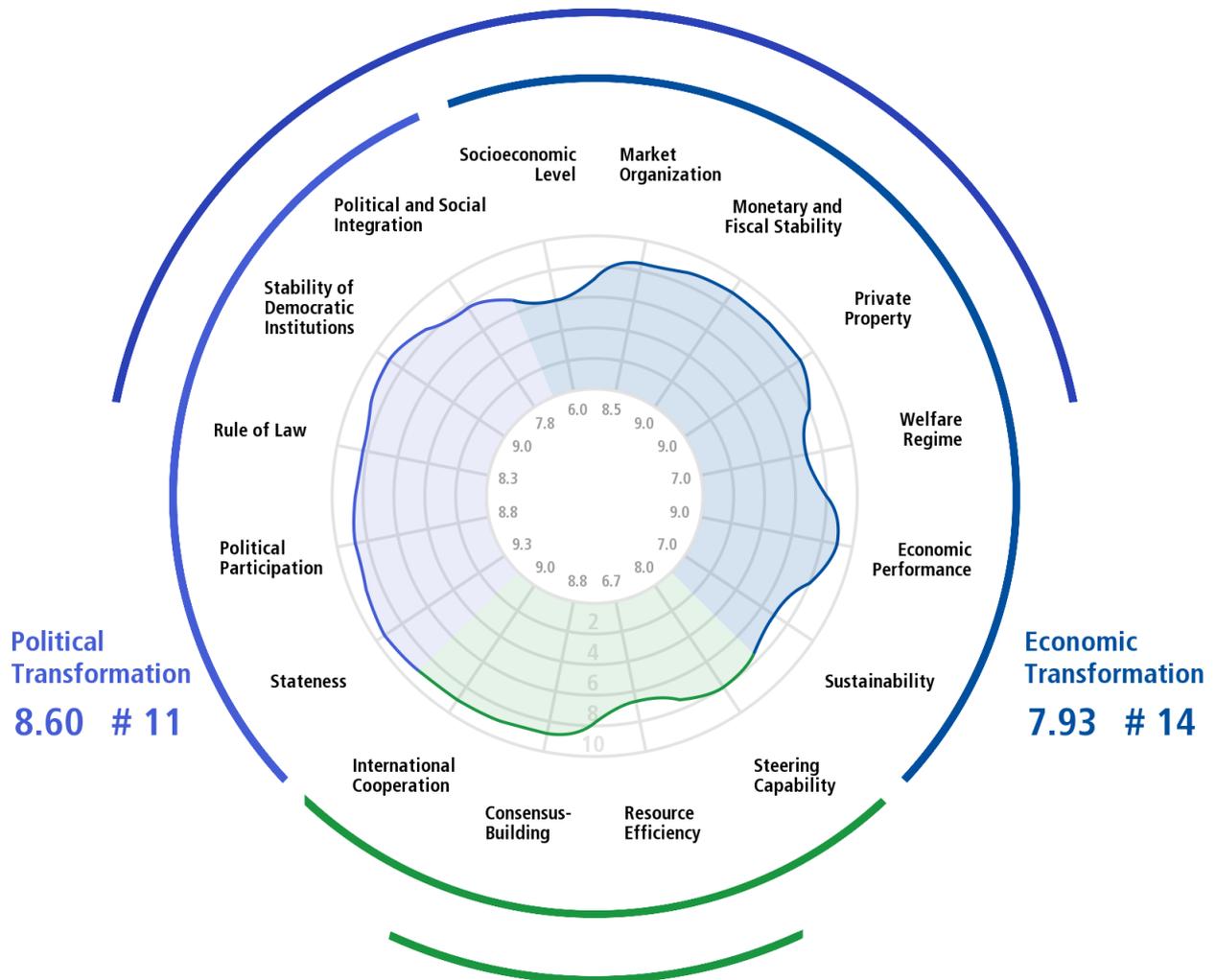


Mauritius

Status Index

8.26 # 12

on 1-10 scale out of 137



Political Transformation
8.60 # 11

Economic Transformation
7.93 # 14

Governance Index

6.76 # 10

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	1.3	HDI	0.796	GDP p.c., PPP \$	23709
Pop. growth ¹	% p.a.	0.1	HDI rank of 189	66	Gini Index	38.5
Life expectancy	years	74.5	UN Education Index	0.730	Poverty ³	% 3.0
Urban population	%	40.8	Gender inequality ²	0.369	Aid per capita \$	9.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Mauritius is not a transformation country in the classic sense. The island state that lies in the middle of the Indian Ocean, some 1,100 kilometers away from Madagascar and 2,300 kilometers from mainland Africa, has established a viable democracy and market economy since its independence from the UK in 1968. The country benefits from stable and mature institutions and a stable multiparty parliamentary democracy, characterized by shifting alliances. Though the president is the head of state, it is the prime minister who exercises full executive powers and heads the government. In January 2017, the prime minister elected in 2014 resigned and designated his son Pravind Jugnauth as new prime minister. The appointment was confirmed by the president and a new government was established. This shift illustrates the dynastic nature of Mauritian politics. It should, however, be underlined that Pravind Jugnauth is the leader of the majority party in parliament.

This transfer, which was legal but not moral, did not impact the policy implementation of the 2015 to 2019 government program. The priorities of this program are to promote inclusive and sustainable economic growth by taking into account environment protection, social equality, unemployment, anti-corruption measures and poverty eradication. Eradicating poverty is one of the top priorities, and the country ratified the United Nations Sustainable Development Goals (SDGs). A Marshall Plan against poverty has also been elaborated with the participation of United Nations experts present on the island. The objective is to realize Mauritius's "second economic miracle" and transform it into a high-income country. Statistics show a slight increase in economic growth in recent years and the country's current account deficit is now expected to be smaller than it has been in the last few years.

The country continues to maintain and further develop cordial relations with several states, and it has made efforts to strengthen its relations with other African and Asian countries (particularly China and India), as well as the European Union. Mauritius has become a bridge between Asia and Africa and is a gateway for investment in Africa. As such, the country's political leadership actively and successfully builds and expands cooperative relationships with neighbors and internationally, while also promoting regional and international integration.

History and Characteristics of Transformation

Since independence from the UK in 1968, Mauritius has witnessed successful economic development and has built a well-functioning market economy and a viable democracy. Unlike some other African states, Mauritius has never had a violent conflict within its borders (except for short spells of ethnic-based riots in 1968, prior to independence, and in 1999, leading to loss of life, destruction of property and displacement of people). In fact, the country does not maintain a military force – and has also avoided the trap of being dependent on foreign aid. Instead, it has achieved high rankings in several indexes that measure political and economic development, including this one, for years and often ranked as the most successful country within Africa. This came to many as a surprise given the bleak outlook of the former colony's economic and social situation at the time of independence. Indeed, Nobel laureate James Meade predicted in 1961 that Mauritius's economic future would be bleak given its overpopulation and heavy dependence on sugar, by far the most important trading product in Mauritius at that time.

Mauritius was an uninhabited island when the Arabs and the Portuguese discovered it a few centuries ago. It was with the arrival of the Dutch in the very late 16th century that the first permanent settlement of Mauritius began, only taking shape in 1638. Seeing more strategic importance in its Cape Colony (today's Cape Town in South Africa), the Dutch abandoned Mauritius in 1710. Five years later, the French claimed the island. They settled permanently on Mauritius and named it Ile de France. Following a French defeat during the Napoleonic Wars, Britain took over the island in 1810 and claimed mainland Mauritius and its dependencies, namely the Agalega Islands, the Chagos Archipelago, the Cargados Carajos Shoals (Saint Brandon) and Rodrigues, as colonial territory. Given Britain's *laissez-faire* rule over the island, the French language prevailed as the *lingua franca*. French colonial heritage is still visible today, as is British heritage, in the political, administrative, judicial and educational systems. As such, the colonial period left Mauritius with the Westminster model of parliamentary democracy. Three years prior to independence in 1965, Britain excised the Chagos Archipelago from Mauritius, thus creating the British Indian Ocean Territory, which it leased to the United States for the establishment of a military base on its main island, Diego Garcia. The dispute over the sovereignty of the Chagos Archipelago remains a major bone of contention between Mauritius and the UK today. The International Court of Justice has just delivered an advisory opinion in favor of Mauritius. The country also has a territorial dispute with France over the tiny island of Tromelin. Negotiations for its joint exploitation at the economic level are ongoing. The issue of sovereignty is yet to be settled.

When France had colonial rule over Mauritius, it shipped slaves from mainland Africa, Madagascar and India, among other sources, to the country. More Indians arrived, mostly as indentured laborers, following the abolition of slavery. Chinese migrants also came, mainly to open shops and become local traders. The descendants of these settlers, together with those of the European colonizers who chose to remain on the island, form today's multicultural and ethnically diversified society. The Hindu community constitutes the largest ethnic group on the island

nowadays. Together with the small Franco-Mauritian minority, they are the most influential group and dominate politics and the economy respectively. The Creoles, mostly descendants of slaves, drifted into the background, giving rise to what was termed as the “Malaise Créole.” However, over the past decade or so, some notable improvements have been made to advance their situation. This includes the introduction of Creole as a formal language taught in certain schools on demand and the introduction of February 1 as a public holiday to commemorate the abolition of slavery. Likewise, November 2 has been decreed a public holiday to commemorate the arrival of the first indentured laborers. What is more, a Truth and Justice Commission was established in 2009 to investigate the country’s past and the consequences of slavery. This commission published its report in 2011 and made some further recommendations on how to deal with the challenges that arose. As a matter of fact, the economic success of Mauritius and its relative prosperity, having the world’s 64th highest GDP per capita according to World Bank data, overshadows the situation of the Creoles, who for various reasons may not be seen as fully enjoying and participating in the country’s prosperity, despite some significant improvements in their situation in recent years.

This economic success was not predestined at independence, as noted above. In the 1960s and 1970s, Mauritius was dependent on sugar cane production. The post-independence government then started to diversify the economy and build a strong secondary sector with a quickly flourishing textiles industry. Moreover, tourism began to expand. In addition, financial services turned into another component of the service sector. In the 1990s, the fourth pillar of Mauritius’s economy, the IT sector, was developed. The country has made significant progress in its financial services sector as well.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state has the monopoly on the use of the force, and it covers the entire territory of the country. Mauritius has no army, and all military and security activities are carried out by the National Police Force (MPF), the Special Mobile Force (SMF) and the National Coast Guard. The SMF is designed primarily to ensure internal security. The MPF is placed under the orders of the commissioner of police. It is composed of 12,500 police officers posted in divisions, branches and paramilitary units: the Special Mobile Force (SMF); the Special Support Unit (SSU); the Police Helicopter Squadron (PHS); the Maritime Air Squadron (MAS); and the National Coast Guard (NCG). The MPF are considered well-trained and disciplined, despite minor incidents in previous years. However, a growing dissatisfaction among the population over government political interference in the work of the police is perceptible, despite the fact that the independence of the office of the commissioner of police is guaranteed by the constitution.

The vast majority of the population accepts the nation-state as legitimate. The constitution recognizes four communities or ethnic groups: the Hindu community, the Muslim community, the Sino-Mauritian community and the “General Population” (essentially a Christian community, or those who do not belong to one of the other three communities). The Hindu and Muslim communities are defined according to religious criteria, the Sino-Mauritian community by religious and ethnic criteria, and the “General Population” is defined – by default – as those who are not members of the other communities. According to the 1972 census, the last using ethnic terms, the Hindus represented 51.8% of the population, the General Population 28.7%, the Muslims 16.6% and the Sino-Mauritians 2.9%. The Hindu community is made up of speakers of the following languages: Hindi (the majority, of northern Indian ancestry), Tamil, Telegu and Marathi. These subgroups play an important political role.

Question
Score

Monopoly on the
use of force

10



1

State identity

9



1

The General Population can be divided into Franco-Mauritians (with major holdings in the sugar industry and the economy in general), Creoles (descendants of slaves) and the Mulatres (mixed-race people). Until recently, the Creole community considered itself sidelined from the mainstream economy, leading to the expression “Malaise Créole” being coined. Communalism and caste-based relations are a prominent feature of politics. Social divisions become accentuated during elections. Candidates are generally aligned by virtue of their ethnic group. Otherwise, harmony among the various communities prevails and all efforts are deployed to maintain this peaceful coexistence.

The Creole community is increasingly absorbed in the mainstream, although there is still room for more positive discrimination without making it a blatant policy, not least since it becomes counter-productive.

Mauritius is officially a secular state, and the constitution and other laws and policies protect freedom of thought, conscience, religion, opinion and expression. The 2011 census reported about 50 religions with the largest being Hindus (48.5%), Roman Catholics (26.3%) and Muslims (17.3%, 95% of which are Sunni). In Rodrigues, the majority of the population is Catholic (90%). A parliamentary decree recognizes six religious groups that were present prior to independence: Catholics, Anglicans, Presbyterians, Seven-Day Adventists, Hindus and Muslims. These groups receive annual lump sum payments from the Finance Ministry based on the number of adherents as determined by the voluntary self-identification of individuals in the 2011 census.

The constitution enshrines the right of religious groups to run their religious affairs and to set up confessional schools. The state also funds religious and “social-cultural” associations.

Religion, religious groups, social-cultural associations, communalism and caste play an important role in politics. During the elections, they have a strong capacity for mobilization. Candidates are selected based on their ethnic and religious backgrounds. Besides, the constitution dictates that each candidate must indicate his or her community on the electoral form. However, following a complaint by the political party *Rézistans ek Alternative* in 2012 regarding Mauritius’s non-compliance with the International Covenant on Political and Civil Rights and the conclusion of the United Nations Human Rights Committee (UNHRC) that the requirement of mandatory classification of a candidate for a general election constituted a violation of Article 25 of the covenant, the constitution was amended in July 2014 to enable each candidate to freely decide whether he or she wanted to include community on the form. However, this possibility creates room for discrimination on the grounds of ethnicity against candidates who opt against declaring their ethnic group.

No interference of religious dogmas

8



1

On the other hand, all the prime ministers since independence have come from the Vaish caste, except for Paul Béranger (2003-2005), a Roman Catholic. The issue of declaring a candidate's religion or community is still alive. For the upcoming elections, the same formula that was used for the 2014 elections may have to be used yet again; reform of the electoral system, which has long been clamored for, is yet to be agreed by all parties concerned. Therefore, the electoral system still caters for what is known as the "best loser system." This system means the Electoral Commission nominates unreturned candidates on the basis of their declared religion to create a "fair level" of representation, should it be found that a particular religious group is under-represented.

Religious dogmas have a degree of influence over legal and political institutions, but there has in general been progress over the last few years as, for example, is illustrated by the legalization of abortion.

Mauritius has developed a differentiated administrative structure throughout the entire country, providing all basic public services. Due to the small size of the country, there is no center-periphery problem regarding access to the state administration. Mauritius's administrative division is a legacy of its colonial past. There are nine administrative districts (Black River, Flacq, Grand Port, Moka, Pamplemousses, Plaines Wilhems, Port Louis, Riviere du Rempart and Savanne) and four dependencies (Agalega Islands, Cargados Carajos Shoals, the Chagos Archipelago and Rodrigues).

Mauritius's second island, Rodrigues, lying some 600 kilometers away from the main island, has gained notable autonomy and has its own regional assembly. However, given the absence of business opportunities apart from tourism, the island depends heavily on the central government for funding.

2 | Political Participation

For National Assembly elections (70 seats), the Mauritian electoral system uses a first past the post (FPTP) system, which is actually first past the post combined with a system of best loser (variable corrective). Since independence in 1968, Mauritius has held 10 general elections. The electoral system was designed in the 1960s to ensure inclusion in a country with an ethnically diverse population. The country is divided into 20 constituencies, each with three parliamentarians elected based on the highest number of votes. The island of Rodrigues has two parliamentarians. There are 62 members of parliament plus eight "best losers" nominated by the Electoral Supervisory Commission. The best loser system attributes an extra eight seats to non-elected candidates based on their community. This electoral arrangement, combining a constituency-based block vote and the best loser system, was enforced under British rule by the 1966 Banwell Commission to ensure the political representation of minorities. To institutionalize ethnic pluralism, four communities were officially

Basic
administration

10



1

Free and fair
elections

9



1

recognized by the British censuses and then embodied in the constitution of independent Mauritius: Hindus, Muslims, Chinese and the general population. The official percentage of each community is still based on the 1972 census, according to which the Hindu community accounts for 51.8% of the population, the general population for 28.7%, the Muslim community for 16.6% and the Sino-Mauritians for 2.9%.

This system is combined with a coalition system as a result of the FPTP system and has led to the monopolization of power by the major political parties. Political parties set up alliances before the elections, because no political party has so far been able to win the elections on its own. In the last elections in December 2014, the alliance Lepep (which includes MSM, PMSD and the Muvman Liberater, ML) led by Sir Anerood Jugnauth won the elections against the PTR-Mouvement Militant Mauricien (MMM) alliance. The results have been accepted by all political parties.

All major political parties have recognized the deviant and disproportionate distortion of the FPTP system and pledged to introduce more fairness in representation. On September 21, 2018, Mr. Pravind Kumar Jugnauth, the prime minister, minister of home affairs at the External Communications and National Development unit and minister of finance and economic development, presented the proposed electoral reform, which takes into account some of the mentioned issues. The objectives of the proposed reform are to introduce a dose of proportional representation to increase fairness, inclusion and a more equitable representation of parties in the National Assembly, to maintain the first past the post (FPTP) system to ensure stability in government, and to do away with the mandatory declaration of their community by candidates. It also aims to ensure better gender representation, guaranteeing more women are represented in the National Assembly. The reform also proposes that the number of MPs increases by 15.7% because the electorate has grown (from 314,004 in 1967 to 923,316 in 2018). However, the electoral reform proposal is being debated. When it comes to media access, the Independent Broadcasting Authority (IBA) regulates access to television and radio through the IBA Act. It issued guidelines for private and public broadcasters for the 2014 elections. The private media (radio and social media) plays a significant role in informing the public during elections.

The democratically elected government can effectively govern the country and does so. There are no individuals or groups with veto power. The aforementioned tendency to form alliances of political parties means that the government usually comprises two or more political parties – a necessity for obtaining a majority in parliament. Such coalition governments are dependent on inter-party consensus. The opposition is an important pillar in Mauritius’s political system, with the post of the opposition leader being explicitly provided for in the country’s constitution. This confers some consultative powers to the leader of the opposition when it comes to certain institutional appointments, such as for the members of the Electoral Supervisory Commission, the body that bears general responsibility for the electoral process and determines the “best losers” based on the current law.

Effective power to govern

10



Article 3 of Mauritius's constitution guarantees freedom of assembly and association. There have been cases where demonstrations were forbidden, such as in June 2018, when the Consumers Association of Mauritius (ACIM) and the group named "Plateforme Pou Baisse Prix l'Essence ek Diesel" demonstrated against rising fuel costs. It was held despite city authorities refusing to authorize the event. In the same month, police canceled Gay Pride, which is traditionally organized on June 2 by the LGBT rights group Collectif Arc-en-Ciel (CAEC), because it was not able to guarantee the safety of participants due to anti-LGBT threats and unauthorized protests by CAEC. Requests for a particular venue for holding demonstrations are therefore not always approved by municipal councils. While the right to form associations, including parties and NGOs, is guaranteed, certain NGOs often find themselves unable to operate because of a lack of funding or the difficulty of applying certain regulations, especially when it is perceived that the NGOs may be critical of the government.

Association /
assembly rights

9



1

Articles 3 and 12 of the constitution guarantee freedom of expression, but the government does not always respect this right. Moreover, in May 2018 the Judicial and Legal Provisions Act was adopted and, although it focuses on the judicial process, it also includes a few provisions that restrict freedom of expression. New rules prohibiting blasphemy and providing special protection for judges against criticism contravene international standards on freedom of expression. The blasphemy rule is particularly problematic, as it not only protects religions but also "good morals" and "public morality." Those concepts are not clearly defined and go against the principle that the right to freedom of expression protects unpopular and even offensive speech. The law on hate speech is cast in too broad terms and provides for disproportionate sanctions of up to 20 years' imprisonment.

Freedom of
expression

7



1

The 2018 amendments to the Information and Communications Technologies Act define as an offense the use of telecommunication equipment to "send, deliver or show a message which is obscene, indecent, abusive, threatening, false or misleading, or is likely to cause distress or anxiety." The latest amendment has added even more adjectives to that list, thus potentially criminalizing messages that "annoy," "humiliate" or even "inconvenience" the receiver or reader. It also removed a clause that previously included the phrase "for the purpose of causing," thus removing any need to prove intent to harm. The penalties went up to 10 years' imprisonment. These amendments are seen as regressive in terms of freedom of expression.

The Information and Communications Technologies Authorities (ICTA) Board is run by government cronies.

3 | Rule of Law

Mauritius has a clear separation of powers with mutual checks and balances. The government forms the executive, the National Assembly the legislative and the Supreme Court the judiciary. It is particularly the opposition, headed by an opposition leader who is appointed by the president, that checks the government in parliament.

Moreover, the country's constitution states that the Supreme Court "shall have unlimited jurisdiction to hear and determine any civil or criminal proceedings under any law other than a disciplinary law and such jurisdiction and powers as may be conferred upon it by [the] constitution or any other law." The court has been criticized in the past for being influenced by the government. Yet, its overall independence is not questioned.

The executive branch consists of the president, the vice president, a prime minister and a deputy prime minister. These four positions are internally distributed following a typical power-sharing logic: according to constitutional provisions, the president of the republic, who is the head of state and also the vice president, is elected by the assembly on a motion made by the prime minister. The president in turn appoints the prime minister, usually the leader of the majority party or leader of the ruling alliance in parliament. The deputy prime minister and other ministers are appointed by the president on the advice of the prime minister. As a result, the designation of the holders of these positions typically follows a power-sharing logic on which the population has no decision-making power.

The president, acting in accordance with the advice of the prime minister, may at any time prorogue or dissolve parliament, while the National Assembly can pass a motion of no confidence in the government.

The prime minister holds all the powers as in any Westminster-style parliamentary system. The state's president, on the contrary, has only limited power both in constitutional terms and in political reality. The office of the president is largely ceremonial.

Mauritius's judiciary system is independent and free from unconstitutional interference. It is a hybrid system, having its roots in both the country's French and British colonial past. There is a Supreme Court, with the highest judicial authority, an Intermediate Court, holding jurisdiction over civil and criminal cases, and district courts, which try civil and criminal cases within their jurisdictions. As in several other political systems around the globe, the president appoints the Supreme Court's chief justice, following consultations with the prime minister. In the same vein, the president also appoints the senior puisne judge, after taking the recommendations of the chief justice into consideration. All the other members of the Supreme Court are also appointed by the president, acting in accordance with recommendations from the

Separation of powers

9



1

Independent judiciary

9



1

Judicial and Legal Service Commission. Mauritius's colonial past and its Commonwealth membership are still reflected by the fact that the country's supreme court of appeal is the Privy Council in London.

The independence of the judiciary can be called into question in trials where politicians are involved. The government may in this case attempt to apply pressure on the judiciary.

Corruption in Mauritius is low by regional standards, but nepotism and cronyism nevertheless remain of grave concern and constitute a source of public frustration. To try to contain corruption, the then government in 2002 adopted various laws, including the Prevention of Corruption Act, which led to the establishment of the Independent Commission Against Corruption (ICAC). It has the power to investigate corruption and money laundering, and it can seize the proceeds of crimes associated with them. In 2015, two laws were adopted: (1) the Asset Recovery Bill, which transfers enforcement authority in asset recovery cases from the director of public prosecutions to the Financial Intelligence Unit, and (2) the Good Governance and Integrity Reporting Bill, which aims to disclose malpractices and recover unexplained wealth.

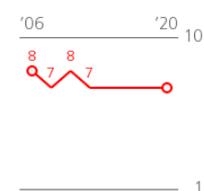
There are a number of cases of corruption involving politicians. Although these cases are not always taken to court, some examples show that mechanisms to hold politicians accountable have been working in the period covered by this report.

Civil rights are codified by law. Several institutions are working on this issue. In November 2017, the Ministry of Justice, Human Rights and Institutional Reforms was created and the human rights portfolio was transferred from the prime minister's office to the newly created ministry. Additionally, a Human Rights Secretariat and the National Mechanism for Reporting and Follow-Up (NMRF) have been set up since December 2017 under the aegis of the new ministry. The Independent Police Complaints Commission Act (IPCC) was proclaimed in April 2018 and is operational. The IPCC investigates complaints, other than acts of corruption or money laundering, made against police officers. There is also an ombudsman, who investigates public servants, including police officers and prisons guards, the Equal Opportunities Commission (EOC), which investigates allegations of discrimination and promotes equality of opportunity in both the private and public sectors, and the National Human Rights Commission (NHRC), which promotes and protects human rights.

Human rights problems are mainly reported with regard to discrimination and violence against lesbian, gay, bisexual and transgender (LGBT) persons. Homophobic attitudes persist and homosexuality tends to be framed within a discourse of sin and unnatural behavior. Domestic violence, violence against women and discrimination are also to be mentioned among human rights abuses. There were also cases of civil liberties being repressed during the period under review. For

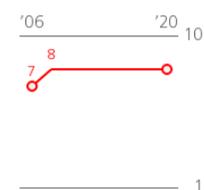
Prosecution of
office abuse

7



Civil rights

8



example, the right to demonstrate against the increased price of fuel was denied in June 2018. Abuses by the police were also reported recently. There were changes of personnel within the Human Rights Commission in 2018.

4 | Stability of Democratic Institutions

Mauritius has functioning democratic institutions. Any political decision is prepared, made, implemented and reviewed using legitimate procedures by the appropriate authorities.

Mauritian politics is nevertheless tied to a few families, undermining the legitimacy of the country's political leadership to a certain extent. Family roots regrettably seem to matter. A person associated with the political elite is more likely to be appointed to top government positions than more deserving candidates. Individuals also remain in power for decades, shifting positions regularly either following elections or as tactical maneuvers to eventually win elections.

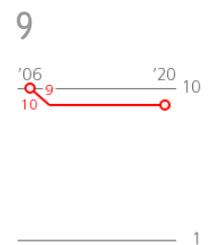
Democratic institutions are accepted as legitimate by all relevant actors. Nonetheless, political actors use some institutions to serve their political interests. As such, the public media, the Mauritius Broadcasting Corporation in particular, was widely seen as a tool of the formerly ruling party. This situation has hardly changed under the new regime. A change of management at the top level has not led to the desired and expected improvement. As much as the tendency of the population at large is to accept the legitimacy of democratic institutions, the pervading perception is that they are headed by political appointees who owe their allegiance to the government of the day. This perception has gained further currency during the tenure of the current regime. Vice-President Paramasivum Pillay Vyapoory became president in March 2018 after President Ameenah Gurib-Fakim resigned due to accusations of corruption.

5 | Political and Social Integration

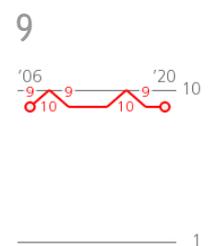
Mauritius's party system is stable and socially rooted. It is, by and large, able to articulate and aggregate societal interest with little fragmentation. In the last general election in 2014, more than 40 parties participated. The Alliance Lepep (Alliance of the People) comprising the Mouvement Socialiste Militant (MSM), the Parti Mauricien Social Démocrate (PMSD) and Muvman Liberater (a dissident group from the MMM) won the election against the alliance comprising the Labor Party (Parti Travailleiste, PTR) and the Mouvement Militant Mauricien (MMM).

These alliances together won almost 88% of the total vote. The Mauritian Solidarity Front came third with only about 2% of votes. In all elections since independence except for in 1976, pre-electoral alliances have been formed to win elections. The

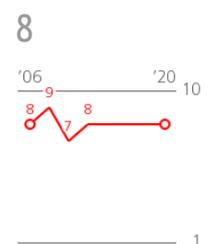
Performance of democratic institutions



Commitment to democratic institutions



Party system



main political parties are the PTR, MMM and MSM and, to a lesser extent, the PMSD.

Despite their democratic credentials, these parties are leader-centric and are guided by a few families: Ramgoolam in the PTR, Bérenger in the MMM and the Jugnauths in the MSM. Sir Anerood Jugnauth was prime minister after the 2014 election until January 2017. He then handed power over to his son, Pravind Jugnauth, who was leader of the majority party, the MSM. Even in the smaller PMSD, a member of the Duval family has always been the party leader.

Ethnicity and caste play a major role in politics. The MSM and the Labor Party attract most Hindu voters, and the MSM is considered as being primarily a Hindu-based party. As a matter of fact, the Hindu majority dominates the public administration, politics and the political parties themselves, and other groups find it hard to reach the highest political positions. All prime ministers since independence have come from the Vaish caste except for Paul Bérenger (a Franco-Mauritian member of the General Population community) from the MMM from 2003 to 2005 following an electoral agreement whereby the position was shared between Sir Anerood Jugnauth and Bérenger.

Nonetheless, the two other parties that are in the alliance with the MSM, the Parti Mauricien Social Démocrate and the Muvman Liberater, have non-Hindus as leaders, but these are minor parties on the national scoreboard. The political parties in Mauritius are heavily dependent on ethnic and communal divides. Power sharing and the distribution of political positions within alliances reflect the four communities as determined by the constitution.

A good dose of clientelism exists in the political system. The traditional parties each have a vote bank on which they depend heavily but are nonetheless subject to the mood of the electorate come election time. The more generous the promises of the party, the more likely it is to attract the voter. The 2014 elections are a case in point, with a generous promise by the Lepep Alliance to increase the old-age pension substantially and a few other such perks, despite the potential economic impact. The same was true during the previous regime when the Labor Party promised free transport for pensioners and students of all ages.

The Mauritius Council of Social Service serves as the national umbrella organization for all civil society organizations in the country. Non-governmental organizations (NGOs) that are part of the council are mainly NGOs dealing with human rights, HIV/AIDS, the promotion of women's rights and the rights of the lesbian, gay, bisexual and transgender community. In addition, NGOs dealing with environmental questions are large in number, as environmental protection has been and remains a pressing issue in the country.

Given the country's strong economic performance, business associations are crucial players among Mauritius's interest groups. In addition, the sociocultural groups of religious denominations play a role. It is particularly the business associations that try to influence government decisions. Lastly, some Creole groups have also gained considerable prominence and successfully pushed the agenda of Creoles.

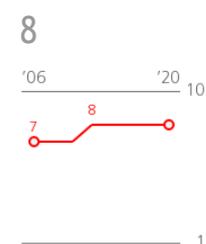
Approval of democratic norms and procedures is very high. Mauritius is the only "full democracy" in Africa in 2018 and 2019 according to the Democracy Index compiled by the Economist Intelligence Unit (with a ranking of 17th, preceded by Austria and followed by Malta). According to the most recent Afrobarometer survey (February 2018), the satisfaction of Mauritians with the way democracy is working is decreasing, and only half of the population says they are "fairly satisfied" or "very satisfied." The majority, up to three-quarters of Mauritians, still prefer democracy over any other system and almost as many say it is more important for the government to be accountable than to be efficient.

Moreover, along with decreasing satisfaction with democracy, Mauritians express sharply declining trust in their main public institutions and leaders. Political bodies and leaders earn the lowest levels of popular trust.

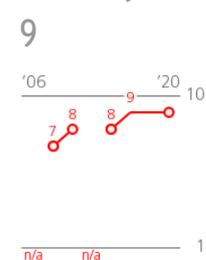
No election took place during the reporting period, so it has not been possible to test the increasing dissatisfaction with a potential decrease in voter turnout. However, historically the country has been known for a rather high voter turnout. It is noteworthy that during the recent by-election in constituency number 18 (Belle Rose/Quatre Bornes), the voter turnout was less than 40%.

Trust in other members of society has been defined as rather low in previous years, especially referring to Afrobarometer data from 2012. However, in the 2018 Prosperity Pillar rankings, Mauritius performed best on social capital and personal freedom, and it is stated that the biggest positive change came in social capital, where the country improved by 20 places compared to previous years. A more in-depth analysis of the level of trust within Mauritian society (from 2012 Afrobarometer figures) shows that trust is mostly present within family circles and much less in society as a whole. The existence of a rather vibrant civil society and recently also trade unions reveals some solidarity among citizens, but relatively few people are members of social interest groups. There is a large number of interest groups, but these are formed on the basis of the demands of the time. That is, there is no

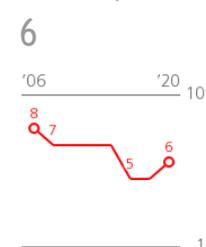
Interest groups



Approval of democracy



Social capital



consistency in the interests that they purport to represent and defend. Mass adherence to and support for such groups cannot be said to be the norm. Mauritian society is not known to visibly and publicly demonstrate its support for interest groups, even when people are sympathetic to the cause.

II. Economic Transformation

6 | Level of Socioeconomic Development

Mauritius is known as one of the wealthiest countries in Africa and does not face serious challenges related to poverty and major inequality. As such, according to World Bank data, absolute poverty levels are low, and the challenge is now fostering more inclusive growth and boosting shared prosperity. This is to respond to the reality of increasing income-based inequality. According to World Bank data, the international poverty rate based on the \$1.90 a day poverty line (in PPP in 2011) was projected to fall by 1.3 percentage points between 2012 and 2018 as moderate economic growth was expected to cut poverty. Concerning the Human Development Index, Mauritius's HDI value in 2017 was 0.790, which puts the country in the high human development category, positioning it at 65 out of 189 countries and territories. Mauritius's 2017 HDI of 0.790 is above the average of 0.757 for countries in the high human development group and above the average of 0.537 for countries in sub-Saharan Africa. Between 1990 and 2017, Mauritius's HDI value increased from 0.619 to 0.790, an increase of 27.6%. The country's GNI per capita increased by about 175.5% between 1990 and 2017. Despite these successes, several important challenges remain, especially in terms of relative and extreme poverty and inequality. Relative poverty is at 9.8% (according to the 2016 U.N. Human Development Report) compared to an average of 7.8 % in 2001 to 2012, and extreme poverty (measured by the number of people living on less than \$1.90 purchasing power parity a day), though still low, also rose from 0.4% in 2007 to 1.4% in 2014.

The Gini coefficient moved from 0.44 in 2014 to 0.790 in 2018, mostly due to widening salary differences, including between the formal and informal sectors, and increased demand for highly skilled labor. However, gender inequality went down from 0.419 in 2014 to 0.373 in 2017. Most notably, the income of the bottom 40% of the population has been growing at an annual rate of 1.8% compared to 3.1% for the rest of the population, indicating that prosperity is not equally shared as growth dynamics are tilted toward high-skilled service sectors and against the most vulnerable and uneducated. This also explains the unemployment figures, expected to continue to be around 8%, and is considered to be more the result of an accentuating mismatch of skills and a lack of trained human capital than insufficient

Question
Score

Socioeconomic
barriers

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job creation. This mostly affects women and less well-educated people, particularly Mauritians of African origin. According to the World Bank, the Mauritian middle class is already thinning down. Other challenges include a rapidly aging population and a declining worker-to-pensioner ratio, as well as a rapidly rising national debt, to mention just a few. The recent government decision to increase the minimum wage has had a positive effect on poverty levels.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	11692.3	12232.5	13259.4	14220.3
GDP growth	%	3.6	3.8	3.8	3.8
Inflation (CPI)	%	1.3	1.0	3.7	3.2
Unemployment	%	7.4	6.8	6.8	6.9
Foreign direct investment	% of GDP	1.9	3.1	3.3	2.6
Export growth	%	1.8	-3.5	-1.0	-0.3
Import growth	%	8.5	2.6	2.6	-0.7
Current account balance	\$ M	-417.0	-491.4	-612.2	-815.3
Public debt	% of GDP	65.0	65.0	64.3	66.3
External debt	\$ M	10311.7	10454.2	10637.2	11207.5
Total debt service	\$ M	4296.7	1798.2	2934.3	3215.2
Net lending/borrowing	% of GDP	-0.9	-2.3	-2.2	-
Tax revenue	% of GDP	9.0	18.1	18.5	-
Government consumption	% of GDP	14.9	15.4	15.2	15.3
Public education spending	% of GDP	4.9	5.0	5.0	4.8
Public health spending	% of GDP	2.4	2.5	-	-
R&D expenditure	% of GDP	-	-	0.4	-
Military expenditure	% of GDP	0.2	0.2	0.2	0.2

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition has a strong institutional framework. There are state-guaranteed rules for market competition with equal opportunities for all market participants. The World Trade Organization considers Mauritius's investment regime to be "open and transparent." The country, despite its unfavorable geographic location in the middle of the Indian Ocean far away from other markets, has been highly successful over past few decades in attracting investors and foreign capital. One reason for this is the business-friendly environment. In the World Bank's Doing Business 2019 report, Mauritius, an upper middle-income country, ranks 20 out of 190 countries. This means that the country improved on its 2017 position of 49th and also the position it had in 2015 (28th). Starting a business in Mauritius takes five days and four procedures with a cost of 0.9% of GNI per capita, giving the country an excellent ranking of 21 out of 190 in the "Starting a Business" subindex. It continues to be among the freest and most business-friendly countries in Africa, according to a number of global surveys. The 2018 Index of Economic Freedom, published annually by the Wall Street Journal and the Heritage Foundation, ranks Mauritius as the 21st "freest" economy in the world (out of 180 countries) and first out of the 46 countries in sub-Saharan Africa. As such, the country is in the category of "mostly free" economies. In comparison to the 2015 data, the country went down 11 places (from 10th position in 2015).

The World Economic Forum's Global Competitiveness Report (GCR) 2017 to 2018 ranked Mauritius as the most competitive country in Africa, in 45th place worldwide (out of 137 countries). In relation to the global business sector, Mauritius is a well-established and reputable international services and global business center for investment flows into the emerging markets of Asia and Africa.

The introduction of Mauritius's export processing zones was helpful for boosting the island's economic development. These zones allow for state-subsidized processing of imported materials, transformed for export. Incentives for investors to invest in these zones include the exemption of duties on imported raw materials, low energy costs and free repatriation of capital, profits and dividends.

Efforts are also being deployed to turn the capital city, Port Louis, into a major seaport connected with other Indian Ocean islands and ports in the Southern African Development Community (SADC) region. One area that could contribute a boost to the Mauritian economy is the higher education sector. Mauritius seeks to attract reputable educational institutions from different parts of the world in order to receive students mostly from the African continent. However, an absence of strict controls on the legitimacy of certain institutions has brought certain obscure universities, resulting in unrecognized qualifications granted to students.

Market
organization

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Another objective is to expand the financial services industry and turn Mauritius into a vibrant and sophisticated international financial services center of substance and excellence.

Mauritius has always been prompt to respond to these accusations and plug any loophole through appropriate legislation.

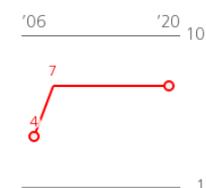
Mauritius's 2015 Economic Mission Statement and 2015 to 2019 government program have the objective of improving fiscal transparency by abolishing special funds and boosting sustainability with the creation of a "legacy sovereign fund."

The informal sector amounts to 53% of total employment, which has had an impact on politics and continues to do so because of the complex issue of "street vendors." The number of street vendors increases near the end of the year, practically constituting an invasion of the main streets of the capital and other major towns. This obviously affects the licensed traders, many of whom have had no alternative but to close shop.

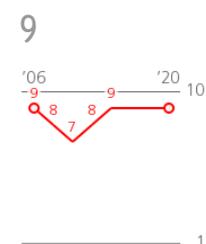
The 2007 Competition Act protects competition in Mauritius. It regulates the prohibition of restrictive collusive and non-collusive agreements, the abuse of dominance and the merger review. The government established the Competition Commission of Mauritius in 2009 with the aim of promoting competition in the interest of Mauritian consumers, businesses and the economy. The commission is linked to the prime minister's office, yet is independent from the government in its decision-making, which is performed by five commissioners. Mauritius is member state of the Common Market for Eastern and Southern Africa (COMESA) but is yet to harmonize its domestic laws with it. According to the latest report available on its website (2016-2017), the commission still had 21 ongoing cases in June 2017, including alleged abuse of monopoly power in the supply of secondary school books, the cement market and mergers of businesses. While the commission's work has gained some momentum, a few oligarchic families still continue to dominate the Mauritian economy. This is particularly true for the agricultural sector, as well as the trade and telecommunications sectors. Moreover, there are instances where mergers within established parameters have taken place, giving quasi-monopolistic control of the market.

Trade has become more liberalized recently. Measures include tariff cuts, the dismantling of several subsidy schemes and a reduction of import licensing. Moreover, foreign equity caps have been removed in the tourism sector. However, such caps remain in television broadcasting and sugar production as well as for diving centers. Overall, however, there have been efforts made to improve the environment for trade and investment, according to the World Trade Organization. This includes measures to improve the processing of permit approvals for large investment projects by introducing a fast-track option. The legal protection of investors has also been strengthened. Mauritius has so far not been part of any dispute settlement case at the

Competition policy



Liberalization of foreign trade



World Trade Organization. Despite this record, the country continues using an import permit system to protect the producers of some agricultural products, such as chicken, pork and tea. Moreover, the import of some products, such as onions and potatoes, is controlled by the Agricultural Marketing Board, which implements an import quota system.

Mauritius's economic outlook is broad. It is member of international trade agreements and the Interim Economic Partnership Agreement (IEPA) with the European Union, which was agreed in 2009 and came into effect in 2012. This agreement provides duty- and quota-free access to the market of the European Union for exports from Mauritius (and from Madagascar, Seychelles and Zimbabwe, which signed the agreement along with Mauritius).

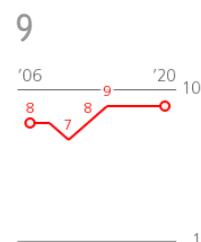
The Mauritian market is also open to practically all EU goods. In general terms, 90% of tariffs for goods from all sources have already been eliminated in Mauritius. The agreement will ensure predictability and continuity in the trade relations between the UK and the Eastern and Southern Africa (ESA) states on similar conditions after Brexit, as under the IEPA Mauritius will continue to export all its products duty free to the UK market. It will allow Mauritius to source inputs from the European Union for processing and exports to the UK market.

At the time of writing, the agreement is yet to be signed by Turkey and China. The fourth round of negotiations between Mauritius and China was held on 28-30 August 2018 in Beijing. Both parties reached agreement on all issues under the free trade agreement – trade in goods and services, investment, economic cooperation, ecommerce, competition policy, and dispute settlement.

The country has also an International Trade Division (ITD) at the Ministry of Foreign Affairs, Regional Integration and International Trade, which is responsible for the formulation and development of the country's trade policies. It aims to create a conducive trade policy environment for Mauritius to position itself on the world market and to increase its trade share. It is also engaged in the process of regional integration and international trade negotiations at WTO level. Through its regional and international trade negotiations, the ITD seeks to open markets and preserve existing market access for exporters of goods and services. Mauritius has also signed the CFTA (All Africa Free Trade Area) sponsored by the African Union.

Mauritius's banking system is solid and oriented toward international standards with functional banking supervision. There are 22 banks operating in Mauritius: five local banks, 10 foreign-owned subsidiaries, one joint venture, four branches of foreign banks and two that are licensed as private banks. All the banks are licensed by the Bank of Mauritius to carry out banking business locally and internationally. The Bank of Mauritius is modeled on the Bank of England. Senior officers of the Bank of England assisted with setting up the bank some decades ago. The functions the central bank has to fulfill are, among others, the formulation and implementation of monetary

Banking system



policy, the issuing of currency, the provision of efficient payments, the settlement and clearing system, the management of the public debt and of foreign exchange reserves, and the regulation and supervision of Mauritian banks.

Mauritius was among the first countries to have implemented the Basel III guidelines in July 2014 and by doing so is in line with international regulatory standards. In general, Mauritian banks are well-capitalized and carry excess liquidity. According to the World Bank, the bank capital-to-asset ratio in 2017 was 10.4%. The number of non-performing loans is within acceptable norms (7.8% in 2017, according to the World Bank). A high proportion of bad loans are linked to trans-border exposure.

8 | Monetary and fiscal stability

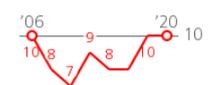
Over the last decade, Mauritius succeeded in decreasing its inflation rate from 9.7% in 2006 to 8.9% in 2008 to an average rate of 1% in 2016 and 3.7% in 2017. Inflation was projected at around 3.2% in 2018. The Bank of Mauritius forecasts an inflation rate of 3% for 2019, barring major supply shocks. The annual inflation rate fell to 0.5% in January 2019, down from 1.8% in the previous month. It is the lowest inflation rate since April 2016, as prices rose at a lower rate than previously for transport and fell for food and non-alcoholic beverages as well as housing and utilities.

In addition to the state of the economy, the Bank of Mauritius's Monetary Policy Committee took note of the bank's efforts to mop up excess liquidity in the banking system and discussed the new monetary policy framework that it plans to implement in early 2017, the first change in framework since the current system was launched in December 2006.

The Mauritian rupee is a floating currency. The Bank of Mauritius is mandated to conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of the country. Over the past few years, the central bank has demonstrated its independence and resisted government interference. Under the previous governor of the bank, there was a clear demarcation between the central bank and the government, quite often leading to tussles between him and the minister of finance. The previous governor Ramesh Basant Roi, who was appointed in 2015, was replaced by Yandraduth Googoolye in January 2018 after the former's mandate ended. The Bank of Mauritius was given the Capital Finance International Award for Best Central Bank Governance – Indian Ocean 2018 by Capital Finance International (CFI.co), a London-based magazine.

Monetary stability

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Mauritius's account balance, which is the sum of net exports of goods, services, net income and net current transfers, was \$878.6 million in 2017 according to World Bank data. Mauritius's current account deficit widened in 2017 compared with the previous year, hit by lower exports of goods. The country's current account deficit was projected to narrow from 6.6% of GDP in 2017 to 5.7% in 2018, reflecting improving services and income account surpluses despite a further deterioration in the goods account deficit. This worsening was projected to result from higher oil prices as well as higher imports meant for infrastructure projects. The services account was expected to post a higher surplus, benefiting principally from the positive momentum in the tourism sector.

According to the African Development Bank, the fiscal deficit widened slightly from 3.4% of GDP in 2017 to an estimated 3.5% in 2018 but is projected to fall back to 3.4% in 2019 due to fiscal consolidation and the ongoing disbursement of a grant from India. Mauritius's public debt sustainability is regarded as broadly positive, although fiscal consolidation would be required for the country to meet the recently adjusted statutory public debt target of 60% of GDP by December 2021. According to data from the International Monetary Fund, public debt went down to 59.9% in 2017 compared to 61.5% in 2016. Mauritius's external debt went up in 2016 to 17.9% of GDP compared to 14.6% in 2015.

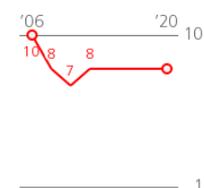
9 | Private Property

Private property is protected through Article 3 of the constitution, which describes "the right of the individual to protection for the privacy of his home and other property and from deprivation of property without compensation." There has been no tampering with this in the past. While property is protected in general terms, the constitution nevertheless allows for deprivation of property in case of higher national interests, including defense, public safety, public health, and town and country planning. Under such circumstances, compensation is offered as well as the right to appeal to the Supreme Court.

Real property rights are respected in Mauritius. Ownership of property is legalized when the title deed is registered with the registrar general and the registration duty is paid. The recording system of mortgages and liens is reliable. Traditional land use rights are not an issue in Mauritius as there were no indigenous peoples present at the time of European colonization. As such, Mauritius continues to demonstrate high standards on the continent when it comes to property rights. The process of securing and registering property on the island state is relatively smooth and contracts are regularly enforced. The country has maintained its high ranking in international benchmarks in the area of property rights, with the highest rate in sub-Saharan Africa in the 2018 Global Competitiveness Index (GCI), ranking 49 out of 140 economies. It scored 63.74 points out of 100, the highest the country has achieved since 2007. The high score is explained by a high degree of openness and a non-distortive fiscal

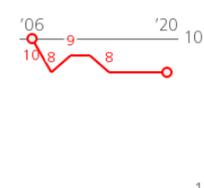
Fiscal stability

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Property rights

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policy. In addition, Mauritius is characterized by strong business dynamism and sustained by lean administrative requirements that enable companies to open and close with relative ease. In the 24th Index of Economic Freedom published by the Heritage Foundation (2018), Mauritius maintained its status as a “mostly free” economy with a ranking of 21 out of 180 countries and a score of 75.1, the highest in sub-Saharan Africa. The country recorded an increase of 0.4 points, with improvements in scores for indicators measuring government integrity and property rights. Mauritius also kept its position as the highest-ranking sub-Saharan country in the 2018 Mo Ibrahim Index of African Governance and did particularly well in the category of sustainable economic opportunity. It was also ranked 25th out of 190 countries in the World Bank’s 2018 Doing Business Report. This report presents quantitative indicators on business regulation and the protection of property rights. According to the International Property Rights Index (IPRI), Mauritius’s ranking changed from 34 out of 125 countries in 2016 to 40th in 2018 but the country kept its position as the third highest ranking country in Africa. On the physical property rights subindex, the country’s points decreased by 0.14 to 7.086 with scores of 6.483 in perception of property rights protection, 9.433 in registering property, and 5.342 in ease of access to loans.

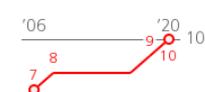
According to the Non-Citizen Property Restriction Act, non-citizens cannot hold, acquire or purchase property in Mauritius. The issue of state land being granted to cronies of the past government has become a public scandal. Attribution of such land was made mostly to people with a close affinity to the previous government (principally the then prime minister), but who had no capital for the development of such land. Some of them conveniently used their title deeds to attract investors, who then paid a lot for the acquisition of the land for development purposes.

According to the existing statistics, Mauritius is among the freest and most business-friendly countries in Africa. For example, in the World Bank’s 2019 Doing Business report, Mauritius is ranked 20 out of 190 economies, an improvement compared to previous years. The country made it easier to start a business by linking the database of business registry with the database of the social security office. It also introduced other mechanisms to facilitate property registration tax paying protection of minority investors and trading across border. In the 2018 Index of Economic Freedom, published annually by the Wall Street Journal and the Heritage Foundation, Mauritius maintained its status as a “mostly free” economy and its position as the highest-ranking country in sub-Saharan Africa, at 21 out of 180 countries worldwide, with a score of 75.1.

Since the 1980s, large-scale privatization has taken place in different sectors, such as telecommunications and tourism, with successes and failures. There are further privatization plans, including the privatization of the National Transport Corporation, the main transport enterprise in the country, which has a fleet of 518 buses. However, those plans have still not been implemented.

Private enterprise

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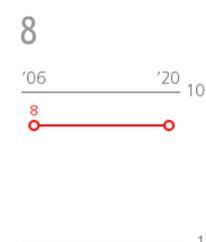
10 | Welfare Regime

Mauritius has a well-developed and well-functioning social welfare regime with a comprehensive social protection system made up mainly of universal pensions and social assistance for those in need. There is a three-tiered pension system with a universal non-contributory basic old-age pension (60 years and above), a mandatory income-related pension scheme and a voluntary private pension scheme. Furthermore, there is a special pension for people with disabilities. The poor are not only helped by the free education system but also by the provision of prepaid electric meters and subsidized water tanks. A system of pre-vocational schooling also exists for children who do not fare well in the classical education system, with free meals provided. Transport is free for students (primary to tertiary) traveling to and from school, as well as for senior citizens. Subsidized housing schemes have also been put in place for those at the lower rung of the social ladder. Moreover, education from pre-primary to tertiary levels is free in Mauritius.

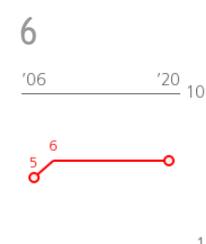
Mauritius achieved 82% of the targets for Millennium Development Goals (MDG), which expired in 2015. In the same year, in September, United Nations launched the 2030 Agenda for Sustainable Development (SDG), replacing the MDGs and laying out a path for the next 15 years to end extreme poverty, fight inequality and injustice, and protect the planet. Mauritius, along with the other 192 U.N. member states, adopted the agenda, which comprises a set of 17 goals and 169 targets to be reached by 2030. The last available data showed that in 2015 the health sector contributed 5.54 % to GDP (World bank). The country's social welfare regime has helped to significantly reduce poverty.

A Marshall Plan to eliminate poverty and reduce inequality has been developed with actionable proposals closely related to the Global Goals in areas such as social protection, livelihood strategies and equity. Despite the existence of this plan and the well-elaborated social welfare system in Mauritius, equal opportunity remains a challenge, and poverty and social inequality mostly affect the Creole community and female-headed households with low education levels. Moreover, poverty is also concentrated among children and youth, with important implications for inclusion and inter-generational transmission of poverty. To face this challenge, jobs for the young has emerged as a priority area for the Mauritian authorities. As an example, the 2018/19 budget makes provisions to target some 14,000 unemployed. The aim is to chart the pathway toward enhancing employability and broadening the career aspirations of the youth, with better access to the labor market. In terms of gender inequality, the Social Register shows that roughly 50% of the poorest households are female-headed, compared to 21.3% female-headed households in the whole country. In general, women are under-represented politically, for example, in parliament, where they hold just 11% of the seats, but also in the economic sphere. They represent only 5.6% of people on corporate boards. The female labor participation rate is also

Social safety nets



Equal opportunity



low, with 39.1% of women in work (2017). The latest World Bank World Development Indicators available (2018) show a national literacy rate of 92.7% with a slight difference between men and women, scoring respectively 94.9% and 90.7%, placing Mauritius among the countries with the highest literacy rate in Africa. Gross enrollment data (102.5% primary, 93.4% secondary and 38.8% tertiary) shows that most people who start primary school continue onto secondary school, and that a large proportion also enroll in higher education. According to the World Development Indicators (2016) gender parity has been achieved at the primary and secondary levels, and at tertiary levels women are even better represented. In the 2018 Global Gender Gap Index, Mauritius is ranked 109 out of 149 countries and progressed compared to other years. However, the country, which used to be the highest ranking in Africa, is now positioned behind other sub-Saharan countries such as Rwanda, Namibia and South Africa.

Another group that faces inequality is the Creoles. The “Malaise Creole” is a term that was coined in 1993 by Father Cerveaux, a Creole priest, to describe the deplorable conditions in which working-class Mauritians of African descent live. Although no official data exists as Mauritius does not collect data on ethnicity in its censuses to avoid the multiethnic nation fracturing, it is a fact that social inequality still affects the Creole community.

11 | Economic Performance

Mauritius’s economic performance is remarkable considering its isolated location and the fact that the country has no natural resources. Its major strength has been its human resources. When the country became independent, it was a monocrop, sugar-based economy. Its GDP per capita based on purchasing power parity (PPP) has grown steadily over the past decades, reaching \$22,278 in 2017. According to the World Bank, real GDP growth reached 3.7% in 2017, and was estimated at 3.8% in 2018. It was forecast to be 3.9% in 2019 and 2020, according to IMF data. Growth has been led mainly by construction, financial services, and information and communications technology. Growth could even accelerate if the government’s public infrastructure program gathers pace and stimulates private investment. In the 2018 edition of the World Economic Forum Global Competitiveness Report, Mauritius was ranked 49th globally (out of 140 countries) and had a score of 63.7 out of 100. That made it the best-performing country in sub-Saharan Africa, in line with 2017. Mauritius’s leading position in the region is reflected in a GDP growth that has consistently been above 3% since 2006. One of Mauritius’s largest asset bases is its exclusive economic zone covering an expanse of more than 2.3 million square kilometers to develop its ocean industry. The seafood sector will be further developed, and the ocean will be explored for a range of other activities, including the production of renewable energy. Smart cities and technology parks constitute another pillar, which the government believes can contribute to turning Mauritius

Output strength

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itself into a smart island. As such, in his 2015 Economic Mission Statement, the then prime minister, Sir Anerood Jugnauth, announced an average growth rate target of 5.5% annually from 2017 and a GDP per capita objective of more than \$13,500 by 2018. That growth rate is unlikely to be met. A new National Economic Development Board was set up during the 2017/18 financial year to spearhead efforts to promote exports and attract inward investment. In the latest World Economic Forum Global Competitiveness Report (2017-18), Mauritius was rated as the best performing economy in Africa and was ranked 45th out of 137 economies. One of its assets is its ocean industry, with another pillar being smart cities and technology parks. The 2015 to 2019 government program also places special emphasis on infrastructure development and promoting the “Blue Economy,” as well as enhancing human capital development as the country looks to reduce its stubbornly high levels of unemployment, which were at 7.1 % in 2017, a slight improvement compared to previous years. Foreign direct investment (FDI) was 2.2% of GDP in 2017. FDI comes from three main sectors: real estate, tourism and construction.

12 | Sustainability

Environmental pressures are very important in Mauritius, especially in urban areas where the population density is very high. Mauritius was unable to meet all of the criteria for the seventh Millennium Development Goal on environmental sustainability, but it is conscious about the consequences of degradation on the island’s already fragile ecosystem. Mauritius ranks 90th out of 180 countries on the 2018 Environmental Performance Index, fifth out of the 46 sub-Saharan Africa countries.

Urbanization in Mauritius faces multiple challenges including environmental vulnerability, water and chemicals management, coastal zone erosion, and reduced forest and coral coverage. It affects biodiversity even more, as agricultural and protected land is being replaced by construction. According to the World Bank (2016), only 42.36% of the land is used for agriculture with the number of endangered plants and animals increasing. When considered alongside the pressures that come from the tourism sector and the general economic performance, it is clear that the country’s ecological system is very vulnerable.

The 2015 to 2019 government program includes the government’s objective to work for sustainable and eco-friendly development, in order to contribute to a cleaner, greener and safer Mauritius. The 2015/16 budget provided measures and incentives aiming to improve the environment in Mauritius. The 2008 Environment Protection Act and the Beach Authority Act were reviewed in 2015 in an attempt to firm up environmental policy and regulations. Plastic bags were prohibited by law in March 2015. The National Energy Commission, chaired by the prime minister, was revived in 2015 to improve coordination and synergies between the various stakeholders to

Environmental
policy

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address environmental issues and concerns. A National Disaster Management Center was also established, under the aegis of the Ministry of Environment, Sustainable Development and Disaster and Beach Management, to ensure a rapid response to unforeseen natural events. The government set up a Mauritius Renewable Energy Agency in 2015 to promote the development of renewable energy. The government aims to raise the share of local renewable energy as a proportion of the country's overall electricity generation to 35% or higher by 2025. The target is deemed feasible given that renewable energy already contributes 26% of the country's overall energy generation and it should reach 30% by 2020. There are vibrant civil society organizations focused on protecting the environment, and they often are very vocal in their condemnation of projects that do not respect the environment. They very often have recourse to the courts. Such organizations are known to have taken a position on hotel projects in the country's south and southwest as well as the CT Power energy project in Albion on the west coast.

Mauritius's education system follows the model of primary and secondary schooling found worldwide. There are two optional years of pre-primary schooling, six years of compulsory primary schooling and either five years of compulsory secondary schooling or three years of pre-vocational education. According to official statistics, in March 2018 there were 846 schools providing pre-primary education – 812 in Mauritius and 34 in Rodrigues. The statistics showed there were 318 schools providing primary education, 301 on the island of Mauritius and 17 in Rodrigues. The primary school population in 2018 was 89,642. In March 2018, there were 178 secondary schools, with 170 in Mauritius and eight in Rodrigues, and the gross enrollment ratio was 73%. There are also tertiary institutions, most notably the University of Mauritius and the University of Technology of Mauritius. In 2018, there were 45 and enrollment was 48,007 in December of that year.

The higher education sector is seen as a potential boost for the economy as different educational institutions from different parts of the world set up campuses on the island to attract students, mostly from the African continent. However, some of these institutions are below standard with the result being that the certificates issued by them are not recognized. In general, Mauritian institutions cannot compete with larger and better-financed institutions in Europe, North America and Australia. University enrollment is in reality based on social class, although education is free in principle.

According to official Mauritian statistics, the total expenditure on education as a percentage of total government expenditure was 12% in 2016/17 and 11% in 2017/18. The total government expenditure on education as a percentage of GDP was 3.4% for 2016/17 and 3.3% in 2017 to 2018. There is in general a slight improvement in figures for public expenditure on the education sector and on equal enrollment rates between girls and boys.

Education policy /
R&D

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Governance

I. Level of Difficulty

The structural constraints on governance in Mauritius are fairly limited and restricted to the country's unfavorable geographic location in the middle of the Indian Ocean, the risk of natural disasters and the lack of natural resources. The fact that the vast majority of its population has roots in Asia, in particular India, helps to promote the country's strategic location as a bridge between two continents, as does the fact that Creoles, the country's second-largest group, have their origins mainly in Africa. Mauritians, for instance, assist investors from Asian countries with their businesses in Africa. Benefiting from this strategic location, Mauritius is rapidly developing into the primary trade, distribution, re-export and logistics hub servicing inter-regional commerce between the two high-growth continents, while providing a launching point for local and international companies looking to move into the African trade space. Apart from being an active player in the regional economic communities, the government further developed initiatives to open up Mauritius to Africa and the world, such as reconfiguration of the Mauritius-Africa Fund to concentrate on developing special economic zones in countries such as Ghana, Madagascar and Senegal. Another major initiative announced was the setting up of a regional shipping line to expand regional trade and the role of Port Louis in the region.

Moreover, Mauritius is geographically close to the European Union, in so far as it is located next to the French overseas territory Réunion. It has a long-time association with the EU market through various instruments of cooperation, but principally the erstwhile Lomé Conventions and the Cotonou Accord. It has also signed the Interim Economic Partnership Agreement (IEPA) with the European Union.

Its location in the middle of the Indian Ocean also makes it vulnerable to natural disasters, especially cyclones. In 2015, a National Disaster Management Center was established, under the aegis of the Ministry of Environment, Development and Disaster and Beach Management, to ensure rapid response to unforeseen natural events.

Apart from some fishing grounds, some agricultural production – sugar in particular – and its natural beauty, Mauritius has no natural resources. Its citizens and its economy, to a large extent, depend on imports and Mauritius has thus turned into a “nation of traders,” with the aforementioned export processing zones being just one example. In terms of other potential constraints, such as extreme poverty, an

Structural
constraints

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uneducated labor force, lack of infrastructure and epidemics, Mauritius is not exposed as the country has invested heavily, as mentioned elsewhere in this report, to avoid these types of constraints, in contrast to other countries in the region such as Madagascar.

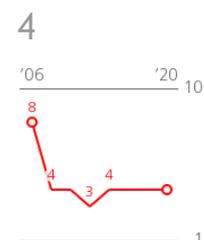
There is a vocal civil society in Mauritius and its tradition is fairly strong. It is not only the vocal parliament and active NGOs, which are mostly based on ethnic or special interests, that are expressions of that, but trade unions have been recently also been regaining some strength, having been fragmented and marginalized for decades. The rising popularity of the trade union movement arrived amid the harsher economic climate of the past few years. Although protests have been organized, especially against the rise of oil prices, protests of high intensity are in general rather rare in Mauritius. The Afrobarometer reveals a key reason for this: a fairly limited interest among Mauritians in actively participating in civil society organizations. While 78% claim not to be a member of a voluntary association or community group, 15% say they are active members in a voluntary association. That means that a significant number of Mauritians tend not to become actively engaged in civil society activities.

Civil society organizations are consulted by the government, for example on budgeting. They are recognized as having an important role in improving social conditions in Mauritius. The 2018 Freedom House report indicates that the country is free in terms of civil liberties and political rights.

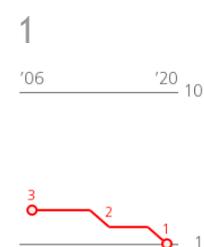
As indicated earlier in the report, in terms of social capital, trust in other members of society is rather low and is mostly present within family circles and much less in society in general. The existence of a rather vibrant civil society and recently also trade unions shows there is some solidarity between citizens, although relatively few people are members of social interest groups.

There are no notable violent incidents based on social, ethnic or religious differences. Being on its way to sustainably improving the situation of Creoles, Mauritius is about to remove a large stumbling block toward creating a society that is less hierarchical along ethnic lines. As Afrobarometer data shows, the overwhelming majority of Mauritians do not see violence as a means to solve disputes. No immediate risk of any political, social, ethnic or religious violence is currently foreseeable. A violent clash only occurred on the island in 1999. It was the first since the pre-independence riots of 1968 and took place following the death of a Creole singer in a jail cell. The protest quickly took on a social dimension when the Creole community seized the opportunity to demand the betterment of their lot in general.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

When it comes to long-term political and economic strategies, there has been remarkable continuity among the various ruling parties since independence. They have had the political ability to focus on a long-term perspective, often going beyond the immediate concerns of electoral competition. Moreover, governments have shown their strategic capacity to prioritize and organize policy measures without putting off domestic and international partners. The priority of the long-term strategy has always been to move the economy forward and increase and protect the country's economic wealth. In recent years, this goal has come into conflict with the objective of environmental protection. Widespread corruption has also become a major challenge. As such, the 2015 to 2019 government program stresses the need to improve environmental sustainability and the fight against corruption and drug trafficking as necessary conditions for a vibrant economy and a fairer society. Although initiatives have been taken in favor of a more sustainable and equitable social environment, important challenges remain and the general vision to confirm Mauritius's status as an economic miracle is still the priority. The change of the prime minister that happened in January 2017 from father (the 86-year-old Anerood Jugnauth who resigned) to son (Pravind Jugnauth, leader of the main political party) did not change the overall government program. However, with the 2019 elections approaching at the time of writing, there is a tendency to accelerate the implementation of certain announced programs that have remained in abeyance since the present government came to power.

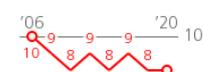
The government is able to implement its policies effectively. It can rely on an effective public administration, staffed with professional bureaucrats across all ranks. With the exception of some high-ranking positions, such as in the diplomatic corps and parastatal bodies, where personal ties and political calculations trump qualifications, it is by and large qualifications that matter in the "traditional" public sector. Indeed, recruitment is done for most positions on a competitive basis, carried out by the Public Service Commission or through delegated powers for certain non-executive positions. The prevalence of the Hindu community in the public sector is explained by it being the population's majority group, and also by its culture of seeking security of employment, which is provided by public service.

However, the issue of political appointees as ambassadors and chairpersons of parastatal bodies, mostly on account of cronyism, nepotism and clientelism rather than recognized competence, contributed to a large extent to the poor image of the

Question
Score

Prioritization

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Implementation

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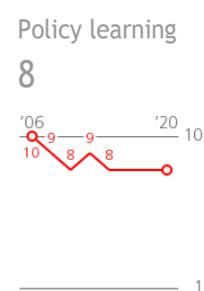


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outgoing government and meant policy objectives became skewed. This image further deteriorated with the 2017 change of prime minister from father to son, defined by the opposition party, who accused the Jugnauth family of turning the island into a “banana republic,” as a dynastic arrangement. Appointments to parastatal bodies continue to suffer on account of politically motivated placements. The scourge of nepotism and cronyism unfortunately continues to hold sway despite severe criticism from the opposition and the general public.

Mauritians’ ability to be innovative and flexible – both politically and even more so in the economic realm – is part of the country’s success. When Mauritius became independent, its economic and political outlook was bleak, and many thought it would eventually turn into a poor and ill-performing state. However, Mauritius’s economic development soon began. It started with sugar trade deals negotiated with the European Community, the European Union’s forerunner. These favorable deals for Mauritius laid the financial basis for further development. Mauritius then copied parts of the Taiwanese economic model and built an export-oriented economy. The textile industry emerged and became the backbone of the secondary sector. In developing the third sector of the economy, Mauritius had an eye on Singapore, also a small state like Mauritius with a strong financial services sector, which Mauritius started fortifying. Moving further ahead, Mauritius has taken some steps toward copying the Indian Bangalore experience by building up a cyber industry. This economic development was coupled with the establishment of post-colonial democracy and arguably each reinforced the other. These trends are further confirmed in the 2015 to 2019 government program, whereby the main objective is to “achieve meaningful change” and further transform the country in a forward-looking, innovative, sustainable and vibrant economy by improving the quality of life for all segments of society. An example of an innovation is the Smart City Scheme, which needs true political will, financial resources and a context-specific vision if it is to be achieved. The Smart City Scheme was launched by the Board of Investment in 2015, in collaboration with the government, with the objective of developing eight smart cities. To facilitate the setup of this concept, the government has introduced appropriate tax and non-tax measures to attract local and foreign investors. The Smart City Scheme is an ambitious economic development program intending to consolidate Mauritius as an international business and financial hub by creating the ideal conditions for working, living and spurring investment. Part of the program includes offering attractive fiscal and non-fiscal incentives to investors for the development of smart cities across the island, supporting the transformation of Mauritius into a sustainable, inclusive and high-income economy – one of the main objectives of the “Vision 2030.” The promised second “economic miracle” depends on investment, economic reforms and innovation. Various measures have been announced and the implementation phase is ongoing, albeit at a very slow pace.

It should be noted that the smart city projects have not quite gotten off the ground. A lack of coherence and in-house bickering have gotten the better of this ambitious



project. The government has given up on its campaign slogan of a second economic miracle, which was to be spearheaded by the same tandem. Sir Anerood Jugnauth/Lutchmeenaraidoo, as those who were at the helm of affairs in the 1980s when the economy took off. Indeed, Lutchmeenaraidoo lost his portfolio as minister of finance and Sir Anerood Jugnauth relinquished his position as prime minister. The Ministry of Finance rests with Pravind Jugnauth, the current prime minister.

15 | Resource Efficiency

The government makes efficient use of all available human, financial and organizational resources. Nevertheless, there is some room for improvement. This includes channeling more money into the education system as well as establishing a more efficient public administration (as some Mauritians request) and dealing with unemployment, social inequalities and corruption. Boosting shared prosperity will require more growth and a more pro-poor pattern of growth. Structural labor market weaknesses are a key ongoing concern and translate into a disconnect between labor supply and demand on the one hand and education and training challenges on the other, in the context of rapid structural economic changes that lead to changing needs.

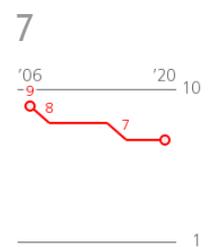
These challenges need to be dealt with to achieve the second “economic miracle” and transform Mauritius into a high-income country as envisaged by the current government. Various measures are implemented, and major projects are planned to contribute toward job creation. Among the measures is the adaptation of the National Code of Corporate Governance for Mauritius (2016), endorsed by the National Committee on Corporate Governance. The main objectives are to introduce and encourage organizations to comply with good governance practices and enable the participation of stakeholders in ensuring that these practices are effectively implemented. This code should contribute to transparency and the fight against corruption.

An example of Mauritius’s financial efficiency is that it does not maintain a standing army. There is a National Audit Office in the country, outlined in section 110 of the constitution. This office was established at the time of independence. It audits government spending and publishes an annual report. In general, it does a good job but more often than not the report is only used as a political instrument.

Despite the country’s financial efficiency, its budget deficit and public debt are high, but Mauritius’s current account deficit is expected to remain smaller than in recent years, as is consistent with the persistent slack in Mauritius’s economy, coupled with strong tourism earnings and favorable global energy prices.

On the critical side, over the past few years there has been a growing tendency toward political interference in the administrative and general managerial system. Cases of political appointments at the expense of the permanent administrative cadre have been on the rise, leading to poor performance as a result.

Efficient use of assets



Taking Mauritius's economic and political success into consideration, one might assume that there is a coherent national policy. And indeed, several policy objectives have in the past been reconciled with environmental protection. The current 2015 to 2019 government program proposes continuing on this path and promoting sustainable growth by taking the environment and quality of life of all segments of the population into greater account.

At the formulation and implementation levels, there are, however, some frictions. Politics is institutionalized in Mauritius and there is coordination among the various actors involved, including the prime minister and the relevant ministry, its minister and public servants. More recently, there have been some accusations that politics became more centralized in the prime minister's office under Prime Minister Ramgoolam. The returning Prime Minister Jugnauth faced the same accusations during his rule in the 1990s, when he also served as head of government. There are also strong party leaders within some political parties who hold on to their power as hard as they can. This negative impression was confirmed with the change of prime minister from father to son at the start of 2017. The political opposition calls this act immoral, although they recognize it is legal. As such, frictions among politicians are common, as they also are among ministries and parastatal bodies, particularly if these institutions' chairpersons are political appointees. They are also often in conflict with the directors of parastatal institutions, pointing to internal frictions. Overrode the judiciousness of his position.

Various members of the government also expressed their dissatisfaction with the decision to transfer the position of prime minister from father to son, as did members of the Parti Mauricien Social Démocrate. Major conflicting policy approaches have also emerged, leading to public denunciations in public, often with unpalatable trading of insults.

Mauritius is presented as sub-Saharan Africa's shining example of democracy, good governance and economic success, with the status of one of the least corrupt countries in the African continent. However, the country faces serious challenges related to a strong embedded tradition of corruption and its ranking when compared to other African states went slightly down over the last few years.

The current government lists the fight against corruption as a priority in its government program, as have previous governments. Initiatives are taken to tackle this challenge, but progress still needs to be seen. The United Nations Convention Against Corruption is an existing measure in place. Mauritius was one of the first 30 countries to sign it, in 2003. More importantly, the Independent Commission Against Corruption was established under the Prevention of Corruption Act 2002. This commission enforces laws against corruption, eliminates opportunities for corruption from systems and procedures, and prevents corruption through public education and

Policy coordination

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Anti-corruption policy

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support. The commission organizes different events of public interest to raise awareness about the fight against corruption.

Different platforms exist to tackle corruption such as the Public Private Platform Against Corruption (PPPAC), the Private Sector Anti-Corruption Task Force (PACT) and the Construction Industry Anti-Corruption Committee. In 2016, the National Code of Corporate Governance for Mauritius was endorsed by the National Committee on Corporate Governance. This code should contribute to transparency and the fight against corruption. Mauritius also ratified the African Union Convention on Preventing and Combating Corruption (AUCPCC) in 2018. This convention has been signed by 40 countries in Africa.

Despite these initiatives, corruption at the highest levels has characterized the country's politics. In 2018, there were corruption scandals at the highest level of the political sphere, including the one involving the president of the country, who eventually had to resign from office. Although one of the current government's promises was to adopt a Freedom of Information Act, it has still not happened. Political party funding has been an ongoing debate and, during the last general elections, both political alliances pledged to address the issue conclusively. Declaration of assets is yet another avenue where promises have been made but not entirely kept. The latest act relating to the declaration of assets by public officials, including parliamentarians and high public officials, is yet to be implemented.

16 | Consensus-Building

All major political actors agree on consolidating the country's democracy and indeed have succeeded in establishing a viable democracy that has been thriving since independence in 1968. The main political parties, all leaning to the left of the political spectrum, play an important role in this context. There are no radical tendencies within the country and no major party or other actor wants to overthrow these achievements.

The same is true for the market economy. Mauritius's economic wellbeing depends on a functioning market economy and all actors, the business community in particular, have a keen interest in maintaining the market economy.

Consensus on goals

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Extra-governmental, anti-democratic veto actors do not exist. Mauritius is a country without an army and the Special Mobile Force is not active in politics. Moreover, 82% of the population is in favor of democracy. There is a consensus on the political system and its basic principles, although there is also the unrealized will to reform the electoral system. On September 21, 2018, Mr. Pravind Kumar Jugnauth, the prime minister, minister of home affairs at the External Communications and National Development unit and minister of finance and economic development, presented a proposed electoral reform, but this proposal is still being debated as it has not reached the necessary political consensus.

Mauritius's political leadership prevents cleavage-based conflicts from escalating. There are three cleavages that have the potential to become open conflicts, but which are less likely to turn into violent conflicts: the aforementioned continued de facto marginalization of the Creole community, the lack of adequate representation of women in politics and in the economy and, arguably most pressing, the high youth unemployment rate, which causes severe dissatisfaction and frustration among the younger generation. The current government has taken steps to tackle inequality, female representation and youth employment as mentioned earlier. However, the current statistics still show that these are major issues in Mauritian society.

Beyond these issues, it must be stressed that the social security net reaches all parts of society and does not exclude any group. The government is moreover assisted by civil society in its endeavors to fight any existing cleavages. Although some civil society organizations are organized along ethnic or religious lines, there are many that are free of such alignments.

Civil society organizations influence some policy areas, while in other areas their impact is marginal. On the positive side, the government consults civil society organizations when preparing the national budget and recognizes their role in the fight against social inequality and poverty. As such, CSOs mostly play a role in service provision and charitable activities. Another very large group of CSOs are those that are active as sport clubs and organizations focusing on sociocultural activities for women, the elderly and young people. They often receive funds from government ministries. In some cases, organizations and associations are also created as a means for individuals to gain representation on councils related to the government and thus access to political positions. Monitoring and evaluation of government performance is not systematically done by CSOs, and sector and geographic umbrella organizations as well as coordination bodies are weak.

Environmentalists have by and large a difficult stance – despite some successes in protecting the country's flora and fauna. In contrast, the business community, which is also seen as part of civil society, has some influence on political actions bringing the above-mentioned tensions between economic and environmental interests to the fore.

Anti-democratic actors

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Cleavage / conflict management

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Civil society participation

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Past injustices in Mauritius are different from injustices in a number of other African countries in the sense that there were no violent clashes between ethnic or religious groups after independence, let alone a civil war or civil unrest. The only exception is the ethnic-based riots of 1999. The riots were triggered when Kaya, a popular Creole reggae star, died in police custody. The Creole community, which had long complained of discrimination, reacted with an explosion of anger and clashed with the predominantly Hindu police. As outlined in the constitution, the Creole community is part of the General Population, which accounts for about 27 % of the population, making it the second-largest group behind Hindus. The Creole community is largely the poorest section of society. Mauritians say there has been progress in creating a greater sense of national identity since the 1999 events. Past injustices therefore refer to the aforementioned marginalization of Creoles and the injustices during the colonial period, including the forceful resettlement of the people living on the Chagos Islands, controlled by the UK prior to independence. These injustices date back to before the independence of Mauritius, in 1968. However, the dreadful and forceful deportation of those living on the Chagos Islands continued until 1972.

To deal with the long-term effects of the colonial period, in which some people see the root causes of the continued marginalization of the Creole community, Mauritians established a Truth and Justice Commission in 2009. This commission published a 2,800-page report in late 2011. The commission assessed the consequences of slavery and indentured labor from the colonial period to the present. One of its findings was that people of slave descent are still poorly represented in all spheres of public life and in government institutions and that “people of slave descent are among [...] the less envious citizens of the republic,” as they are poorly housed, their literacy rate remains low and because “due to their low level of education and poor performance at school, few can get employed in government services and parastatals.” Moreover, the commission stated that there is an “over-concentration” of this group working in hard manual labor.

The perpetrators of injustices suffered by former slaves and indentured laborers in the past can hardly be brought to book. Only the state, if anyone at all, can assume the responsibility for any form of compensation. Of course, reparations can be sought from the former colonial masters but that would be a long, drawn-out, unproductive, resource-consuming exercise.

Reconciliation

n/a

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17 | International Cooperation

Mauritius's political leadership makes well-focused use of its international partners to implement its long-term economic development strategy. The 2015 to 2019 government program includes the following objectives for international relations: the establishment of an embassy in Saudi Arabia (achieved in 2017), the conclusion of comprehensive economic partnership agreements and preferential trade agreements, enhancing market access in traditional markets, pursuing deepened economic engagement with Africa through the signature of the Continental Trade Free Area (CFTA – yet to come into force), concluding the Economic Partnership Agreement between Europe and the tripartite of COMESA (Common Market for Eastern and Southern Africa), SADC (Southern African Development Community) and EAC (East African Community), and developing strategic economic partnerships with emerging economies, particularly the BRICS. The ambition is also to work closely with like-minded countries to ensure that the concerns of small island developing states are fully addressed in global forums, that peace and security are preserved in the region and that more convergence is established with the policies of the regional economic communities to which Mauritius belongs.

The 2018/19 budget speech, themed “Pursuing our transformative journey,” stressed the importance of economic diplomacy in positioning Mauritius as a venue for foreign direct investment, trade ventures and new market openings. It also outlined the need to consolidate Mauritius's diplomatic footprint in Africa with the realization of the country's Africa Strategy, aimed at expanding the economic horizons of Mauritius and bringing it to a higher level of regional cooperation. As such, the government is finalizing the following negotiations, in addition to the ones with India and China mentioned earlier in this report: enhanced bilateral cooperation with Saudi Arabia and other Middle Eastern countries; renewed partnerships with the member states of the Commonwealth; and a framework agreement for the continental free trade agreement in Africa.

In the wake of Brexit, the preferential access of Mauritian products on the UK market will be maintained until the end of 2020, assuming the UK leaves the European Union with a deal and there is a transitional period for the EU-UK trade arrangement (at the time of writing, this was assumed but uncertain). The 2018/19 budget speech also evoked hopes of preserving preferential access on the UK market more long-term, with the new economic partnership agreement being negotiated between UK and Eastern and Southern Africa (ESA). These negotiations have been completed and the UK-ESA Agreement was signed on January 31, 2019.

With regard to the Africa Strategy, the government has set its model of economic partnership for creating growth corridors with targeted African states by enabling new cross-border investment opportunities for Mauritian entrepreneurs.

Effective use of support



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Mauritius has emerged as a credible and reliable partner in its relations with the international community. Mauritius's foreign policy is in many regards different from that of other African countries in that the country does not ask for development aid. In addition, the country has built an image as a reliable and safe place for foreign investment. It has developed a "trade not aid" paradigm. The country easily attracts foreign investment as it continues to be among the freest and most business-friendly countries in Africa (as mentioned earlier). Mauritius is still a well-established and reputable international services and global business center for investment flows into the emerging markets of Asia and Africa. The country has a low-tax jurisdiction and it has double tax avoidance treaties with several countries. The country's value proposition includes the absence of exchange controls, low corporate tax, no capital gains tax and no withholding tax. As such, Mauritius provides an attractive environment for the establishment of offshore trusts.

Moreover, the country has signed all international treaties with respect to industrial and commercial properties and impedes brand piracy on its territory. It cooperates with the World Bank and the OECD with respect to money laundering, financial terrorism and international tax evasion. The country is also a member of the United Nations and the African Union. It has ratified many U.N. human rights protocols and thus has made binding international commitments. As such, its citizens register complaints with the different existing international and regional commissions (UNESCO, the International Labour Organization, the African Commission on Human and Peoples' Rights, the embassies of EU member states and the delegations of the European Commission, and the national contact points in any OECD member state). Mauritius has also joined the International Criminal Court and it may thus be summoned to appear in front of the court if there is a case of gross humanitarian crimes.

At the center of the country's foreign policy at the regional level is the Chagos Islands issue, with Mauritius trying to regain the island and to resettle its former inhabitants. The issue took a new turn in 2013 when the United Nations Tribunal on International Maritime Arbitration challenged Britain's refusal to allow the exiled inhabitants to return. In September 2018, the United Nations' top court, the International Court of Justice (ICJ), heard arguments on the future status of the British-ruled Chagos Islands. The case was brought by the United Nations to the ICJ for an advisory opinion, which was rendered on February 25, 2019. The opinion was in favor of Mauritius and enjoins the UK to terminate its administration of the archipelago as rapidly as possible.

In general, Mauritius's political leadership actively and successfully builds and expands cooperative neighborly and international relationships. It promotes regional and international integration. Mauritians have a keen interest in any regional economic cooperation and hence have membership of several subregional organizations, such as the Southern African Development Community (SADC), the

Credibility

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Regional cooperation

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Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission and the Indian Ocean Rim Association for Regional Cooperation (IOR).

Mauritius also maintains links with continental Africa, not only politically but, more importantly, through economic links. The current government continues to make an effort to confirm its strategic position as a bridge between Africa and Asia. Concretely, it initiated the Mauritius-Africa Fund to concentrate on developing special economic zones in countries such as Ghana, Madagascar and Senegal. Other significant Mauritian investments that are either underway or in the pipeline on the African mainland include the use of Mauritian expertise in the sugar industry to rehabilitate and manage sugar production in Mozambique, Tanzania, Ivory Coast, Madagascar and Uganda.

Within the region, the Seychelles has become a crucial partner lately. In 2005, Mauritius and the Seychelles signed a wide-ranging agreement on cooperation. Three years later, both countries signed a boundary agreement to define their exclusive economic zones. In December 2008, they submitted a joint claim under the U.N. Convention on the Law of the Sea and, in 2011, the U.N. Commission on the Limits of the Continental Shelf confirmed the claims of Mauritius and the Seychelles. These endeavors turned out to be the basis for the joint exploration of the continental shelf between both islands for oil and gas, which was agreed upon in 2013.

From 2016 onwards, Mauritius entered into a new era of cooperation with Madagascar and works in close collaboration in the fields of agriculture, textiles, the maritime sector, communication and technology, among others. In May 2018, both countries embarked on a new path of bilateral cooperation and expanded the existing collaboration with the establishment of the Joint Permanent Commission Mauritius-Madagascar.

Strategic Outlook

Mauritius has proven itself a stable and viable democracy with a thriving market economy. There are no signs that this will change any time soon. Mauritius's governments have shown creativity in the past at adapting to new geopolitical and geo-economic circumstances.

Despite this positive outlook, the political elite might be confronted with a couple of challenges over the next decade, which should and must be addressed. These challenges focus on the need to reconfigure the political leadership, especially after the “father-son arrangement” in January 2017, confirming the “dynastic” character of Mauritian politics.

When reconfiguring the country's political leadership, women should be promoted. They remain under-represented in parliament but are also victims of economic discrimination as the gender wage gap is very large. As such, gender-based disparities have contributed to a rather bad ranking of the country in the 2018 World Economic Forum Global Gender Gap Index (109 out of 149 countries) when compared to its high ranking in most of other indexes. However, the government gives high importance to gender parity as a global priority and is determined to eliminate discrimination at all levels – some positive changes have been recorded. The Local Government Act stipulates that at least one-third of all candidates are of one gender or the other. All major parties agree on more female representation, but the much-flaunted electoral reform has not occurred. Other initiatives are the establishment of a gender caucus in the National Assembly and gender cells in different ministries.

A number of domestic challenges are to be further taken up as priorities: the high youth unemployment rate, social inequality, environmental concerns and corruption. The 2015 to 2019 government program foresees different initiatives within these areas. The impact will need to be evaluated in the coming years, as current statistics remain relatively unchanged compared to previous years. The government will need to further address the mismatch between the supply and demand of labor in the context of rapid structural economic change and increase investment and adjust its strategy in education to tackle unemployment. The government announced different measures to further attract investors and set up the Smart City Scheme. This aims to provide an enabling framework and a package of attractive fiscal and non-fiscal incentives to investors for the development of smart cities across the island.

In foreign policy, stability is likely to be maintained. Mauritius maintains good relations both politically and economically with neighboring states and faces little risk of interstate violence. The government has clearly continued efforts to further confirm its strategic position as a business-friendly country and bridge between Asia and Africa and should continue to do so. That means Mauritius should continue to take all measures necessary to fight the unfair image painted of it in certain quarters as a tax haven. Additional steps should be taken to increase its standing in the financial services sector. Somehow linked to this is the issue of corruption at the highest political level, which has distorted Mauritius's image abroad. Although initiatives have been set up, more efforts need to be made to fight corruption. New and younger politicians who are not strongly affiliated with the ruling elite can help to further the country's image as a post-colonial success story, which is highly likely to continue.