment that would improve the quality of life activities. Business Mauritius would participate in the discussions in setting the contours of a ‘Quality of life development certificate’ to encourage all such initiatives.

Improvement in investment by the Private Sector is often linked to good quality of life, especially in terms of security and law and order.

5. CONCLUSION

Business Mauritius believes that at this juncture of our economy, we need the right mix of bold policies which will address both our immediate concerns without putting into jeopardy the long term growth prospects.

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

14 April 2016