Addressing national priorities for long-term economic recovery, sustainability practices for resilience, labour market reforms and a diversification strategy for competitiveness as well as a conducive SME ecosystem.

Business Mauritius Budget Memo
FY2023/2024

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Preamble

This Budget Memorandum is prepared in the context of economic recovery following difficult post-COVID years. Public-private collaboration is recognized as a cornerstone of the remarkable economic development of Mauritius and this has once again been proven in the joint effort towards post-COVID economic recovery, including the joint actions for the recovery of the tourism industry.

Under the chairmanship of the Prime Minister, and in the presence of members of the Cabinet and high level officials, four national priorities for public-private collaboration have been identified on which discussions are progressing. The relevant actions are included herein as key budget recommendations.

Furthermore, this memorandum includes recommendations on the topical climate change issues, on labour market reforms to restore competitiveness and absorb an inactive labour force back into the productive economy as well look into diversification – through markets, emerging sectors and by fostering a research and innovation driven economy among others.

The opportunity is also taken to thank the President of the Business Mauritius Council and Council Members, the Presidents and Members of the three Business Mauritius Commissions and members of the committees and working groups that have contributed to this exercise.
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1. Context

While the global economy continues to suffer from the pandemic and the effects of the Ukraine conflict, the likelihood of a global recession appears to have receded. In its update to the World Economic Outlook issued in January, the IMF has revised its global growth forecast to 2.9 percent for 2023, an upwards revision of 0.2 percentage points from its October 2022. That said, the global economy would still slow markedly from last year’s outturn of 3.4 percent. Emerging countries, mainly China and India, are expected to be the key engines of growth in 2023 with a slowing down in the key markets of the Mauritian economy, particularly the UK which would be in recession, whilst France and Germany are projected to have subdued growth. The US would grow at a timid rate of 1.4% compared to a growth rate of 2.0% in 2022.

Recovery

On the domestic front, the economy continues to recover from the pandemic. Following a technical recovery in 2022, essentially driven by tourism which accounted for over 50% of the economic growth outcome, there is convergence between local projections and the IMF that GDP would grow by around 5 percent this year. The main drivers would be the tourism, ICT and financial services sectors. With the projected 5 percent growth, the Mauritian economy would return close to its pre-pandemic level, in constant rupee terms. Nevertheless, as a small and open economy, it remains vulnerable to uncertainties tied to global pressures.

Inflation

A major concern facing the economy is the high inflation rate, which was estimated at 10.8 percent as at December 2022 before rising further to 11.3% for the 12-months ending February 2023. Looking ahead, inflationary pressures are set to remain sticky considering: (i) the hikes in prices of agricultural products following the bad weather conditions; (ii) the ripple effects of the rise in tariffs applicable to electricity consumption; and (iii) pressures on the currency which have been sustained in 2023. However, these upward pressures may be checked by the potential pass-through of a significant drop of approximately 25 percent in global commodity prices and 18 percent in energy prices. With this in mind, average inflation rate globally is also expected to follow a downward trend - from 8.8 percent in 2022 to 6.6 percent in 2023, and further to 4.3 percent in 2024 – whilst still being higher than pre-pandemic levels.

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1 The Global Price Index of All Commodities fell from the record of 241.3 in August 2022 to 182.1 in January 2023, a considerable decrease of 25 percent. The crude oil price would be around USD 83 in 2023 which is 18 percent lower than 2022.
Nevertheless, the electricity tariff increase in Mauritius which are based on the higher July 2022 prices, may further fuel inflation. Recommendations are provided in this memorandum on the absorption of these costs for some key sectors of the economy.

**Interest rates**

The Bank of Mauritius has successively increased the key repo rate by a cumulative 265 basis points in 2022 to 4.5% so as to counter inflationary pressures. The new key rate, devised by the Monetary Policy Committee, is expected to remain high as the Bank has set an inflation target of 5-6 percent for 2023 and a medium-term target of 3.5 percent. Interest rates would also need to respond to the international rates, especially the FED rate, to maintain the attractiveness of capital flows to Mauritius.

Increased interest rates impact both the investment plans and attractiveness of the country. Recommendations are made regarding improving the competitiveness and attractiveness of the country in this budget memorandum.

**Public debt and Balance of Payments**

The public debt and balance of payments are also important issues to be addressed. As a percentage of GDP, the public gross debt fell from 86% in June 2022 to 84% in December 2022. Adherence to fiscal rules is crucial to ensure fiscal sustainability and reduce debt level in the medium term while balancing economic recovery from the pandemic. The current account deficit is estimated at around Rs14.7 BN in the fourth quarter of 2022 compared to Rs21.4 BN for the corresponding period in 2021. The services account recorded a surplus mainly due to the recovery of the tourism sector since the reopening of borders. Overall, the balance of payments had a surplus of Rs13.2 BN in the fourth quarter of 2022 compared to a surplus of Rs25.5 BN in the same period in 2021.

The balance of payment situation has further impacted on exchange rates. Despite notable interventions by the Bank of Mauritius, the Mauritian rupee has depreciated against major currencies and operators still encounter difficulties in purchasing FOREX for their imports. The central bank’s responsibility and ability to manage the rupee should also be set against the IMF Article IV recommendations of July 2022 regarding recapitalization efforts.

This budget memorandum provides recommendations on the review of the financial sector’s ecosystem to accelerate the services offering of Mauritius, particularly to the African mainland. Furthermore, recommendations on diversification, including the emergence of new sectors would also help the current account situation.

It is also imperative for Mauritius to define a cohesive strategy for the development of the Real Estate sector, with an action plan and a timeline, to grow employment and revenue.
Labour Market

With regard to the labour market, the unemployment rate dropped from 9.5 percent in the third quarter of 2021 to 7.5 percent for the same period in 2022. Unemployment remains high among the female and youth. Labour underutilisation, estimated at 40 percent, should also be of concern while operators in most sectors now need to resort to foreign labour. The Budget memorandum provides recommendations on skilling and labour market reforms.

In light of the above, our budget memorandum is structured as follows:

- four national priorities namely i) financial services, ii) energy, iii) opening to talents and investors, and iv) development of the healthcare and pharmaceutical sector.
- systemically sustainable development to ensure a harmonious, resilient and inclusive economy as a small island nation with limited resources, a sensitive and unique biodiversity, and high exposure to climate impacts.
- reforms of the labour market to ensure competitiveness of the economy, address anomalies and skills gaps
- diversification through research and innovation proposals, support to emerging education and technology sectors and an Africa strategy based on the recently ratified FTAs with Africa, China and India
- developing a simple and conducive ecosystem for SMEs.

2. National Priorities

This section provides recommendations on the four national priorities which have significant development and investment potential, namely the financial services, energy, opening of the economy to talents and investors, as well as development of a healthcare and pharmaceuticals sector. A proposal is also made to develop a shared public-private sector vision for the Mauritian economy through the operationalisation of the previously announced Maurice Stratégie with the assistance of a reputed international consultancy firm.

2.1 Financial services and Pensions

Recommendations are given below on the integration of local and global business regimes and on pensions.

Regarding global business, with the considerable effort made by authorities and operators to clear the Mauritius IFC from the FATF Grey list and from the EU Blacklist, Mauritius is now one of only 3 countries to be compliant or largely compliant with the 40 FATF criteria.
However, out of 119 IFCs, Mauritius is rated 87th on the Global Financial Centres Index 2022, with a drop of 14 places and a slip from the top spot in Africa to fourth since 2021.

Proposals are made on strengthening the sector’s fundamentals and integrating local and global business rules, as follows:

i. Set a dedicated office in Brussels to maintain constant relation with key agencies in the EU, FATF and others, in order to anticipate future developments in the regulatory environment. This joint public private initiative would be funded from FSC licensing fees.

ii. Simplify the regulatory framework for non-financial global business activities which will attract Regional Headquarters to conduct their Core Income Generating Activities in Mauritius, particularly in key industries (tourism, manufacturing, sugar, financial services)

iii. Appoint PR representatives in key markets for marketing and communication activities to re-position the IFC by taking advantage of the recent compliance to the 40 criteria of the FATF. A significant budget would be earmarked from licensing fees and operated in a manner similar to the promotion of the tourism sector.

iv. Appoint a dedicated team to address the issues highlighted by Moody’s to increase effectiveness of institutions, resilience and capacity to absorb future economic shocks.

v. Integrate the domestic and global business regimes fully, so that there is only a Mauritian company. The fiscal rules have already been harmonised, but regulations are not.

Following several important legislative amendments made over the past few years, the pension system is now facing some major challenges. As confirmed by the recent IMF Article IV report, given the demographic issues, changes are required to ensure the sustainability of the pension system. In this context, there is a need to encourage voluntary private pensions so as to alleviate the pressure on the State. In this regard, the following are proposed:

i. Introducing legislation on basic retirement pension to:
   
   o Gradually increase the age of entitlement of Basic Retirement Pension (BRP) from 60 to 65 over a period of 10 years starting as from 2025.
   o Maintain the BRP at its current level and fund future increases from CSG funds
   o The combined BRP+CSG Benefit to be capped at MUR 13,500 until it reaches two thirds of the national minimum wage

ii. While recognising that the CSG Income Allowance of MUR 1,000 was paid to employees earning below MUR 50,000 in a difficult economic context with a high
inflation rate, it is proposed that legal amendments be introduced to ensure that social benefits are limited to retirement benefit and industrial benefit as per initial intention. Other proposals made by Business Mauritius regarding the CSG are still applicable in our view and would warrant detailed technical discussions beyond the parameters of the current exercise.

iii. In line with worldwide and local trends in the private sector, the feasibility of shifts or conversions from Defined Benefits to Defined Contributions in State Owned Enterprises should be studied and implemented wherever possible in order to ensure sustainability of the pensions ecosystem. This urgent issue warrants detailed national consultations with all stakeholders. An announcement to this effect and the setting up of the necessary secretariat to start these discussions is proposed.

iv. With regard to the voluntary contributory pillar, amend the legislation to:

- Correct the existing anomaly in the allowable pension scheme benefits deductions that an employer can make from the retirement gratuity payable under the Workers’ Rights Act. This can be effective for service as from the date of introduction of the PRGF (1 January 2020).

- Extend the fiscal deductions allowed for individuals contributing to personal pension plans to additional voluntary contributions made to occupational pension schemes.

  - Tax deduction to be restored in respect of employee contributions to Private Pension Schemes licensed by the Financial Services Commission (FSC). Since 1 July 2021, individual contributions to personal pension plans approved by the FSC are deductible for income tax purposes up to an annual limit of MUR 30,000 up to 30 June 2022 and MUR 50,000 up to 30 June 2023. However, this deduction is not yet available for individuals who contribute instead to private pension schemes sponsored by their employers and licensed by the FSC. We propose that this deduction be restored to the same level as for personal pension plans, as it was until 30 June 2006, in the interests of maintaining a level playing field and equal treatment between members of private pension schemes and personal pension plan policyholders.

v. In addition, we propose to reverse the negative effects of some of the changes made to the WRA by the Finance Act 2022, namely:

- The amendment made last year to Section 90 of the Workers’ Rights Act 2019 (WRA) and the insertion of a new section, 90A, represent a major shift in the way private pension schemes have been operating in Mauritius up to now. It
is important to note that such schemes are voluntary arrangements with no minimum rates of employer contributions applicable until this major change. Under the amended Section 90, only private pension schemes whose respective actuaries have certified in writing that the employer contribution rate is at least equal to the PRGF rate will be exempted from participation in the PRGF.

- We propose that the certification requirements in WRA be removed and replaced with a requirement to apply a simple benefit test on leaving. This would equally apply to defined-benefit schemes which, not surprisingly, have so far been left out of the minimum contribution certification requirements because of the even greater practical difficulties associated with the certification route for them.
  - the change in the gratuity formula which now requires more to be paid only to those working 5-day weeks.

2.2 Energy

With the laudable target of 60 percent Renewable Energy by 2030 and a reduction in GHG emissions by 40 percent announced by Government, our recommendations are as follows:

i. Proclaim the biomass framework which was finalized last year and established targets for biomass generation from local sources. While the remuneration of bagasse is agreed, the price for other biomasses such as cane trash and wood chips are yet to be agreed. It is proposed that the price for these biomasses is indexed to cater for inflation, HFO prices and imported prices of woodchips to ensure sustainability.

ii. Institutional strengthening to provide a stable, predictable, and supportive framework that can attract private investment, promote innovation and greater public awareness for Renewable Energy which includes proposals on the Renewable Energy Roadmap, the URA, CEB and recent increases in electricity tariffs as well as decarbonisation statistics, as follows:
    - It is suggested that the Renewable Energy Roadmap 2030, which paves the way to achieve national objectives, becomes the one guiding document upon which decisions are made. This will help to have a close monitoring of progress as well as accelerate launch of RE schemes.
    - Publish the electricity roadmap to ensure full transparency and visibility, thus facilitating decision making.
o Strengthen the URA’s financial and organisational viability, including through Licence Fees, to guarantee that it is capable of fully carrying out its duties as set forth by the law.

o The new CEB tariffs have been set based on the prices of fossil fuels around June 2022, in the range of USD 116 for Brent Crude oil. The Brent crude oil was at USD 79.82 on 14 March 2023, i.e. 31% lower. It is proposed to create an Electricity Price Monitoring Committee that meets every 3 or 6 months to ensure that electricity tariffs are reactive and reflect international HFO prices as well as the proportion of fossil fuels in the electricity mix.

o Safeguard the viability of the public utility: it is also essential that reserves of the CEB are fully protected to ensure a healthy financial position of the company in the short, medium and long term.

o However, due to the impact of the electricity tariff on key sectors of the economy, it is proposed that support be provided to the following sectors until January 2024, together with an offset mechanism to encourage operators in these sectors to move to Renewable Energy generation:
  - ICT/BPO
  - Sugar and agriculture
  - Freeport
  - Commerce
  - Tourism
  - Construction, Manufacturing and Industry Sector

o It is further proposed that the current MSDG scheme be transformed into a MSDG Model which would be open for 5 years, with an online application process and a defined response time for approval of applications, so that investors may apply to the CEB whenever they have a renewable energy project. This will mean that contracts can be allocated on demand with a defined implementation timeframe, instead of going through a lengthy tender process.

o With the recent rises in interest rates, the financing of MSDG projects is proving to be difficult. It is proposed that the Bank of Mauritius opens a line of credit to IFCM, so as to create a medium-term preferential financing scheme of USD 20 Million.

o Remove the need for the Land Conversion Permit for large-scale solar power projects. It is time consuming (up to 6 months at times), and it opens the doors for the land to be used for other purposes if and when the solar panels are removed.
o Appoint an international firm to provide recommendations on striking the right balance, including risk mitigation instruments that would help with burden sharing, for model contracts with independent power producers. This will provide a fairer sharing of risks between the parties, including standard contractual clauses relating to force majeure, termination and indexation mechanism.

o Provide official statistics on the grid’s emission factors on a yearly basis through Statistics Mauritius to ensure an accurate way of assessing the decarbonisation of the grid, rather than the current method of using percentages of energy sources.

iii. Create stronger incentives to spur innovation in the renewable energy industry, driving down costs and making renewable energy more accessible to consumers, to accelerate the decarbonisation of electricity and reduce our dependence.

o As the current tax incentives for rooftop solar panels on individual homes and commercial spaces have not materialized in an uptake of solar energy that is fast enough, allow an offsetting mechanism for rooftop solar power installations, for customers with solar panels to offset their electricity bills by generating their own electricity and allowing them to pay only their net electricity consumption.

iv. Incentivise investment in EV as well as related infrastructure:

o Increase subsidy on electric buses to MUR 4 million per unit and add a further subsidy for the supply and installation of EV chargers.

o Introduce an offsetting mechanism as charging will be needed throughout the day for public service operators that wish to invest in EV buses. or; they should be encouraged to install hybrid systems whereby they will store the energy generated through green intermittent sources and use when needed. CEB will purchase only excess energy. Purchasing price should be MUR 4.20.

o Special attention should be provided to utility vehicles that are required for the professional small contractor and other SMEs to transition to green mobility.

Investing in public transport can also lead to more sustainable and equitable urban development, as it can reduce the need for car-centric infrastructure and promote denser, walkable communities. However, the public bus transport industry has experienced a constant decrease in revenue and an increase in operating costs. It has been noted that bus companies have not been renewing their fleet. In 2018, only 42% were older than 10 years and in 2021, this has reached virtually 55%. Ageing of buses (> 15 years old) have increased from 11% in 2018 to over 20% in 2021. Ageing buses are typically less fuel-efficient and expel more carbon emissions compared to newer models, negatively impacting air quality and public health. Recommendations include:
Allow bus companies to operate with "one-man operator" acting as both the driver and conductor for Electric Buses

Bus companies should be allowed to do staffs transportation during off peak times, and combining staffs from multiple organisation without the need for further licenses

Bus companies should be allowed to offer transport to visitors/clients of companies (such as malls) who would like to offer free transport to their visitors/clients

2.3 Opening up of the economy to talents and investors

The COVID–19 pandemic has brought drastic and accelerated changes to the nature of work and to the mobility of people. In Mauritius, it has accelerated the brain drain and amplified the need to retain and attract talent. To achieve greater openness of the economy, public private collaboration should be structured around i) addressing the talent retention and attraction issue; ii) meeting the country’s requirements for labour and iii) fiscal competitiveness and business facilitation.

In this regard, the following three-pronged approach is proposed:

i) Talent retention and attraction

- the creation of an ‘observatoire de l'emploi’,
- developing a career guidance and coaching ecosystem with public-private collaboration
- establishing a priority list based on skills gap
- establishing a clearer and timebound process for the obtention of the Permanent Residence Permit
- providing a track for Mauritian citizenship for children of Permanent Residence permit holders who were born and brought up in Mauritius.
- developing a Fast-track Regional Occupation Permit, with a minimum monthly salary of Rs 30,000, to facilitate the employment of IOC, SADC and EAC nationals in Mauritius.
ii) Meeting the country’s requirements for labour

- To improve the speed of delivery of work permits, it is proposed that a joint public-private committee be set up to review all applications on a weekly basis, including industry associations and the Ministry of Labour, and that the process be integrated into NELS to systematise responses to applications. It is also proposed that once applications are approved at the level of the committee, a maximum of two weeks be given for the issue of the permit.
- To correct anomalies in the work permit system including harmonisation of quotas, payment of fees and insurance among others.
- To engage in a review of the constraints in our labour laws compared to international benchmarks. This could be done through the setting up of a joint Technical Committee with the Ministry of Labour and EDB/MOFED which will also be responsible for the implementation of the recommendations following the review.
- To develop and implement a plan for the transformation of labour-intensive sectors through greater use of technology to reduce dependency on foreign labour.
- To develop an Immigration plan to address demographic issues.

iii) Fiscal attractiveness and business facilitation

- Consultations with Ministry of Finance for replacing the solidarity levy with a more progressive tax rate as well as additional measures to further improve the attractiveness of our tax system.
- On ease of doing business, the laudable progress made by Mauritius, with an overall global ranking of 13th in the last World Bank Doing Business Report of 2020, is no small feat and should be recognised. Additional effort is required including implementing quick wins such as:
  - the Regulatory Impact Assessment agency
  - the Regulatory Review recommendations for tourism, Trade & Logistics, Land Use & Construction and Healthcare and Lifesciences.
  - A clear roadmap to further increase the number of business permit modules being processed through the National E-Licensing System (NELS) would lead to an overhaul in the speed and transparency of processing permits.
  - As more processes migrate onto NELS and the volume of applications increases, a number of recurring issues have started to appear, including processing delays and unusual conditions attached to permits. It is proposed that a joint public-private monitoring committee reviews the KPIs of NELS on a quarterly basis and proposes improvements to relevant processes.
Working with the proposed Maurice Stratégie team to assess and prepare the transformation readiness of Mauritius on the Global Competitiveness Report’s 11 economic transformation priorities as well as on ESG objectives. There has been a change post-COVID on how investors compare a country's attractiveness with greater focus on resilience and the markets-of-tomorrow. Investors have moved from a purely productivity viewpoint to an assessment of the country’s transformation readiness towards a full integration of social, environmental and institutional targets into their economic systems. The speed at which we transform is also relevant.

Regarding business facilitation for the real estate sector, a key source of foreign direct investments as well as an important contributor to the work-live-and-play environment for talents, some urgent concerns are raised on the predictability of rules and efficiency of current processes as follows:

- Develop systemic responses to land permit conversions.
- Improve the framework for infrastructure (CEB, CWA, WMA) in order to ensure a fair and predictable mechanism for the provision of public infrastructure. Ideally, for all zones planned for development, a fair contribution rate should be specified for electricity load, water use and wastewater. For developments out of these zones, contribution rates should be determined as part of the approval system and based on a pre-agreed cost-sharing formula.
- Review the New Waste water clearance fees with respect to applications for morcellement permits (which were increased by 2000% in November 2022), to cap them to a reasonable amount, given that most major projects only require a clearance letter from WMA and are not connected to the services.
- Develop a collaborative approach to improve access to water which remains a major challenge in the sector and ensure a strong line of communication among CWA, Water Resource Unit and developers.
- More strategically, a cohesive strategy for the property development sector, followed by an agreed action plan and implementation timeframe is necessary to accelerate inflows and employment in this sector. It would also ensure a clear positioning of the Mauritius offering to the property investment market.
- Improve the Mauritian Real Estate Investment Trusts (REIT) Rules to ensure the same attractiveness as overseas schemes by providing the following change to the new rules [cited as the Securities (Real Estate Investment Trusts) Rules 2021] effectively introduced by the FSC under section 93 of the Financial Services Act and sections 97 and 155 of the Securities Act:
  - Amend section 49C (2) of the Income Tax Act to provide that “Any distribution made by REIT to their participants shall be deemed to
be dividends”. This would be in line with section 46 (4) which states that “Any distribution to a beneficiary of a trust shall be deemed to be a dividend to the beneficiary”.

Furthermore, despite the fact that the government is investing massively in public infrastructure to boost the economic recovery, the construction sector is currently facing challenges. The following are proposed:

- Review conditions and the margin of preference for local contractors to ensure a level playing field with competing foreign contractors.
- To introduce upfront payments for raw materials, payment guarantees and/or price fluctuation clauses for all fixed price construction contracts with a duration of more than 6 months, including contracts for the social housing project by the NSLD, which would help mitigate the impact of the significant and unpredictable material price increases, until the economic situation stabilizes.
- To alleviate cashflow of construction companies, the payment to contractors for work done and payment application made (monthly basis) to be certified in 14 days and paid in 28 days maximum (42 days total).
- Regarding labour requirements for construction, it is important to harmonise Work Permit Fees with those applied for the manufacturing sector.
- Development of a legal framework to protect contractors in the event of bankruptcy of project promoters, including but not limited to payment guarantees or lien on property or a prohibition of sales of property, until all dues are settled.

2.4 Development of the healthcare and pharmaceuticals sector

Mauritius is facing increasing healthcare needs with an increase of non-communicable disease, an ageing population with geriatric needs and a more health-conscious population with higher expectations in terms of health standards, wider range of clinic treatments and quality of life. Healthcare providers, both public and private, have made commendable progress during the last decade, in term of skills and facilities. The Mauritian private healthcare sector boasts state-of-the-art facilities and highly qualified personnel and provides comprehensive high-end medical care. As such, it is well positioned to provide resources, management skills and technology to relieve pressure on the public sector and strengthen Mauritius’ position as a leading destination for medical travel.
The following measures are proposed towards meeting our long-term goals for the sector:

i. Capacity building and recruitment

   o Facilitate work permits and medical council recognition for foreign doctors, especially for those trained in renown medical institutions, with special attention to specialities that require reinforcing.

   o Facilitate and fast track work permits for nurses and specialists from all other the world by giving grouped approvals to accredited clinics or hospitals

   o Digitalise the Doctors Medical council registration for proper tracking

   o Set up mutual registration recognition amongst medical/nursing councils of regional countries.

ii. Authorise the private sector to perform renal and corneal transplants. The partial enactment of the Human Tissue (Removal, Preservation and Transplant) Act 2018 provides an opportunity to increase the breadth and coverage of treatment provided through PPP and increasing our attractiveness to high wealth foreigners requiring such procedures.

iii. Increase in Public Private Partnership by outsourcing public services to private operators in dialysis, renal and corneal transplant, cardiac surgery, cancer treatment and diagnosis as well as medical imaging.

iv. A joint project with a cost-sharing mechanism for investment in a cyclotron in Mauritius, serving private and public sector needs.

v. Encourage investment in cancer treatment via a 8-year tax holiday for companies engaged in radiotherapy.

vi. Allow double tax deduction on investment in medical equipment and on infrastructural improvements.

vii. The Income Tax Act is currently unclear whether TDS should be deducted by insurance companies when effecting payment to private healthcare providers. The fifth schedule of the Income Tax Act refers to medical service provider. For the avoidance of doubt, request is made to the government to make it clear in the Fifth Schedule that private hospitals and clinics are excluded.

viii. In addition, it is proposed that a collaboration with insurance providers for broader medical insurance policies and a move towards the removal of some existing exclusions to coverage.
ix. Government to maintain a consolidated list of patients requiring treatment outside of public hospitals, and consult private clinics to consider local treatment, funded by government. This would minimise medical risks linked to air travel and provide a better family environment for the patient.

Regarding the pharmaceutical and biotech sectors, a roadmap has been elaborated for the development of hi-tech pharmaceutical and biotechnology industry in Mauritius, under the chairmanship of the Financial Secretary in consultation with the Ministry of Health, Ministry of Industry, Ministry of Commerce, Economic Development Board, Mauritius Institute of Bio-Technology Ltd, Business Mauritius and the World Health Organisation. We would recommend the implementation of the 5 pathways identified therein, namely:

- Define a list of Products to be Manufactured
- Regulatory & Administrative Reforms
- Capacity Building and Institutional Reforms
- Package of incentives and support mechanisms to attract investors to start building the factories and importing the right equipment
- Developing New Markets & Commercial Development.

2.5 A shared vision for the Mauritian economy

The lack of visibility on key determinants of our economic sectors has shifted the priority on survival strategies and on re-thinking business models. New, unexpected opportunities have also emerged. Business as usual is clearly not an option and private sector associations are challenged to consider bolder and riskier scenarios. This is a crucial time to re-think, re-build and consolidate the position of the fundamentals of our economic activities and develop a shared vision for the Mauritian economy.

The operationalization of the previously announced Maurice Stratégie may be the opportunity to appoint an international consultancy firm work directly with the team and engage with a mix of economic operators, private sector institutions and SME representatives to identify strategic opportunities that Mauritius can capitalize on given relevant mega-trends and Mauritius’s positioning and relative comparative advantages, with a view to recommend a strategic direction for the Mauritian economy.

The business community would be interested to support by identifying a private sector champion as well as contributing towards the cost of recruiting an international consultancy firm to guide the process.
3. Sustainability/Climate change

A national commitment towards sustainable and inclusive growth will ultimately reinforce the Mauritius brand whilst also providing a new thrust to all of our economic pillars:

- The tourism sector, with environmentally-conscious visitors choosing low/zero-carbon holidays
- The manufacturing sector, with sustainability-conscious end-users driving change through major brands
- The financial services sector, with an increasing commitment on sustainable finance
- The agricultural sector, where premium can be expected from smart agriculture
- The ICT sector, already pointed at for having some of the highest carbon-footprints

In addition, the sustainability pathway would also create new development opportunities, among which:

- Renewable energy and energy transition
- Regenerative agriculture/food security
- Circular economy, from recycling to upcycling
- Eco-tourism and carbon-neutral holiday packages
- The real estate sector, offering the environmentally-conscious HNWI a unique proposition
- The construction sector, which would invest in new designs and construction waste recycling
- The transport industry with electric vehicles and charging ports
- Financial services through climate/green funds
- Disaster reduction /coastal rehabilitation and nature Based Solution for carbon sequestration

Needless to say that a strong and purposeful commitment to sustainability and inclusive growth would infuse a sentiment of pride and purpose in our citizens, further constructing our national identity, cohesion and solidarity.

The recommendations made below consider the country's climate-related ambitions, the vulnerability of Mauritius to the impacts of climate change, the risk to business from the physical and transition risk of climate change and the need to build resilient and adaptable communities. The chapter is organized in seven sections namely implementation of the SDG Investor roadmap, management of water, food sovereignty, technical assistance of key pending legislation, setting targets for climate change adaptation, inclusive development and vibrant communities.
3.1 Implementation of the SDG Investor roadmap

In 2022, the Economic Development Board (EDB) of Mauritius, in partnership with the United Nations Development Programme (UNDP), has prepared the SDG Investor Map for Mauritius to attract private capital to areas of high impact on sustainable development. The Map identified six priority areas for investment, including renewable resources and alternative energy, infrastructure services, services, education, healthcare, food and beverage.

Business Mauritius engages the business community around a Pact called SigneNatir, to commit to sustainable development initiatives along five pillars, namely energy transition, circular economy, vibrant communities, biodiversity and inclusive growth. Clearly, the two initiatives are complementary and it is obvious that the SDG Investor Map will provide clear opportunities for the business community to invest along the lines of SigneNatir.

It is proposed that the Public and Private sectors collaborate to materialise the key investments in the six priority areas of the SDG Investor Map.

3.2 Management of Water

The following measures are proposed:

- Increase the island’s long-term water-resilience and ensure a holistic approach to water management through a dedicated platform for public-private collaboration on water issues.
- Proposal for large-scale desalination projects in the North and West coasts, set up on public-private business model for catering for hotel and property development needs, but with the capability to scale up for domestic use during drought periods
- CWA contribution fees to be waived off if promoter develops offsite works to supply water to his own projects or implements a desalination plant—
  - In some areas, the CWA has clearly indicated they will not be able to provide water unless important off-site works are entertained (by the promoter)
  - Where this is the case, the CWA contribution fees should be waived.
- Make low-flow water fixtures mandatory in commercial and public buildings to encourage water savings and encourage low-flow fixtures for domestic use by removing VAT for all.
- Need to ensure enough water is earmarked to sustain current and targeted Agricultural production for food and energy
- Increase storage capacity of Midlands Dam as per planned Phase 2

3.3 Food Sovereignty

The COVID-19 pandemic and the Ukraine conflict have highlighted the need to increase our local production to improve our food sovereignty. There is a need to ensure proper planning of production of vegetables through the year to avoid excess of vegetables on the market. In this context, we proposed:
- Make it compulsory for planters to register with the FAREI.
- Ensure continuous registration of production with the AMB similar to onions, potatoes and garlic.
- AMB to ensure planning by setting specific quantities and a calendar for local production for the year
- AMB to plan imports of vegetables with strict guidelines and timelines only in period where local production for same vegetables are low
- Undertake a pilot case of 10 vegetables through the collaboration of the Mauritius Chamber of Agriculture to include floor price for planters
  - AMB to monitor and use National Wholesale market accordingly

3.4 Technical assistance on key pending legislation

The Waste Management and Resource Bill presented to Parliament is an important piece of legislation to create a circular economy. However, accompanying pieces of legislation on Extended Producer Responsibility for both Electrical and Electronic Equipment and for Plastics are pending due to technical needs at the drafting stages.

It is therefore recommended that a budget be allocated for technical assistance on the drafting of the EPR laws or alternatively, that assistance be obtained from countries where the concept is now mature, such as in France.

3.5 Setting targets for climate change adaptation

The pledge of Mauritius on renewable energy and GHG targets has set in motion a series of projects to meet these climate mitigation objectives. In line with global trends, Mauritius should now work on mainstreaming its climate adaptation across economic sectors, policies and regulations. Climate adaptation measures should enhance and protect our water and food systems, and as such the following is proposed:

- A target for wetland restoration together with a Payment for Ecosystem Services (PES) program for wetland restoration in view of the value of services that wetlands provide in regulating water flow and quality as well as reducing erosion
- Encourage the scaling up of forest restoration activities via a Call for Proposal to NGOs funded by the Forestry Service accompanied by certification systems that promote the sustainability and quality of agroforestry products.
- Improve current agricultural schemes towards soil protection and support to farmers who want to adopt soil conservation practices
- Promote targets for the built environment through the establishment of a climate responsive, resilient and energy efficient building code that is adapted to tropical countries and remove VAT on bio sourced and recycled construction materials so that they may become more competitive with traditional building materials.
- Improve waste management and adopting circular economy practices by i) including circular economy indicators during evaluation of bids, ii) establishing a margin of preference in tenders for local recyclers with the highest levels of environmental stewardship and iii) review the HS Codes classifications for harmonization to recognize Secondary Raw Materials, as materials and not as wastes.

These programmes could be funded through the existing ‘Environment Protection Fee’ and also partially funded through an eco-tourism fund while monitoring and evaluation would be carried out through the existing EIA licensing framework.

3.6 Inclusive Development

The issues of climate change and inclusiveness are linked and need to be addressed together for a safe space to live and prosper. It is proposed to:

- Introduce a “Home improvement scheme” up to MUR 300k for families in relative poverty which are supported by on-the-ground NSIF-accredited NGOs for this scheme.

- Funding of a seed capital of MUR 10M for the setting up of a social worker academy under NSIF to help the fight against poverty. This will help with the professionalization of social workers.

- Introduce a legal framework that would recognise and regulate social enterprises as a registered entity in Mauritius. This would encourage entrepreneurship and employment creation and attract international investors and partners.

3.7 Vibrant Communities

Creativity, innovation, and adaptability are crucial for the economy because they foster growth, drive competitiveness, and enable individuals and businesses to respond effectively to changing circumstances. As such, promoting and nurturing these qualities is essential for building a robust and resilient economy that can withstand future challenges and thrive in the long run. Our recommendations are:

- To finalise a long-term National Policy for a Cultural Sector and establish an Action Plan based on a study of the measures / recommendations contained in the white paper for a cultural sector “Creative Mauritius – Vision 2025”.

- To amend the Income Tax Act as per Annex I to extend - (i) Income Tax relief to the rehabilitation, renovation, repair, restoration, or upgrading of a cultural heritage of a cultural heritage; (ii) application of CSR funds to all cultural heritage (excluding places of worship of no historical significance) and museums
- To amend the Value Added Tax Act as per Annex I to cater for VAT exemption for a project - (i) to rehabilitate, renovate, repair, restore or upgrade a cultural heritage (excluding a place of worship of no historical significance, (ii) to operate a museum or an art gallery

- For better road safety, it is proposed that a mapping be effected of all roads with their characteristics. This would encourage the development of applications on the basis of the compiled information and of live information like traffic and weather. For example, a more intelligent speed limiter could be used to control the speed of heavy and dual-purpose vehicles, which would automatically adapt to the type of road being driven.

- To develop Public Private Partnerships for the management of cultural sites with domestic and international tourism potential.

4. Addressing the Labour Markets reforms

This section includes measures to review the Workers’ Right Act, working hours, leave entitlement, labour migration, substance abuse and a conducive regime for restructuring of enterprises to address the long overdue labour markets reform.

4.1 Review of the Workers’ Rights Act

Since 2019, Mauritius adopted a new labour code, namely the Workers’ Rights Act (WRA) with a view to promoting fundamental rights at work and Decent Work. The numerous provisions of the WRA have laid down an extensive web of legal rules regulating the employment relationship. It is apposite to note, as of now, that more than 180 amendments have already been brought to the WRA and more amendments are slated to be introduced during this year. Businesses are finding it very difficult to keep pace with the growing complexity of our labour legislation.

Usually, laws which are precise and certain thereby attract a higher degree of compliance. On the other hand, those which are amended very often tend to breed uncertainty and impose huge compliance costs.

Furthermore, some recent amendments of the WRA having retrospective effect, have significantly changed established legal rules governing employment contracts, thus imposing huge financial burden on enterprises.

As mentioned under the opening up of the economy to talents and investors chapter, it is proposed that a joint technical be set up under the aegis of MOFED/EDB and MOL to engage in a review of the constraints in our labour laws compared to international benchmarks.
4.2 Working Hours

The working time regime established under the WRA does not meet the needs of Mauritian businesses which are operating in an environment which is highly competitive and dependent on the global economy.

Today, the notion of a fixed place of work in certain sectors is no more valid. New forms of work and the entry into the labour market of new generation of workers have necessitated the introduction of flexible work practices and hybrid work practices.

With a growing ageing population, many workers now must reconcile a dual professional and caring role very often. The current working time regime regarding normal working hours, overtime and shift work is inconsistent and businesses find it difficult to retain and attract employees who are looking for flexible work patterns which allow them to reconcile their family responsibilities.

With a view to promoting the adoption of flexible working arrangements, we are proposing that:

- the payment of overtime be computed after completion of 45 hours per week
- the notional calculation of hourly rate be computed on basis of 195 hours a month
- the WFH Regulations be reviewed to render it less rigid and costly.

4.3 Leaves Entitlement

The existing regime regarding leave entitlements is very comprehensive and costly to businesses, the more so following the widening of the scope of application to all workers drawing up to Rs50,000 monthly.

The eligibility of vacation leaves every 5 years will pose operational threats to the smooth operation of activities in many sectors when the majority of workers will be entitled to their vacation leave at roughly the same time.

It is to be noted that enterprises vary significantly in terms of workforce size, profitability, management practices as well as reward and benefit systems. Thus, imposing a uniform level of leave benefits to all companies penalises MSMES.

With a view to rendering the existing leave regime affordable, we propose to:

- limit the refund of annual leave to cases where application of such leave has been made by the worker and such request has not been acceded by the employer for operational reasons.
- set a new leave regime for MSMES.
• rationalise the existing annual, sick and vacation leave and in lieu introduce a new national Annual Leaves during our festive season ranging from the third week of December to the end of the first week of January annually.

4.4 Labour Migration

The recourse to labour migration is a necessity in almost every economic sector these days. Faced with a chronic shortage of labour in certain occupations, firms can only operate on due to foreign workers.

The current work permit system is no more appropriate and there are many gaps and delays in the process.

As mentioned under the opening up to talents and investors chapter, we are proposing that a joint public-private committee, including industry associations, and the Ministry of Labour to review the work permit system.

Given the growing demand for foreign labour, we additionally propose that a specific piece of legislation be introduced to regulate the recruitment and employment of foreign workers in Mauritius.

4.5 Substance Abuse

Currently the law does not allow an employer who has reasonable grounds to suspect that his employee is under the influence of drug or alcohol at the workplace, to conduct a test. Allowing such an employee to perform his normal activities would represent a danger to his own safety and that of his colleagues.

We propose that the law provides for the conduct of such appropriate test that may be deemed necessary at the workplace in suspected cases of substance and alcohol abuse with the view to prohibiting their consumption at work.

4.6 Restructuring of Enterprises

Enterprise restructuring is a normal event in the life cycle of any business entity. Companies often undergo restructuring as a survival strategy to improve their competitiveness and to review the underperforming or unprofitable business units to better optimise their resources and to create new employment opportunities.

In certain situations, enterprises restructuring may be final effort to maintain solvency when a firm is in financial trouble and has to reschedule its debts with its creditors.
Compared to economies such as United Kingdom, France, Singapore and Dubai, Mauritius has very rigid provisions in respect of redundancy process even in cases where restructuring is warranted for structural and technological reasons.

We propose that redundancy process be reviewed and simplified by removing the prior authorisation obligation which must be sought from the Redundancy Board. This will provide companies with other options rather than file for voluntary administration while under the PRGF provisions, obligations accruing to employees would have already been catered to.

4.7 Salary Compensation

There is a need to review the mechanism for the payment of the annual salary compensation – The existing system is outdated and is over reliant on a sole factor namely inflation. In a situation of high inflation, as we just witnessed during the past 12 months, the cost of the salary compensation is very huge for businesses.

We propose that salary compensation be determined by the National Minimum Wage Consultative Council or as an alternative, to have an automatic indexation of the basic salary every year subject to a maximum ceiling based on the increase in the median wage.

5. Diversification

While our country has consistently diversified both in terms of products and services, the new challenge is now on complexification of our economy, through Research and Development and Innovation. Given our remoteness from our traditional export markets and the increasing uncertainties on sourcing our food and inputs for industry, we also need to look more closely at investment and trade with continental Africa.

Recommendations on research and innovation, trade and investment with the mainland continent, support to the development of emerging sectors and for SMEs are proposed.

5.1 Research and Innovation

Significant progress has been made over the last few years to improve the Country ranking on the Global Innovation Index. Coming from 82nd, Mauritius now ranks 45th out of 132 in the Global Innovation Index 2022. However, R&D spending stands at 0.3% of GDP, which is lower than the 1% average in Africa. Furthermore, innovation output is another criterion where Mauritius needs to improve.

The main challenge for successful research and innovation translation remains a mutual understanding of the needs of both Industry and Research Institutions. We need to secure a much higher level of university-industry collaboration with a better match of research and innovation priorities to deliver internationally competitive products and services.
Local funding arrangements are short term, and with levels of program/project assistance often too small to make a real difference.

The low R&D spending recorded by WIPO also comes from an absence of coordinated reporting and consolidation of R&D expenditure, both at Company and National levels.

It is proposed that specific positions of Research Chairs be created with a focus on University-Business collaboration to allow academic groups to work on specific challenges identified by business and industry in the following priority fields:

- Industry 4.0 with a focus on automation in production and agro-industry
- Ocean, with a focus on fish and seafood processes, algae production and use as well as shipping and fishing vessels
- WEFE nexus (Water, Energy, Food Security and Environment)
- Digitalisation, automation of services and new technologies

For these priority fields, an ecosystem will be created to strengthen industry-academia collaboration as follows:

- Dedicated matching grants budget from MRIC for industry-academia partnerships as well as dedicated funds to encourage collaboration with research institutions in the region on these priority fields to increase intellectual exchange as well as materials and technology
- Financing plans for specialized equipment through IFCM and
- Assistance of EDB for streamlined procedures to encourage the business community to invest or co-invest in research, equipment, external expertise, specialised recruitment, technology transfer, filing of patents and IP protection.

To ensure that Research and Innovation initiatives are recorded and consolidated at the national level, it is further proposed that new guidelines are issued to businesses and accountants. These would be co-designed by the Financial Reporting Council, the Mauritius Institute of Professional Accountants, the Registrar of Companies and the Mauritius Revenue Authority together with Business Mauritius.

5.2 Higher Education

Post-pandemic recovery and a new understanding of the impact of technology offers a great opportunity to re-think the role of education as an enabler of talent development and a pillar to growth. As such, it would be opportune to:

- Develop a National Strategy/Roadmap for the Higher Education sector to brand, build and market Mauritius as a destination of choice for students from Africa, Indian Ocean & Asia who want to enjoy a world class education experience, with:
  - Dedicated budget for marketing strategy and marketing
- Student-centred ecosystem with visa application, student lifestyle and activities, access to public transport and health institutions, accommodation options and connectivity
- A business friendly regulatory framework
- Clear guidance on international student desk, student visas changes – processing, 20 hours per week part-time work allowances and the 10-Year Renewable Young Professional Occupation Permit post-study work visa – as well as the Mauritius Africa Scholarship Scheme.
  - Allow post-secondary educational institutions registered by HEC to be zero-rated for VAT purposes.
  - Tax rebate or deduction for all investment in technologies to facilitate online/distance education (curriculum development, learning platform setup, equipment, software)
  - Devise a Scheme to attract international PhD students who want to do research in priority fields, with assistance to register patents locally
  - Devise a special internet access package for all Education campuses and registered students
  - Review the curriculum at Primary and Secondary school levels with a view to provide the next generations with the relevant skills for the Future of Work, as well as meet local demands.

5.3. Fintech

The following is proposed with regard to the Fintech sector:

- Making E-KYC accessible not only from Mauritius but globally for authentication with regards to customers living abroad, enabling cross border verification.
- Setting targets for:
  - the full implementation of digital signature and e-contracting across the financial supply chain, including consultation with operators, local regulators and industry associations
  - fully digital companies, including digital banks, especially with regards to the capital requirements and access to data through shared APIs. This will include the development of a clear list of criteria and requirements for licensees
  - incorporating AI and Blockchain in administrative systems and the regulatory space. Given the size of the country, Mauritius is a good place to explore the potential of applications of Blockchain to be deployed across public-private sectors. The research funding may be developed through a consortium or a specific institution.
5.4 Ocean Economy

Mauritius has an Exclusive Economic Zone of 2.3 million square kilometres with potential to develop economic activities with high value addition. The following are proposed:

- MRIC to initiate a new Call for proposal for start-ups with projects in the Blue Economy
- Negotiate matching grants for blue economy projects from DFIs, such as Catalytic Africa by AFD, which matches investments from accredited incubators which have raised capital from Angel Investors.
- MOI to carry an overall survey and inventory of all marine creatures with the collaboration of foreign experts. Marine creatures like molluscs, oysters, sea cucumbers and seaweeds are not only used for food transformation, their molecular extracts (bio compounds) are currently used in medicinal, pharmaceutics and other industrial process. In fact, our ocean has the environment with the ideal parameters that attract whales, dolphins, and other mammals to reproduce in our warm waters. The ecological and scientific farming of the marine creatures could be studied and set up to ensure a constant reproduction.
- Mauritius needs to have its own scientific-research ship or seek international collaborations to carry out scientific research of all existing fishes and marine creatures in our EEZ. We would ensure that these marine creatures continue to reproduce for the economic benefit of the country.
- Establish a master plan for aquaculture of seaweeds, molluscs, and other marine creatures (sea cucumbers etc.) and encourage the setting of marine aquaculture companies.
- Provide tax rebate on investments made by investors (individual or corporate) in such companies with a minimum capital of MUR 25 million. The tax rebate can be a 50% tax deduction over 5 years on the amount invested. This scheme will attract Mauritians as well as overseas investors seeking opportunities in green and sustainable industries.

Sea Connectivity

Sea connectivity is a major issue as shipping lines are moving their activities away from Port Louis, due to a number of issues affecting its attractiveness, including low productivity and inefficiency of port services. Transforming the business culture of the Port with objectives to increase connectivity with the rest of the world, reduce the cost to import and export goods and to generate value addition to GDP.

It is proposed to prepare a reform plan for the port with the strategic objective of ensuring that its activities are brought to world class levels to make Mauritius the leading and the only green port of the southern hemisphere as a gateway to eastern freeboard of Africa. The following scope is proposed:
- Improve governance of the port, by reviewing the role of the authority and the management of port assets

- Developing a cargo hub strategy to transcend our limitations of captive volumes (approximately 150k TEU annually which are too small to help us attain our objectives). The strategy would focus on the following two objectives:
  - Increase transshipment volumes in the region
  - Establish Mauritius as light manufacturing SEZ hub

- Make Mauritius a key service port for bunkers, underwater surveys, small repairs and maintenance, and crew change among others.

- Ensure the climate resilience of the port through necessary investments such as the Port Breakwater

- Some administrative matters are also highlighted to increase efficiency:
  - Bringing down the number of days for application of crew change prior to arrival of vessel from 7 days to 3 days.
  - Exempting vessels from Anchorage Dues for Hull Inspection only

5.5 Consolidating and focusing our Africa Strategy

Mauritius has recently signed trade agreements with China and India and integrated the Africa Continental Free Trade Area. We are also long-standing members of COMESA and SADC. These FTAs provide an important value proposition for Mauritius to position itself as a gateway for investments into continent. The following are proposed to shape our Africa Strategy:

- As mentioned under the National Priorities it is important to promote Mauritius as a centralised sourcing destination for Africa and attract MNCs to set up a distribution platform in Mauritius. This will require providing certainty regarding Freeport laws to encourage investors for long term investment as too many changes in legislation have created uncertainties in the market. In this respect the following are proposed:
  - An international benchmarking exercise
  - a modus operating for impact assessment prior to any new amendments in the Freeport Act, the Customs Act or any other relevant Act linking to Freeport activities
  - reintroducing manufacturing as an authorised Freeport activity and work at enlarging the list of authorised activities to be at par with major competing Freeport Zones.

- Improved mobility of businesspeople, including circular mobility of Mauritian Citizens and Residents in key countries. A blanket visa agreement for Mauritian companies with selected African countries would facilitate this movement. Meanwhile, we can develop a Fast-track Regional Occupation Permit (see section 2.3)
It is important for the country to have a greater diplomatic presence on the continent. At present, the country has 5 Embassies (out of 20), 12 Honorary consuls (out of 46) and 2 EDB offices in Africa. In this context, we recommend:

- the opening of 2 new Embassies in Kenya and Ivory Coast
- the appointment of economic counsellors in Cote D’Ivoire, DRC, Cameroon, Angola, Nigeria, Rwanda as well as Reunion island where Mauritius is the first source of FDI
- Earmark a budget to organise Pan-African events to position Mauritius as a destination for innovation in new tech such as Fintech, AI, Agriculture and e-health.

6. Towards a simple and conducive ecosystem for SMEs

Laudable effort is being done to promote SMEs with good initiatives and incentivise motivated entrepreneurs. However, there are some unnecessary and avoidable hurdles that exist in terms of business facilitation, cost of doing business, capacity building and SME inclusiveness.

With regard to reducing the cost of doing business for SMEs, the following measures are proposed:

- Simplify trade fees for SMEs to reduce burden on micro and SMEs by having standard Trade fees per size of SME:
  - Micro (exempted)
  - Small (MUR 5,000 per year)
  - Medium (MUR 25,000 per year)

- Limit credit payment terms to SMEs to a maximum 30 days, including for Government bodies and Parastatals as well as listed companies

- Provide SME preferential restructuring mechanisms and recovery frameworks through IFCM/SEF/DBM and SME Mauritius

- MRA and Registrar of Companies
  - With a view not to over-penalise SMEs, the amount applicable for some fines and penalties has been lowered for SMEs by the MRA. This measure has not been systematically applied to all fines and penalties. We recommend that fines and penalties imposed by the MRA and by the Registrar of Companies on SMEs should be systematically at least 50% lower than on large enterprises.

- Allow VAT to be paid on receipt of client payment instead of on issue of invoice. This will improve cash flow and reduce financial costs.

- Remove the Tax Deduction at Source (TDS) for SMEs as it has a direct impact on their cashflow

- Extend the Government support for SMEs on PRGF from end-2024 to 2027 for SMEs with a turnover of up to MUR 30 million.
– Increase VAT Registration threshold from MUR 6M to MUR 10M (the threshold was last increased in 2015).

On improving SME inclusiveness in the procurement of public and private institutions, the following is proposed:

– Make it mandatory for ministries and public bodies and organisations and listed companies to disclose procurement from SMEs
– Increase the deduction of procurement from SMEs from 120% to 150% and extend the benefit to all companies.
– Government to dedicate specific public procurement to established local SMEs for 2 years
– Government to earmark a budget to further support the Made in Moris campaign to encourage businesses to work with local companies and for Mauritian to consume local goods.

With regard to capacity building and as communicated by HRDC, SMEs are not taking enough advantage of the HRDC refund on training, compared to large companies. Our proposals are as follows:

– Specific capacity building campaign with HRDC towards SMEs, including awareness, identification of needs and facilitation of applications
– HRDC refund of training to be processed within 30 days for Micro and Small SMEs (up to MUR 30 m turnover) to minimise impact on cashflow
– Specific training for SMEs on:
  o Digital transformation facilitation and training
  o Digital marketing
  o Productivity
  o Accounting and Finance

On business facilitation, the following is proposed:

– Government online systems to offer the possibility of payment by Internet Banking transfer as many SMEs do not have credit cards. This would help to separate personal and corporate finances, which is a basic principle in proper financial management
– Extend the duration of licences for recruitment agencies from 2 years to 5 years for those agencies that have already been certified for two consecutive terms.
– Accelerate the implementation of the Angel Investor Allowance announced in Budget 2022-23, include investments made by Investment Clubs to this measure through a tax-credit system and create awareness of the Financing through Investment measure for SMEs.
– Produce an Annual Digest of statistical data on SMEs based on the latest Census of Economic Activities. The latest SME report dates from 2013.
7. Conclusion

We believe that the above set of proposals would support the economic recovery, strengthen resilience and tackle the challenges facing the country in line with the national vision of an inclusive and sustainable Mauritius. The national priorities would sustain employment and growth. Improving research and innovation and bringing more people from the inactive population including more women in the labour force will help the country pushing its Production Possibility Frontier.

We look forward to discuss these proposals with the Ministry.