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Preface

Mauritius has been on a rapid and resilient economic growth trajectory since gaining independence in 1968. Open economic policies have been a key driving factor. Over time, the country's trade policy has transitioned from import substitution to export promotion, resulting in a vibrant service-based economy focused on tourism, finance and information and communications technology. Most recently, it successfully managed its recovery from the Covid-19 pandemic through well-targeted reforms and consensus politics, achieving robust GDP growth of 8.9% in 2022 and 7% in 2023 and record levels of foreign direct investment. Behind this success stands the governance of Mauritius – efficient institutions, representative government, and strong social protections. Mauritius continues to lead Africa in indicators such as economic freedom, institutional strength, and innovation.

The *Investment Policy Review of Mauritius* is part of the OECD's effort to further support Mauritius' growth journey and its ambition to achieve a high-income status, which they briefly attained in 2020. This Review has been conducted in support of Mauritius' adherence to the *OECD Declaration on International Investment and Multinational Enterprises,* the first sub-Saharan African country to do so, which will allow the country to exchange experience and compare policies on responsible business practices alongside peers at the OECD Investment Committee and its Working Party on Responsible Business Conduct. The Review comprehensively examines export competitiveness, investments by domestic and foreign firms, productivity growth and a rising dependency ratio. It also explores how increased inflows of foreign direct investment, resulting from investment climate reforms, could help address these challenges.

Looking ahead, the government can further support responsible business practices by leveraging a well-developed legal, regulatory, and policy framework of Mauritius. Additionally, enhancing governance effectiveness through improved regulatory impact analysis, better inter-ministerial coordination, and broader stakeholder engagement will ensure that policies support long-term economic dynamism and competitiveness.

We look forward to further mutually beneficial work and to sharing the Mauritian experience with the international investment policymaking community.

Mathias Cormann,

OECD Secretary-General

Dr. the Hon. Renganaden Padayachy,

Minister of Finance, Economic Planning and Development, Republic of Mauritius

Foreword

The OECD Investment Policy Review of Mauritius assesses the climate for domestic and foreign investment in Mauritius and discusses the challenges and opportunities faced by the government of Mauritius in its reform efforts. The Review builds on the OECD Policy Framework for Investment, the FDI Qualities Policy Toolkit, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and other instruments under the responsibility of the OECD Investment Committee. It includes chapters on foreign investment trends and qualities, development successes and productivity challenges, investment policy, investment promotion and facilitation, towards a smarter use of investment tax incentives and promoting responsible business conduct in Mauritius.

The Review was part of the process of adherence of Mauritius to the OECD Declaration on International Investment and Multinational Enterprises. The process was led on the Mauritian side by the Ministry of Finance, Economic Planning and Development, with the assistance of both the Economic Development Board and Maurice Stratégie. The Review was discussed in the OECD Investment Committee on 14 March 2024 in the presence of Dr. the Hon. Renganaden Padayachy, Minister of Finance, Economic Planning and Development of the Republic of Mauritius.

The Review was adopted by the Investment Committee on 14 March 2024, and Mauritius will soon become the 52nd Adherent to the Declaration. The Review was prepared by a team led by Stephen Thomsen of the OECD Investment Division and Froukje Boele and Nicolas Hachez of the OECD RBC Centre. Individual chapters were drafted by Kerstin Schopohl, Katharina Böhm, Faraz Moosa and Zoé Ryan, with inputs from Theresa Dammann, Anvesh Jain and William Yee, all from the Investment Division, Marie Bouchard and Lena Diesing of the OECD RBC Centre and an external consultant, Derek Carnegie. Overall guidance was provided by Ana Novik, Head of the Investment Division, and on individual chapters by Fares Al Hussami, Alexandre de Crombrugghe, Fernando Mistura and Stratos Kamenis of the Investment Division. The incentives chapter was also reviewed by Luisa Dressler of the OECD Centre for Tax Policy. The Review was financed by the Government of Mauritius.

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Acronyms and abbreviations

AC	Authorised Company
AfCFTA	African Continental Free Trade Area
ACP	African, Caribbean and Pacific
ADB	African Development Bank
ADR	Alternative Dispute Resolution
AGOA	African Growth and Opportunity Act
ALMP	Active Labour Market Policy
ARIPO	African Regional Intellectual Property Organisation
BEPS	Base Erosion Profit Shifting
BIAC	Business and Industry Advisory Council
BIS	Business, Innovation and Skills
BIT	Bilateral Investment Treaty
BOAM	Business Obstacle Alert Mechanism
BOI	Board of Investment
BPO	Business Process Outsourcing
BUILD	BOI Unit for Industrial Linkage Development (Thailand)
CBRD	Corporate Business Registration Department
CCM	Competition Commission of Mauritius
CECPA	Comprehensive Economic Cooperation and Partnership Agreement
CEO	Chief Executive Officer
CEPA	Comprehensive Economic Partnership Agreement
CIT	Corporate Income Tax
CO_2	Carbon Dioxide
COMESA	Common Market for Eastern and Southern Africa
CRM	Customer Relationship Management
CSG	Contribution Sociale Generalisée
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CTSP	Confédération des Travailleurs des Secteurs Publics et Privés
DTAA	Double Taxation Avoidance Schemes
EAC	East African Community
EATR	Effective Average Tax Rate
EDB	Economic Development Board
EIA	Environmental Impact Assessment
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
ETRs	Effective Tax Rates

EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FET	Fair and Equitable Treatment
FSC	Financial Services Commission
FTA	Free Trade Agreement
G20	Group of 20
GBC	Global Business Company
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GLoBE	Global Anti-Base Erosion
GMT	Global Minimum Tax
GNI	Gross National Income
GTETI	Global Tax Expenditures Transparency Index
HEC	Higher Education Commission
IAA	International Arbitration Act
ICAC	Independent Commission Against Corruption
ICSID	International Centre for Settlement of Investment Disputes
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IFD	Investment Facilitation for Development
IIA	International Investment Agreement
ILO	International Labour Organization
IMF	International Monetary Fund
IP	Intellectual Property
IPA	Investment Promotion Agency
ISDS	Investor-State Dispute Settlement
IT	Information Technology
ITID	Investment Tax Incentives Database
ITC	International Trade Centre
KPI	Key Performance Indicator
LAC	Latin America and Caribbean
M&A	Merger and Acquisition
M&E	Monitoring and Evaluation
MARC	Mediation and Arbitration Centre
MCCI	Mauritius Chamber of Commerce and Industry
MENA	Middle East and North Africa
MEXA	Mauritius Export Association
MFN	Most-Favoured-Nation
MIAC	Mauritius International Arbitration Centre
MIDA	Malaysia Investment Development Authority
MITI	Ministry of International Trade and Industry (Malaysia)
MNE	Multinational Enterprise
MOFEPD	Ministry of Finance, Economic Planning and Development
MRA	Mauritius Revenue Authority
MUR	Mauritius Rupee
NCCG	National Committee on Corporate Governance

NCP	National Contact Point
NPPC	National Productivity and Competitiveness Council
NRPT	National Resident Property Tax
NSIF	National Social Inclusion Foundation
NT	National Treatment
OECD	Organisation for Economic Co-operation and Development
PCA	Permanent Court of Arbitration
PCT	Patent Cooperation Treaty
PER	Public Environmental Report
PMR	Product Market Regulation
POCA	Prevention of Corrupt Act
PPO	Public Procurement Office
QDMTT	Qualified Domestic Minimum Top-Up Tax
R&D	Research and Development
RBC	Responsible Business Conduct
RIA	Regulatory Impact Analysis
SADC	Southern Africa Development Community
SBIE	Substance-Based Income Exclusion
SDG	Sustainable Development Goal
SIC	State Investment Corporation
SME	Small and Medium-Sized Enterprise
SOE	State-Owned Enterprise
TFP	Total Factor Productivity
THB	Thai Baht
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TUAC	Trade Union Advisory Council
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
UK	United Kingdom
UKTI	United Kingdom Trade and Investment
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
US	United States
USD	United States Dollar
VAT	Value-Added Tax
WBES	World Bank Enterprise Survey
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Executive summary

The development trajectory of Mauritius has been one of the most successful in Africa. A poor, remote island economy at independence in 1968 and heavily dependent on traditional exports of sugar, it now boasts a sophisticated services sector and briefly became a high-income country in 2020 – before the devastating effects of Covid-19. Building on its strong sugar, textiles, tourism, and financial services sectors, the Mauritian economy has stood out in sub-Saharan African for its strength and stability. GDP per capita on a purchasing power parity basis has increased more than five-fold since 1990.

Development success stories of this kind are rare in Africa, and Mauritius' experience in escaping from a poverty trap which seemed so intractable at independence has been much studied. One of the elements that is commonly cited is the tradition of strong economic management and political stability. Mauritius has been the top performer in Africa by many policy metrics. The island is often considered a model of social development, particularly its social protection system and its efforts to promote social equality and reduce poverty. Other longstanding elements include macroeconomic stability, even in the face of external shocks, and cultural diversity and its link with inclusive politics and the diaspora. But if these elements provided the fuel for take-off, preferential access to major markets combined with the Export Processing Zone Scheme provided the spark. They were supplemented by an abundant pool of labour and foreign direct investment (FDI) inflows at critical times to help jumpstart industries.

Despite its successful performance over decades, Mauritius is confronted with several long-standing structural challenges. In spite of an improved performance recently, annual GDP growth has generally been below average for an upper middle income country since the early 2000s. Mauritius is facing declining competitiveness in its traditional export sectors, a lack of economic diversification, declining investment and value added in manufacturing as a share of GDP, poor productivity growth, together with a brain drain of skilled employees and a rising dependency ratio.

Mauritius has had some success at upgrading and diversification. The textile and apparel industry has increased manufacturing of yarn and fabrics and moved towards greater vertical integration within the industry. Similarly, a restructuring of the sugar sector moved the sector away from the manufacture and exports of raw sugar to that of refined and special sugar. In addition, new sectors have been developed such as the tourism industry, the ocean economy, financial services, healthcare, education and renewable energy. But continuing structural transformation and within sector productivity improvements have not been sufficient to address the productivity challenge. Some sectors face skills shortages, and local firms are not sufficiently innovative and engage in very little research and development in Mauritius.

Mauritius has an enviable track record of reform successes when faced with existential threats, such as the elimination of preferential access in garments or sugar or recovery from the ravages of Covid-19 on the tourism sector. Many of the challenges it faces now are characteristic of a more mature economy, calling for a different order of response than in the past. The low hanging fruit has already been picked, and these second-generation reforms will require a more strategic, whole-of-government approach across the range of policy areas affecting the dynamism of the private sector. This includes ensuring that markets are competitive and contestable, allowing for new entry by foreign or domestic firms, even greater

openness to FDI and an active competition policy. Any government support for existing firms needs to avoid simply perpetuating the status quo.

Mauritius excels at many areas of investment policy, as one of the world's most business-friendly jurisdictions. And yet this begs the question of why more foreign investors are not coming, outside of the global business and real estate sectors. FDI inflows have rarely represented an important share of GDP in Mauritius (excluding global businesses), and that share has been declining for much of the past decade, except for an increase in 2022. Excluding the global business sector, half of all "traditional" FDI has gone into real estate which was gradually opened in the 2000s. The development impact of this type of investment is likely to be less than into other sectors, although the government expects a boost to consumption and ultimately investment from this sector.

Foreign investors have played a critical role at key times in Mauritius' development, including investors from Hong Kong, China in the take-off of the garments sector and Indian investors behind the ICT sector. Besides providing a source for financing, they have contributed more broadly to productivity, innovation and skills development, as well as to the green transition. With the right policy mix in place, local firms could benefit from knowledge, technology and skills transfers from foreign firms.

To enable broad-based reforms, the government needs to rethink the way it goes about its business. Despite a justified reputation for effectiveness and efficiency, steps could be taken to improve governance further. Recent work with the OECD on regulatory impact analysis is one area, along with improved coordination across ministries and coherence across policies, broader stakeholder engagement and more strategic thinking. Another area concerns monitoring and evaluation. Assessments of investment promotion and facilitation and the use of investment incentives in this Review both point to the need for more complete evaluation of targeting and support policies for foreign and domestic firms, including a broader assessment of the impact of this support, going beyond the usual key performance indicators to include sustainability outcomes.

A key element to ensure positive outcomes from investment is the promotion of responsible business conduct (RBC). Efforts in this direction in Mauritius have largely been confined to corporate philanthropy through the Corporate Social Responsibility (CSR) Tax and the inclusion of CSR in the Code of Corporate Governance. Mauritius has ample opportunity to move beyond CSR, and a philanthropical approach, towards RBC, and an approach aimed at enhancing businesses' contribution to sustainable development and the management of their adverse impacts on people, the planet and society. This can contribute to support Mauritius' development strategy, as a remote small island heavily reliant on trade and investment for growth. Companies, investors, and customers worldwide are increasingly paying attention to environmental, social and governance matters. In addition, a growing number of countries, including some of Mauritius' main trade and investment partners, are adopting legislation requiring businesses to observe RBC principles and standards. Mauritian firms are also becoming outward investors, such as in Africa, and have a role to play in the dissemination of responsible business practices.

Going forward, the government can take further action to drive and support responsible business practices by creating an enabling environment for RBC and resorting to specific policy areas to promote and exemplify RBC. This will be facilitated by the fact that Mauritius has a developed legal, regulatory, and policy framework in the areas covered by the OECD Guidelines for Multinational Enterprises on RBC. It has adhered to the main international legal instruments in these fields and developed relevant laws, regulations, and policies. Reports of RBC issues seem rather limited, but existing ones deserve attention as they can trigger adverse impacts on people and the environment and undermine the attractiveness of the island as a place to trade with, or source from, and as an investment destination. This is notably the case of the risks of adverse impacts on the rights of low-skilled migrant workers. The creation of a National Contact Point for RBC will help to promote and enable RBC and address cases of alleged non observance by companies of the OECD Guidelines for Multinational Enterprises on RBC as they arise.

1 Assessment and recommendations

This chapter summarises the technical chapters of the Investment Policy Review, including the key findings and recommendations in each policy area. It reviews the performance of Mauritius in attracting foreign investment and the benefits it has received from that investment, the challenge of raising productivity, the investment policy framework, investment promotion and facilitation, investment incentives and responsible business conduct in Mauritius.

1.1. A success story with new challenges

The development trajectory of Mauritius has been one of the most successful in Africa. A poor, remote island economy at independence in 1968 and heavily dependent on traditional exports of sugar, it now boasts a sophisticated services sector and briefly became a high-income country in 2020 – before the devastating effects of Covid-19. Building on its strong sugar, textiles, tourism, and financial services sectors, the Mauritian economy has stood out in sub-Saharan African for its strength and stability. GDP per capita on a purchasing power parity basis has increased more than five-fold since 1990. GDP increased in real terms by an average 4.4% per year over 1990-2019.

Given the importance of the tourism sector, the economy was heavily affected by the pandemic, with the most severe contraction in Africa, shrinking by 14.5% in 2020. The measures taken by the government to face the crisis – one of the largest COVID-19 response packages as a share of GDP – seem to have proven efficient (World Bank, 2022[1]). GDP growth rebounded to 3.4% in 2021 and reached 8.9% in 2022, partly due to a rise in exports and the realisation of investment projects and 7% in 2023. The government forecasts GDP growth of 6.5% in 2024.

Development success stories of this kind are rare in Africa, and Mauritius' experience in escaping from a poverty trap which seemed so intractable at independence has been much studied. One of the elements that is commonly cited is the tradition of strong economic management and political stability, Mauritius has been the top or second-best performer in Africa by many policy metrics, ranking first in Africa in the 2020 World Bank *Doing Business Index* (13th worldwide), second in the *Human Development Index* (72nd worldwide) – fluctuating between high and very high human development). The island is often considered a model of social development, particularly its social protection system and its efforts to promote social equality and reduce poverty. It tops the *Mo Ibrahim Governance Index for Africa*, as it has done continually for more than a decade. Mauritius was also the highest-ranking African country in the *Global Competitiveness Index* (52nd in 2019) and ranks highly in several indicators of economic freedom – the first in Africa in each case.[1]

Other longstanding elements include macroeconomic stability, even in the face of external shocks, and cultural diversity and its link with inclusive politics and the diaspora. But if these elements provided the fuel for take-off, preferential access to major markets combined with the Export Processing Zone Scheme provided the spark. They were supplemented by an abundant pool of labour and foreign direct investment (FDI) inflows at critical times to help jumpstart industries. This success story is described in more detail in Chapter 3.

1.1.1. The economic performance of Mauritius since 2000

In the first three decades of independence, Mauritius managed to turn potential weaknesses into advantages, many of which remain. But starting in the mid-2000s, it could no longer count on some elements of the early success: the EPZ scheme was terminated as preferential access to EU and US markets was eroding rapidly; and the pool of labour started to dry up. If the success of Mauritius were simply being in the right place at the right time in the decades after independence, with the right policies in place, then its development trajectory might not have continued as those conditions changed. Instead, it went through an important round of reforms in the 2000s and particularly after 2005, at a time of strongly deteriorating terms of trade.

The Investment Promotion Act 2001/Board of Investment Act 2000 created the Board of Investment, the precursor to the Economic Development Board. The Companies Act 2001 created a unified core legal regime for all companies set up in Mauritius (OECD, 2014[2]). The Business Facilitation (Miscellaneous Provisions) Act 2006 greatly facilitated business registration, amending 26 laws to simplify business procedures by removing the scope for discretion and focusing on a rules-based approach. In 2008,

implemented a centralised database linking the company registry with tax, social security, and local authorities, thereby reducing start-up costs by two thirds and the number of days required from 46 to 6 days. The result was a ten-point improvement in 2008 in the distance to frontier score under the Doing Business indicators.[2]

Major tax reforms in 2006 eliminated most tax holidays and credits in place and replaced them with a flat 15% rate for personal and corporate income tax (formerly 25%). The differential treatment of EPZ investors was thereby eliminated, and the EPZ scheme was terminated with the repeal of the Industrial Expansion Act in 2006. The favourable tax and regulatory environment, which was previously provided exclusively in the EPZ, was expanded to the entire economy, thereby opening the economy to further competition, eliminating distortions and significantly reducing customs tariffs and trade barriers. Minimum income thresholds ensured that the tax system enhanced its progressivity. Tax administration was also greatly simplified, and the tax base was expanded. A Competition Act was introduced in 2007. Trade and investment were liberalised, with the unweighted average tariff rate falling from 29% to 13%.

The government also improved macroeconomic stability by dealing with high public deficits and rising public debt. Labour market reforms succeeded in easing labour market regulations and reducing the high cost of job termination through the Employment Rights Act and the Employment Relations Act of 2008/2009. Further reforms affected state-owned enterprises (SOEs). FDI inflows increased rapidly during this period and growth rebounded in 2006-08.

Comprehensive reforms during this period demonstrate the agility of the government in reacting to exogenous shocks and declining terms of trade, but Mauritius has not yet settled convincingly on a new development model. Instead, it straddles the old export-led development approach and the development of a modern services economy.

1.1.2. A deteriorating performance since 2010 calls for a new development path

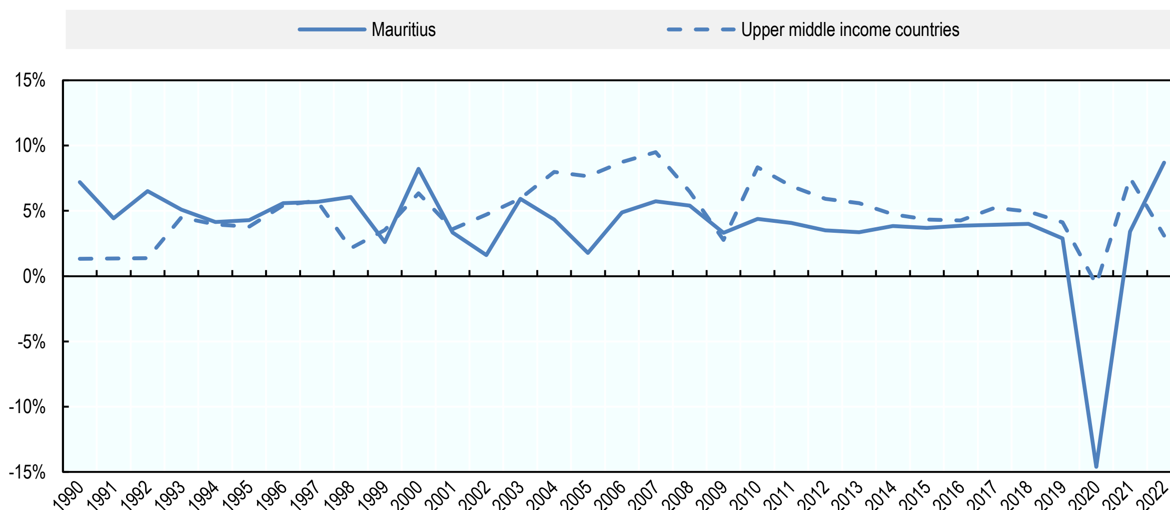
Despite its successful performance over decades, Mauritius is confronted with several long-standing structural challenges. In spite of an improved performance recently, annual GDP growth has generally been below average for an upper middle income country since the early 2000s (Figure 1.1). Going forward, economic growth risks slowing if it continues to rely on the same drivers as in the past (IMF, 2022[3]).

Much of recent growth has been driven by consumption, with a declining share of investment and stagnating capital productivity (World Bank, 2021[4]). Private sector gross fixed capital formation as a share of GDP fell steadily from the global financial crisis until 2015 but has since picked up again, although at 16%, it is still far below its historic peaks of 20% reached in 2008 and in the early 1990s. Foreign direct investment (FDI) inflows[3] peaked in 2012 as a share of GDP but have been climbing again in recent years, reaching a record of nominal gross FDI inflows of MUR 27.2 billion in 2022 and an estimated MUR 37 billion in 2023 – largely on the back of rising FDI in the real estate sector Over one half of the FDI in recent years has gone into the residential real estate sector, linked to the various incentive schemes in place in this sector[4], including the provision of resident permits to foreigners purchasing a property.

Mauritius is facing declining competitiveness in its traditional export sectors, a lack of economic diversification and a need to focus on greater digitalisation of the economy, as well as adaptation and mitigation policies to tackle climate change vulnerabilities (IMF, 2022[5]). The government argues that it has made considerable improvements in recent years in many of these areas, but export competitiveness in manufacturing remains a problem.

A first OECD *Investment Policy Review* undertaken in 2013-14 noted structural challenges, such as weak growth of domestic private investment, a skill base insufficiently tailored to the needs of business, a loss in export competitiveness and stagnating productivity growth (OECD, 2014[2]). In retrospect, the performance described at the time can now be seen as part of a long-term secular trend which has continued to this day, albeit with some slight improvement in some areas in recent years.

Figure 1.1. GDP growth in Mauritius has not matched that of upper middle-income countries



Source: World Bank and Bank of Mauritius

Foreign investment, except in real estate, is not arriving to the extent relative to GDP seen in some other countries in Africa or in successful economies in Asia. FDI offers several avenues for structural transformation: in the best of circumstances, it can expand more productive sectors, increase competition within sectors, contribute to technology diffusion and knowledge spillovers, improve workers' skills, and promote sustainable and inclusive outcomes. The domestic private sector has performed some upgrading in traditional sectors, as explained in subsequent chapters, but engages in very little research and development (R&D).

Mauritius has had some success at upgrading and diversification. The textile and apparel industry has increased manufacturing of yarn and fabrics and moved towards greater vertical integration within the industry. Similarly, a restructuring of the sugar sector moved the sector away from the manufacture and exports of raw sugar to that of refined and special sugar. In addition, new sectors have been developed such as the tourism industry, the ocean economy, financial services, healthcare, education and renewable energy.

While the understanding of the need for further structural transformation is widely shared in Mauritius, including within the government, and frequently echoed by international organisations (IMF, 2022[5]), the mechanisms through which structural transformation is achieved are not functioning smoothly. According to the World Bank, "structural impediments prevent capital from flowing to profitable investment opportunities that could lay foundation for future growth" (World Bank, 2021[4]). The first OECD *Investment Policy Review* noted the prevailing reluctance among the domestic business community to venture beyond the "established" sectors of sugar, tourism, financial services and real estate (OECD, 2014[2]).

One element behind this might be the oligopolistic nature of these industries which favours the status quo. According to the World Bank, over two-thirds of sectors, including ICT, financial services, transport, and tourism, can be considered to be highly concentrated (World Bank, 2021[4]). Other studies have also highlighted monopolistic tendencies in several sectors in the past (Overseas Development Institute, 2011[6]) (African Peer Review Mechanism, 2010[7]). Although small markets are naturally more likely to have fewer competitors, the presence of vertically integrated conglomerates in Mauritius and high levels of cross-directorships contribute to highly concentrated markets (World Bank, 2021[8]).

This market structure has implications for competition policy. The Competition Act 2007 has been in force since November 2009 and established the Competition Commission of Mauritius (CCM). In part thanks to

the Act, competition has increased over the past decade, with fewer firms holding significant market power (World Bank, 2021[9]). But the World Bank also argued that the Commission should scale up its review of regulations and policies restricting entry or facilitating collusion, as well as greater efforts at advocacy (World Bank, 2021[4]). Some private sector associations lament the limited impact of either the Act or the CCM. The Commission does not fully cover network industries often dominated by SOEs, and while the Competition Act empowers the CCM to control merger situations, merger notification is not mandatory.

According to the government, the Competition Commission has nevertheless created a department overseeing market studies, policy and advocacy which will enhance focus on such efforts and increase such reviews and initiatives.

This Review does not provide an independent assessment of competition policy in Mauritius, although competition policy is one of the policy areas covered in the OECD *Policy Framework for Investment* which underpins this Review and plays an important role in a healthy investment climate. Given the concerns raised in existing studies, the government could consider further collaboration with the OECD on a Competition Policy Assessment or a competition review in a specific sector, such as banking. Cognisant of the shortcoming of the current Competition Act, the CCM has embarked on a law review exercise with the assistance of a consultant and will reportedly soon engage in stakeholder consultations.

Market entrants in new sectors could potentially be discouraged by the presence of state-owned enterprises (SOEs), although in the right conditions state ownership need not be an obstacle to private investment, if adequate competition policy, regulatory frameworks and corporate governance standards are in place,. Stakeholders consulted as part of the review called for increased powers for the Utilities Regulatory Authority, including greater independence. SOEs include many prominent businesses such as Maubank, Air Mauritius, Mauritius Telecom and the National Insurance Company, to name a few.

The government also sometimes holds equity shares in local companies through its State Investment Corporation (SIC), with total investments of over USD 150 million – principally equity investments – in logistics and shipping, production, distribution, financial services, ICT, construction, real estate, tourism and leisure, gaming, fund management, blue economy and energy. The SIC played a vital role in establishing the Stock Exchange of Mauritius. Its aim is to invest in industries or sectors that are of particular relevance to Mauritian development and those that demonstrate the capacity and potential to emerge as leaders in their respective line of business, including by participating in the strategic decision-making process. The SIC is involved in public-private ventures to promote FDI and encourage the transfer of technology locally to improve economic efficiency. It also supported small businesses in financial difficulties in the wake of Covid.

Discriminatory policies also potentially deter foreign investors. Mauritius is one of the members of the Southern Africa Development Community (SADC) with the lowest level of statutory barriers to investment but maintains a more restrictive environment for foreign investment on average than OECD members and Adherents to the Declaration on International Investment and Multinational Enterprises more broadly, as measured by the OECD *FDI Regulatory Restrictiveness Index*. Restrictions on FDI exist in key sectors of the economy such as tourism, agriculture and construction.

The ongoing inclusion of Mauritius in the OECD *Indicators on Product Market Regulation* (PMR) will shed light on the importance of obstacles related to FDI restrictions, the strength of competition enforcement and the role of SOEs. Product market regulations, if not properly designed and regularly evaluated, may unduly restrict entry by new businesses, and limit or distort competition among existing firms. The PMR indicators serve to benchmark laws and regulations against international best practices, identify areas for regulatory reforms and set priorities, and allow the evaluation of potential gains from competition-enhancing regulatory reforms.

Beyond the absence of more contestable markets, the government's close relationship with, and support for, local business also perpetuates the status quo. Mauritius has at various times, including presently,

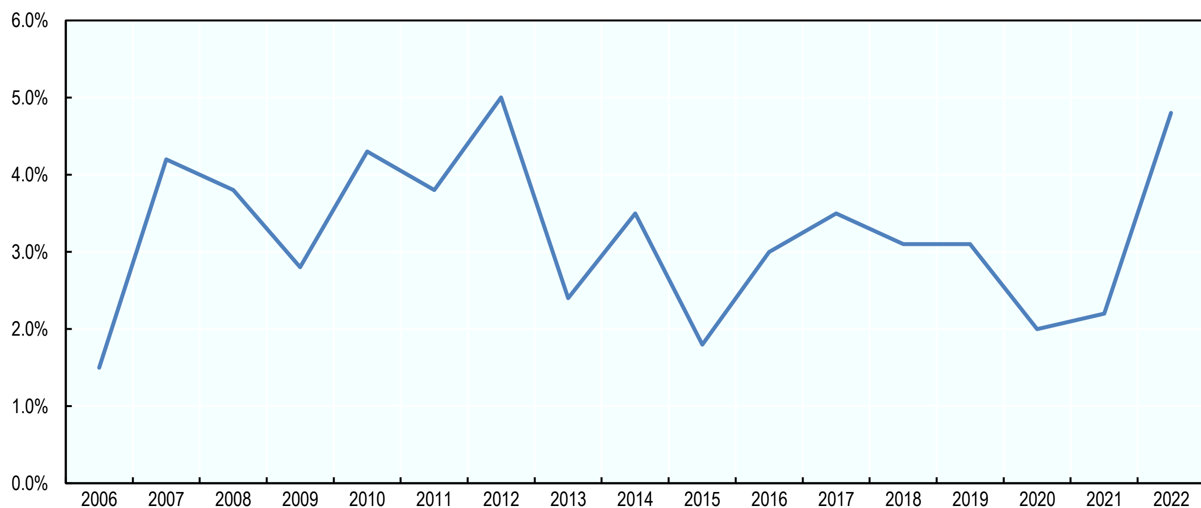
offered generous incentives to businesses. To the extent that these incentives support existing activities or those in decline, they do little to assist in developing new sectors.

1.1.3. Foreign investment could contribute more to inclusive and sustainable development

Foreign investors have played a critical role at key times in Mauritian economic development, including investors from Hong Kong, China in the take-off of the garments sector and Indian investors behind the ICT sector. They have contributed more broadly to productivity, innovation and skills development, as well as to the green transition. But FDI inflows have rarely represented an important share of GDP in Mauritius (excluding global businesses), and that share has been declining for much of the past decade (Figure 1.2). The upturn in 2022 was the result of an adjustment to reflect the findings of an annual survey of investors which showed higher investment activity than had been initially recorded.[5] "Traditional" flows increased impressively between 2006 and 2012, coinciding with an important period of reform, but much of this investment has gone into real estate which was gradually opened in the 2000s. The development impact of this type of investment is likely to be less than into other sectors, although the government expects a boost to consumption and ultimately investment from this sector.

Figure 1.2. FDI in Mauritius, 2006-22

(annual FDI inflows, % of GDP)



Source: World Bank, Bank of Mauritius

Besides providing a source for financing, FDI in Mauritius contributes to productivity, innovation and skills development. According to the World Bank Enterprise Survey, foreign firms in Mauritius in sectors other than real estate are larger and more likely to export than domestic firms. Their labour productivity is 43% higher, and they experience faster productivity growth than domestic firms (Chapter 3). While 27.2% of foreign firms in Mauritius report spending on R&D, only 9.3% of domestic firms do so. Similarly, foreign firms are more likely to engage in product and process innovation, and 61.9% of foreign firms offer their workers training compared to only 19.1% of domestic firms – although this last finding has been contested by the government and local stakeholders. While foreign firms are more likely to have a female top manager than domestic firms, they do not outperform domestic firms on other gender dimensions. With the right policy mix in place, local firms could benefit from knowledge, technology and skills transfers from foreign firms.

FDI in Mauritius also supports the green transition and the uptake of clean technologies, as foreign firms outperform domestic peers in terms of environmental practices. For example, more than half of foreign companies report complying with environmental certifications or standards and taking measures for water management and waste minimisation, recycling or management compared to less than 30% of domestic firms. Similarly, more than 40% of foreign firms report monitoring energy consumption, water usage or CO_2 emissions, adopting greener materials for production and taking measures for energy management compared to only 22-27% of domestic firms. With the right policy mix, foreign firms' strong performance in the use of clean technologies and environmental protection measures could contribute to improving overall environmental performance and the wider deployment of clean technologies.

1.2. A renewed development agenda for Mauritius

The government and stakeholders understand well the challenges the economy is facing in moving towards a new development trajectory. Whether or not Mauritius finds itself in a middle-income trap (see Chapter 3), it is clearly facing headwinds in efforts to accelerate further structural transformation and revive productivity. This Review looks at the role of investment, particularly foreign investment, can play as part of this process and the mix of policies, governance and institutions that can bring about this transformation.

Individual chapters discuss key elements of the investment climate: investment policy; investment promotion and facilitation; international investment incentives; and responsible business conduct. The Review also looks at trends and impact of FDI in the past and at policies to raise the productivity levels of domestic firms, including SMEs. The recommendations from these sections are summarised further below.

1.2.1. Improving governance

Cutting across all the policy areas addressed in this Review is the question of governance. The government has a justified reputation for effectiveness and efficiency, as confirmed in numerous international rankings, but there are many broader aspects to governance and scope for further improvements in certain areas.

Many institutions in Mauritius, notably the EDB, are widely recognised to be of high quality in their areas of respective responsibilities. A recent OECD report on regulatory governance in Mauritius speaks of a solid institutional framework as well as a culture of consensus, consultation and collaboration across ministries and agencies (OECD, 2022[10]). But good regulatory governance must extend beyond these elements. The way legislative proposals are introduced, and policies developed more generally, suffers from several shortcomings. The OECD report cites a lack of systematic ex ante scrutiny of legislative proposals, with rulemaking generally lacking either planning or anticipation (OECD, 2022[10]). Interviews with stakeholders confirmed some dissatisfaction with the quality of governance. Based on OECD recommendations (OECD, 2022[10]), the government introduced a provision for a regulatory impact analysis (RIA) in the budget, with an RIA Office under the Prime Minister's Office. According to the government, the modalities for implementation of RIA are under discussion.[6]

In July 2022, Moody's reviewed the sovereign rating of Mauritius from Baa2 Negative to Baa3 Stable, while Mauritius retained its investment grade status. Moody's cited as a rationale the "weakened quality and effectiveness of institutions and ineffective policymaking, which is hampering the country's economic resiliency and capacity to absorb future economic shocks"[7]. At the same time, Moody's noted that Mauritius outperforms the median for Baa-rated sovereigns. The government has demonstrated an ability to adapt to a changing external environment while maintaining financial and economic stability.

Stakeholder engagement

Stakeholder engagement – an essential part of good policy design – is deficient in several ways. According to the OECD, consultations tend to occur on an ad hoc basis to ensure political backing rather than

systematically to improve the proposal itself. Because they are not structured systematically, such consultations may involve some groups more than others, thereby running the risk of regulatory capture. It is also unclear how inputs are subsequently used by the government, as there is little feedback provided. The result is inadequate consideration of alternatives and frequent recourse to legislative amendments (OECD, 2022[10]). Interviews with the government suggest that public consultations are required but the requirements are not strictly defined, with each ministry having its own method. Nevertheless, consultation papers are sometimes issued to obtain inputs on proposed legislation.

The government has a longstanding tradition of dialogue with the private sector (OECD, 2014[2]), which is frequently consulted on new laws and regulations (WTO, 2022[11]). A Public-Private Joint Committee has been established under the chairmanship of the Minister of Finance, Economic Planning and Development. But much of this consultation is limited to major organisations, such as Business Mauritius, rather than public stakeholders more generally (US Department of State, 2023[12]). In consultations as part of this Review, it was suggested that civil society is mostly confined to service delivery in Mauritius, with fewer efforts at policy advocacy in dialogue with the government.

The almost exclusive interaction with the private sector might explain the observation that the government tends to provide support to industries already well-established or in decline – what the World Bank calls "business as usual" (World Bank, 2021[4]). One local business association mentioned that decisions within government are not taken broadly, out of fear of policy reversals that might affect investment. The World Bank calls for strengthening public-private dialogue, arguing that "public-private dialogue appears to be weakest in circumstances where a cross-government solution to complex issues is needed" (World Bank, 2021[4]).

Even business associations have complained about the speed with which new legislation is sometimes introduced and provided the examples of legislation which they felt was introduced without sufficient notice, such as a ban on plastics or the generalised social contribution (*contribution sociale generalisée* - CSG).[8] The government contests this characterisation, arguing that the Government Programme of 2022-2024 called for a Plastic Free Mauritius within the nearest possible delays and that the ensuing regulations under the Environment Protection Act were introduced in phases. Furthermore, a moratorium was introduced and later extended for some types of plastic.

Coordination across government

Stakeholders consulted as part of this Review spoke of a fragmented approach to governance, with no institutionalised framework for coordination. The first OECD *Investment Policy Review* of Mauritius called for stronger institutional rationalisation and coordination (OECD, 2014[2]). One successful example of such coordination is the Inter-Ministerial Committee set up in 2012 to reduce red tape and bureaucracy and improve the rankings of Mauritius under Doing Business.

Strategic thinking

On several occasions, the government has demonstrated flexibility in adapting to challenges and opportunities, yet the pragmatic reactivity and the piecemeal design of policies suggests that an overarching strategy is sometimes lacking. An early assessment as part of the Africa Peer Review Mechanism argued for a more long-term vision rather than a crisis-led approach. It spoke of the overwhelming perception that the private sector leads and the public sector follows in Mauritius (African Peer Review Mechanism, 2010[7]). The notion of the private sector as the driver of change was echoed in interviews conducted as part of this Review but is disputed by the government and at least one private sector stakeholder. To the extent it reflects reality, it can potentially distort policymaking, as the domestic private sector may not always be the best judge of what is required, especially concerning disruptions to the status quo.

The lack of strategic thinking can be seen in investment policymaking. Several studies have lamented the absence of a coherent and overarching national investment strategy (OECD, 2014[2]). This applies both to the need for a more coherent strategy to attract FDI (World Bank, 2021[4]) and to the lack of overarching legislation governing incentives and subsidies (WTO, 2022[11]). The EDB, for example, prioritises certain sectors for promotion but also offers a broad range of incentives to other sectors, some of which appear to be the outcome of ad hoc decisions influenced by sectoral lobbying, at times benefiting existing firms in well-established industries. Offering incentives on an ad hoc basis rather than based on an overarching strategy potentially impedes the most effective use of incentives, as well as regulatory predictability. Although the EDB has a strategic plan, it is only used for internal purposes and not publicly available.

No overarching long-term strategy for sustainable development exists, nor a sustainable development framework, based on a whole-of-government approach, and which considers the role of the private sector and involves business in managing sustainability and climate-related challenges.[9] A Ministry of Planning was eventually subsumed in the MOFEPD, but the Planning Bureau in MOFEPD was also shut down. The creation of Maurice Stratégie in 2023 is likely to take on a role in this area, as the mandate of this new government entity includes research and analysis and visioning to shape policies for inclusive and sustainable economic development (Government of Mauritius, n.d.[13]). Maurice Stratégie has a mandate to come up with Vision 2050 and is exploring with international development partners to define a methodology and come up with a roadmap.[10]

Going beyond the lack of strategy is the question of sometimes poor implementation, an issue that is discussed in the individual policy chapters that follow.

Monitoring and evaluation

An essential component of effective and efficient policies is careful and systematic monitoring and evaluation. The OECD *Policy Framework for Investment* asks the following questions in this regard: are policies reviewed periodically to see whether they have achieved their objectives; are alternatives considered to achieve the same objectives; are RIAs required for new or amended laws or to review the existing stock of legislation (OECD, 2015[14])?

The underperformance in monitoring and evaluation can be seen in investment promotion. EDB has a limited number of key performance indicators related to promotion relative to many other investment promotion agencies and lacks a system for tracking them. Similarly, a systematic monitoring and evaluation (M&E) strategy is absent, compounded by a lack of systematic data collection of many indicators that are crucial for meaningful reporting and evaluation. Investment incentives are monitored through tax expenditure reporting, but this is limited to an assessment of the cost of incentives, not whether they are effective or the best use of scarce resources.

1.2.2. Raising productivity in domestic firms

The foundations of Mauritius' success – strong institutions, macroeconomic stability, inclusive and stable politics – remain in place. But what is required at early stages of development is not necessarily what is required now. Mauritius' impressive economic growth risks slowing without the adoption of policies supporting a new development path. New economic development strategies are needed, which do not rely on past drivers of growth, such as favourable demographics, structural transformation, and capital accumulation. Comprehensive approaches are needed in creating a more productive and innovative economy. Enhancing productivity is essential in raising per capita income. Beyond enhancing institutional capacities, priorities should include attracting and better leveraging FDI, further enhancing competition in the business environment, supporting small and medium-sized enterprises (SMEs), creating a strong foundation for innovation, and improving workers' skills to help foster inclusive and stable growth.

A supportive business environment that minimises unnecessary barriers to firm establishment and growth should encourage investments that enhance productivity and innovation. While innovation is influenced by numerous factors, a crucial element is cultivating a business environment that facilitates the creation and dissemination of knowledge. Cross-sector collaboration plays a pivotal role in translating fundamental research into commercial opportunities (OECD, 2015[15]). To promote cooperation among the various stakeholders involved in innovation, well-coordinated efforts among institutions are needed.

Although FDI already contributes to capital accumulation and other aspects of economic development in Mauritius, inflows could be increased and better leveraged to introduce new knowledge and technologies, serving as a foundation for productivity growth and innovation. To achieve this, Mauritius must attract more investment in productive sectors with strong absorptive capacities and facilitate partnerships between foreign firms and local counterparts.

Implementing solutions to productivity growth will require strengthening policymaking and institutional capacities. Improving planning and policy coordination would help to ensure the development and implementation of comprehensive solutions to continuing productivity challenges. Broad-based growth requires inclusive policy dialogue that engages the private sector, including SMEs, and other affected groups. The effectiveness of SME assistance programmes could benefit from implementing a more rigorous system of consultation and of monitoring and evaluation, to assist in designing more effective programmes in future.

Connections between foreign-owned and domestic firms will need to be encouraged. At the same time, domestic capacities for innovation and technological upgrading will need to be raised to benefit from such linkages with foreign-owned firms. Specific funds dedicated to strategic sectors may be used to support innovation and upgrading, building on existing programmes (UNCTAD, 2021[16]). Policymakers also need to consider how intellectual property rights, rules on FDI, restrictions on the employment of foreigners with management and technical skills, and fiscal incentives, and other rules affect lead firms' decisions on investment and technology transfer (World Bank & WTO, n.d.[17]).

Beyond this support, effective innovation systems rely on institutional capacities and relationships. While innovation is influenced by numerous factors, a crucial element is cultivating a business environment that facilitates the creation and dissemination of knowledge. Cross-sector collaboration plays a pivotal role in translating fundamental research into commercial opportunities (OECD, 2015[15]). To promote cooperation among the various stakeholders involved in innovation, well-coordinated efforts among institutions are needed. The significant delays between investment in R&D and the realisation of gains from innovation mean that national innovation plans are useful in setting common goals to direct policymaking (Cantwell and Vertova, 2004[18]). Such plans should be designed through inclusive processes and should incorporate measurable targets for tracking progress.

Addressing the productivity challenge will also require ongoing reforms of education and training, in close collaboration with the private sector, as well as expanded on-the-job training and other forms of continuous learning. A greater emphasis on digital skills as a complement to technological upgrading and growth may also be needed, including integrating ICT skills development into technical and vocational education and training (TVET) programmes and schools – including introducing foundational skills in primary education – to better prepare workers for a more innovative and digitalised economy.

Additional education and training will not do much support growth without efficient labour markets that connect workers with work to which they are well-suited. Currently, many workers in Mauritius are poorly matched to their jobs, representing wasted potential. Addressing the skill mismatch will require different approaches for different demographic groups, including the strengthening of continuous learning and of employment services. The government is aware of this job mismatch in the labour market and has introduced new institutions like Polytechnics Mauritius to reduce the gap between jobs and trained workers. Over 95% of their students get employed, according to the government. Labour market policies addressing the needs of women will also be needed to lessen inequalities by gender in Mauritius.

1.2.3. A modern, fit-for-purpose investment policy

Mauritius has a modern legal framework for private sector activity, in keeping with its aim of becoming one of the world's most business-friendly jurisdictions. It provides a high degree of legal protection for investors, and its Companies Act has played a key role in making Mauritius a hub for global businesses. In the last Doing Business rankings from the World Bank, it ranked 13th out of 190 jurisdictions. It has also made significant strides to improve its corporate governance framework, including the update of its Corporate Governance Code in 2016, following extensive stakeholder consultations. Concerning contract enforcement, Mauritius has developed strong judicial processes that meet international standards in terms of quality, integrity and efficiency, as part of efforts to become jurisdiction of choice for international arbitration. Assessments of its court system show it to be a leader in Africa and among upper middle-income countries. It has made great strides in enhancing the protection of intellectual property (IP) rights and in strengthening competition policy, not least through the creation of the Competition Commission of Mauritius in the Competition Act of 2007.

In terms of domestic businesses and those foreign investors interested in actual operations in Mauritius, however, the regulatory framework does not appear to be fulfilling its role. The weak performance in attracting traditional FDI outside of real estate (Chapter 2) and in improving productivity and enhancing innovation (Chapter 3) suggest that more could be done beyond the search for further administrative simplification and regulatory rationalisation. Although Mauritius is open to FDI in relative terms, it maintains some restrictions in key sectors of the economy which might have the effect of dampening competition in these vital sectors. Advancements in corporate governance could include more complete adherence of state-owned enterprises to the Corporate Governance Code and improved disclosure. Despite the overall strong protection of intellectual property rights, local firms have reportedly conducted research and development in other jurisdictions out of concerns for protecting their IP rights. As often seems to be the case in Mauritius, the landscape for IP rights is fragmented institutionally, although the Intellectual Property Council set up as part of the Industrial Property Act 2019 is intended to address this issue.

None of these shortcomings in the domestic business environment presents a critical roadblock, but taken together, they can help to explain why structural transformation, upgrading within sectors and R&D-led innovation are not occurring sufficiently at this stage of development of the Mauritian economy.

Policy recommendations

Domestic legal and regulatory framework

- **Reassess the rationale for restrictions in key sectors, as well as their potential impact on FDI inflows in these and in other sectors**. Mauritius maintains a more restrictive environment for foreign investment on average than OECD members and Adherents to the Declaration on International Investment and MNEs. Many of the restrictions are in similar sectors to those found in other countries, such as broadcasting, air transport and property. While Mauritius does not appear to discriminate widely against foreign investors, restrictions in key sectors such as sugar and tourism, run counter to the aim of presenting Mauritius as an ideal place to do business and are not in line with the degree of openness in other small economies that position themselves in the same way as Mauritius, such as Singapore.
- **Consider distinguishing between compensable and non-compensable forms of indirect expropriation**. This would align its domestic framework with commitments under international investment agreements, while preserving some regulatory leeway to implement meaningful public policy changes without being constrained by obligations to compensate affected investors. Investors' property rights are protected through constitutional safeguards limiting the

government's powers to nationalise or expropriate property to exceptional circumstances and with adequate compensation. The relevant caselaw also appears to expand constitutional protections to indirect expropriation measures as well.

- **Assess the corporate governance framework against G20/OECD Corporate Governance Principles**. Changes in the regulatory framework for company establishment and governance over the years have transformed Mauritius into one of the most business-friendly jurisdictions. The amended Companies Act 2001 provides for a modern legal framework for company establishment and the corporate governance framework for public interest entities was reviewed in 2016 to reflect international best practices. A process to align the 2016 Mauritian National Code of Corporate Governance with the revised G20/OECD Principles of Corporate Governance was launched by the National Committee on Corporate Governance in April 2024.
- **Raise awareness of IP rights over intangible assets**. Mauritius strives to become a research, technology, and innovation economy, where businesses are equally empowered to innovate. This vision may only be achieved through a strong intellectual property (IP) rights regime. The framework for IP rights has evolved significantly since the OECD's *Investment Policy Review* of 2014. The Industrial Property Act was adopted in 2019 and entered into force in 2022, consolidating the legal framework and strengthening IP rights protections. The legal regime covers patents, marks, copyrights, industrial designs, utility models, layout-designs of integrated circuits, plant varieties, trade names, and geographic indications. Despite significant improvements in the IP legislative framework, the reported lack of awareness of rights over intangible assets may hinder the development of an enabling IP and innovation ecosystem.
- **Consider further collaboration with the OECD on a review of competition law and policy or a competition assessment of a specific sector such as banking**. Effective competition is essential for a dynamic business environment in which firms are willing to take risks, invest and innovate. Creating and maintaining a competitive market requires a well-structured competition law, together with an effective competition authority, and, more widely, economic policies that foster competition and avoid unnecessarily restricting it. While research suggests that the Competition Act improved the enforcement and penalty in matters of uncompetitive behaviour, finding a positive relationship between the law's scope and competition intensity, the World Bank has recommended the Competition Commission to scale up its review of regulations and policies restricting entry or facilitating collusion, as well as greater efforts at advocacy.

International investment agreements

- **Consider clarifying current treaties in force to reduce exposure to potential claims**. Along with the conclusion of trade agreements, international investment agreements have been a key aspect of Mauritius' development and growth strategy. A sizeable investment treaty network through bilateral or multilateral agreements grants relative and absolute standards of protection to qualifying investors. Most agreements in force follow older designs that feature vague framings of obligations and a lack of specificity in the meaning of key provisions. While the revision of the Mauritian model bilateral investment treaty (BIT) is a welcome step towards incorporating more specific language in future investment agreements, Mauritius should consider clarifying its current treaties in force, given its exposure to potential claims. Joint interpretations can be a simpler and faster device than renegotiation to address some aspects of treaty policy, provided that the existing treaty text allows for such an approach. The entry into force of the African Continental Free Trade Area Protocol on Investment is also expected to replace ten in-force BITs concluded by Mauritius with other African Union members.

1.2.4. Investment promotion and facilitation

Mauritius stands out as one of the most business-friendly nations in sub-Saharan Africa due to a combination of political stability, effective governance, and a commitment to fostering a conducive business environment. It has strategically positioned itself as a hub for channelling investment into Asia and Africa, earning a reputation as a reliable international services and global business platform. The transformation of the business environment is evident in the continuous implementation of successful reforms over the past decade, resulting in significant reductions in the time and cost associated with starting a business.

At the forefront of these efforts is the Economic Development Board (EDB), Mauritius' apex investment promotion agency (IPA). The result of a merger of three public institutions in 2017, the EDB plays a pivotal role in promoting Mauritius as an investment and business hub, an export platform, and an international financial centre. Despite the involvement of various entities under the Ministry of Finance, Economic Planning and Development (MOFEPD) in investment-related activities, the EDB stands out as the primary investment agency in charge of co-ordinating efforts. The EDB manages a comprehensive set of 13 diverse mandates, a much stronger integration of responsibilities than in other IPAs globally.

Where most OECD IPAs tend either to be part of policymaking ministries or solely implementation agencies, the EDB assumes a dual role, carrying out an extensive array of image building, investment generation, investment facilitation and policy advocacy activities, albeit on typically an ad hoc basis. It responds to investors on a case-by-case basis, offering information on long-term collaboration with local suppliers and partners when requested, but the absence of systematic implementation, especially in the realm of matchmaking and linkage programmes, can be a concern. Aftercare services such as dispute resolution and business linkage programmes are available but not formalised, which can create perceived challenges for investors regarding the reliability and availability of these services. Unlike other IPAs that typically employ systematic tools to match foreign investors with domestic suppliers, the EDB engages in these activities informally, often geared towards export promotion services. More structured efforts by the agency to institutionalise services, improve co-ordination with relevant ministries, and leverage existing databases for effective matchmaking can not only address concerns about service reliability for investors but also contribute to the overall growth and development of domestic value chains.

Mauritius actively engages in formal public-private dialogue mechanisms, considering it a fundamental element of its conducive business environment. Initiatives such as the Public-Private Joint Committee highlights this commitment, serving as a platform for quarterly discussions between public and private stakeholders, facilitating the exchange of views and collaborative efforts to tackle challenges faced by investors. Expanding on the success of integrating stakeholder feedback through the Joint Committee, Maurice Stratégie, a research-based think tank incorporated under the EDB, was established to play a pivotal role in collecting data and feedback from the business community. To reinforce these initiatives and enable investors to voice their challenges effectively, the government is in the process of introducing the Business Obstacle Alert Mechanism (BOAM), allowing the private sector to report obstacles encountered in investment activities and seeking resolution from competent authorities. This will not only help informed decision-making but also establish an up-to-date database of challenges faced by economic operators.

While Mauritius has successfully established a friendly business environment, it lacks a clear strategy to drive efficient and targeted investment promotion. Although the EDB developed a strategic plan for 2021-24 and is currently developing a new one, this falls short of what is commonly considered as an investment strategy. An investment strategy should result from broad consultations across government to ensure consistency and coherence with broader government objectives. It should include a technical, comprehensive and operational action plan that not only outlines the objectives, but also puts forward a reform plan to foster those investment goals. Such a strategy should have an adequate system for monitoring and a subsequent design for implementation.

The absence of this broad and externally validated strategy, significantly impedes the overall effectiveness of its initiatives and can make prioritising activities, allocating resources efficiently, and measuring the impact of its efforts challenging. Implementing a promotional strategy with clear objectives provides a roadmap for aligning these activities with overarching goals, enhancing the agency's focus and impact. The absence of a robust system for tracking key performance indicators (KPIs) further compounds these challenges. The role of prioritisation and monitoring and evaluation (M&E) are fundamental in guiding and ensuring effective outcomes, providing agencies with essential tools to set objectives, define KPIs, and systematically assess performance for strategic decision-making. The EDB, in its M&E efforts, revises targets quarterly and publishes annual activity and financial reports for transparency, but it does not systematically collect data on various indicators to enhance meaningful reporting and evaluation, aligning with comprehensive practices observed in other IPAs. By introducing a comprehensive KPI tracking mechanism, it can systematically monitor and evaluate the outcomes of its investment promotion activities, helping to identify successful strategies while also facilitating informed decision-making and adaptive management.

Clear and well-defined output and outcome indicators are essential for IPAs to ensure they fulfil their strategic goals and support economic and sustainable development objectives. While output indicators focus on internal agency metrics like project numbers and client satisfaction, the EDB tracks only two, highlighting a potential gap in evaluating client interactions and diverging from common IPA practices. Crucial outcome indicators related to jobs, innovation, exports, wages, and sustainability are not formally tracked, affecting the agency's ability to effectively assess a) its impact and progress as an agency and b) the impact of the attracted investment on fulfilling national objectives. The EDB does track a handful of more specific indicators that are not surveyed including the generation of new projects, the number of high-net-worth individuals, retirees and youth (digital nomads). It also monitors the materialisation of projects through sub-committees of the EDB, which shows the agency’s ability to systematically monitor indicators in depth and on a long-term basis. Yet, there are other basic yet important output and outcome indicators such as market studies, jobs created and levels of innovation that are not sufficiently taken into account.

Moreover, the EDB's customer relationship management (CRM) system, though established for efficient communication and reporting, tracks only about 30% of the agency's activities, below the average for other agencies, revealing a gap in data collection and harmonisation. To address these data gaps and reflect an expanded mandate, internal restructuring, and a dynamic business landscape, the EDB is revamping its CRM system to enhance operational efficiency through standardised and streamlined business processes, which is expected to be fully operational by July 2024. Continuing to streamline CRM systems and mandating reporting on ongoing activities can enhance the EDB's evaluation capabilities. The establishment of an ESG Framework in Mauritius and collaborative initiatives with institutions like the African Development Bank reflect a commitment to sustainability and offer the opportunity to incorporate sustainability KPIs into the evaluation framework.

The missing elements of successful investment promotion and facilitation in Mauritius

Mauritius has made substantial efforts to improve the investment climate over time, and these efforts have paid off in international rankings such as Doing Business. The government deserves praise for being able to address challenges in this area, but as other top performers such as Georgia and Rwanda have found, high rankings on the ease of doing business are not always sufficient by themselves to draw in investment, as evidenced by the mixed record of Mauritius in attracting FDI described in Chapter 2. Nor will improvements to the regulation of the business environment be enough to address the productivity and competitiveness challenges facing Mauritius and the need to diversify and upscale the economy.

Instead of a clearly articulated investment strategy embedded within a broader national sustainable development plan, Mauritius offers ad hoc approaches, responding to issues as they arise but lacking an overall vision. In other countries, this vision is sometimes embodied in an Investment Law, outlining the

country's expectations from investment, where foreign investment is not welcome or subject to conditions, and a list of which sectors are targeted for promotion, with reference to a national development plan. An Investment Law is not a necessary component of a good investment climate, but it can promote coherence within government and send a strong message to investors.

An alternative is a comprehensive Investment Strategy. The EDB does engage is some prioritisation but tends to support both new investors in new sectors as well as many domestic firms requesting assistance (Chapter 6.) This scattershot approach is not only expensive in terms of forgone revenue but also not likely to be sufficiently effective in attracting the types of investment likely to help overcome existing challenges.

The development success of Mauritius can partly be explained by the reactivity of the government and the EDB (and previously the BOI) in addressing problems as they arose – but often in an ad hoc and uncoordinated way, resulting in a plethora of initiatives by different ministries and agencies. Support for existing industries and the use of migrant labour, for example, designed to perpetuate the successes of earlier decades, may serve more to maintain the status quo than to chart a new development path.

In the area of public-private dialogue where Mauritius has some institutionalised mechanisms, the government receives feedback from the principal employers' organisations such as Business Mauritius which helps to ensure that obstacles to doing business are addressed. But a close relationship with the existing private sector should not come at the expense of leadership from the government based on a broad agenda which creates opportunities for new businesses, including foreign-owned ones, and which considers broader issues of inclusiveness and sustainability.

Policy recommendations

- **Consider thoroughly examining and potentially restructuring the digital infrastructure for business registration, introducing clear and predetermined criteria to ensure greater predictability and efficiency in business procedures.** While Mauritius has commendably simplified and digitalised its business environment, the EDB and other relevant agencies such as the Corporate Business Registration Department and the Financial Services Commission could further streamline the complex network of existing online platforms. Despite numerous reforms, clarity is needed on which platform serves specific investor types for which business procedures. A review of the digital infrastructure could introduce clear and predetermined criteria to ensure greater predictability and efficiency in business procedures, including defining customer categories and specifying which entities fall under the purview of different platforms to eliminate confusion and enhance user experience.
- **Mauritius should continue to participate actively in the discussions that follow the conclusion of the text Agreement on Investment Facilitation for Development** negotiated at the WTO, including on implementation of the agreement.
- **Strengthen the EDB's business matchmaking programme to foster linkages between foreign affiliates and domestic firms in the context of its aftercare services**. These services could also include preparing suppliers' databases, which, on the one hand, may reduce foreign firms' transaction costs and, on the other hand, help to provide opportunities for local firms. Greater co-ordination with similar initiatives across other ministries and private institutions would avoid overlaps and reinforce the implementation and monitoring of linkage programmes.
- **Adopt a strategic approach to investment promotion within the EDB, including by systematically expanding monitoring to include a broader set of output and outcome indicators than are currently monitored to better ensure consistency between targets and desired outcomes**. Typical output indicators, such as the number of assisted firms, query

responses, and costs, are crucial for conducting meaningful impact evaluations. Beyond the two output indicators currently tracked, EDB should consider incorporating measures such as the number of investment projects, participating firms, and client satisfaction. By incorporating these fundamental data points, the EDB can gain insights into its role, assess service effectiveness, and make informed resource allocation decisions.

- **Integrate sustainability KPIs into EDB's M&E system, encompassing metrics aligned with various SDGs and other outcome indicators.** This will allow both a better evaluation of the economic impact of investment projects, and also their environmental, social, and governance aspects, allowing the EDB to comprehensively gauge the impact of its investment promotion strategies on sustainability outcomes. Recognising that such indicators often require project and firm-specific data, the EDB should establish a collaborative framework with investors that actively involves them in the data collection process to ensure accuracy and relevance in sustainability metrics.
- **Enhance data tracking and reporting to optimise EDB's current CRM system**, particularly in ongoing policy advocacy activities where extensive investor and business data are collected. The CRM system should be expanded to encompass a broader range of indicators, including socio-economic ones, for a more comprehensive assessment. CRM systems should be streamlined across EDB offices to promote information-sharing and harmonised monitoring, improving the accuracy of evaluation data and overall efficiency. Recognising the pivotal role M&E plays in shaping EDB strategies, developing a dedicated evaluation strategy should be prioritised to effectively assess the agency's impact and identify bottlenecks through relevant indicators mentioned above. The EDB may also consider establishing a dedicated evaluation team focusing on impact evaluations within the existing Strategic Planning Unit, to help guide prioritisation, resource allocation, and overall strategy.

1.2.5. Towards a smarter use of investment tax incentives

Robust evidence as to the effectiveness of incentives in attracting investment is limited, yet many governments feel compelled to provide generous tax incentives due to global competition. When providing incentives, it is crucial to assess scope, policy goals and costs of incentives, as enhancing their design can help to reduce redundancies and support positive spillover effects (Celani, Dressler and Wermelinger, 2022[19]). Focusing on certain design mechanisms, as explored in Chapter 6, while limiting the generosity of some incentives can be an important step to foster a smart use of investment tax incentives.

Mauritius has a long history of tax incentives and low corporate taxation. In the 1970s, the government introduced the Export Processing Zone (EPZ) scheme to diversify the economy beyond sugar production, providing tax holidays, duty exemptions, and other incentives to companies engaged in manufacturing for export (Cling and Letilly, 2001[20]). In subsequent years, many additional incentive programmes followed until the government decided to simplify the tax system in 2006, by introducing a flat tax of 15% for corporate and personal income taxes, while in parallel repealing most investment incentives (OECD, 2014[2]). Since then, several incentive schemes have re-emerged to boost investment and economic growth that create job opportunities, likely also due to competition with other countries offering generous tax benefits (Republic of Mauritius, 2017[21]).

Mauritius offers investors a range of tax and non-tax incentives. Among the main incentives for investors are corporate income tax (CIT) incentives that are introduced by annual Finance Acts and consolidated into the main tax law (the Income Tax Act 1995). They take the form of full and partial CIT exemptions, reduced CIT rates, a tax credit and tax allowances. Although not covered by this analysis, Mauritius also offers many additional benefits, including other types of tax benefits (e.g. exemptions from value added

tax, customs and import duties), financial and in-kind incentives (e.g. refunds of selected business expenses, provision of building facilities or land) and regulatory benefits (e.g. regulatory sandbox scheme).

Mauritius has taken steps to enhance transparency of investment incentives and follows many good practices in this respect: tax-incentive granting legislation is consolidated in the main tax law (the Income Tax Act 1995), the scope of CIT incentives is clearly determined in the law, and an up-to-date investor guide maintained on a government homepage provides clear information on available benefits. Consultations with the private sector suggest that some of the numerous incentives seem to be granted on an ad hoc basis rather than based on an overarching strategy, potentially impeding the most effective use of incentives as well as regulatory predictability.

CIT incentives are designed to support the growth of domestic and foreign private sector investment as well as social and economic development objectives, including job creation, skills development, social inclusion and supporting a green transition. CIT incentives support these goals mostly by targeting certain qualifying expenditure (e.g. costs for solar panels, training or wages) and outcome conditions (e.g. requiring a minimum number of jobs created). While setting adequate outcome conditions can be challenging, requirements such as employment creation can promote development objectives, but they require careful monitoring to ensure that the outcome has been met. This necessitates resources, administrative capacity and close coordination with other government agencies.

Mauritius could consider re-evaluating the design of its CIT incentives to streamline income-based incentives in favour of expenditure-based ones. Most of its CIT incentives use income-based tax instruments (CIT exemptions or reduced CIT rates) that often apply for multiple years and lower effective tax rates significantly (by up to 55% for some industries). Expenditure-based incentives (tax allowances or credits) could enable better targeting of incentives towards reducing specific business costs, thereby encouraging spending that might not occur without the incentive (IMF, OECD, UN, World Bank, 2015[22]). Furthermore, expenditure-based incentives are expected to be less affected by the new international tax agreement (OECD, 2022[23]). Under these rules, jurisdictions that tax large multinational enterprises' (MNEs) income below 15% may lose potential tax revenues as other jurisdictions are allowed to impose top-up taxes. These new rules are likely to have significant implications for Mauritius' tax incentives.

An effective use of investment incentives necessitates monitoring and regularly evaluating the costs and benefits of incentives, including vis-à-vis public revenue mobilisation, investment attraction, and the respective policy objective. Mauritius monitors the costs of incentives and provides annual tax expenditure reporting but could track further datapoints as to the beneficiaries of incentives and investment outcomes (e.g. new jobs created, minimum share of exports or value addition). Such data could provide a solid foundation for policy evaluations, crucial for assessing if incentives are best designed to support their intended policy goals. Mauritius does not yet evaluate its incentive measures in this respect but would benefit from doing so to understand the effectiveness of measures in place.

The tax system is only one out of many aspects pivotal for investment decisions and often not the most important one. Many investors consider other elements of the investment climate as more important when deciding on a project location (OECD, 2015[14]). Many of these elements are already well developed in Mauritius (e.g. political stability, quick administrative procedures), and the government implemented measures to advance certain aspects (e.g. supporting education by offering free education until graduation) (Ministry of Finance, Economic Planning and Development, 2023[24]). Mauritius could consider further addressing factors hampering its investment climate with measures, other than tax incentives, that may be more suitable to do so.

Policy recommendations

- **Design investment incentives based on an overarching strategy**. Mauritius offers a broad range of investment incentives, some of which appear to be the outcome of ad hoc decisions influenced by sectoral lobbying, at times benefiting existing firms in well-established industries. Following an overarching strategy when designing incentives could enhance regulatory predictability and a more effective use of investment incentives.
- **Re-evaluate the design of CIT incentives to streamline income-based incentives in favour of expenditure-based ones**. Expenditure-based instruments (tax allowances and credits) target specific costs and are more likely to create additional investment. They will also be less affected by the Global Minimum Tax and could be designed as a more cost-effective alternative to current generous income-based CIT exemptions and reduced rates. Incentives should complement, not replace, wider efforts to improve the investment climate. While tax and non-tax incentives can help promote certain investor behaviour, other policies might be more appropriate.
- **Implement monitoring practices and a regular evaluation mechanism to assess if incentives support their intended policy objectives and at what cost**. Mauritius already monitors the cost of incentives through annual tax expenditure reports but could consider collecting further data on beneficiaries and project outcomes as a basis for evaluations. Implementing a periodical evaluation process would be crucial to identify the most effective, as well as redundant, incentives and could help to inform policy decisions.
- **Phase out redundant tax incentives to create fiscal space for needed reforms**. The government may want to consider streamlining the wide offering of investment tax incentives, phasing out less efficient ones and adjusting excessive benefits where possible, enabling greater fiscal space for measures strengthening the investment climate and needed reforms.

1.2.6. Responsible business conduct

The concept of RBC is relatively new in Mauritius. Although there is a nascent recognition of the relevance of responsible business practices and the need to address RBC-related issues, in general, the private sector and civil society appear to have limited knowledge of RBC and risk-based due diligence. That said, local businesses and CSOs are familiar with the related concept of CSR and have developed multiple initiatives in response to measures taken by the government to promote CSR. The CSR Tax and the inclusion of CSR in the Code of Corporate Governance have been key drivers for the creation of CSR foundations or programmes by businesses and the implementation by CSOs of CSR projects aligned with priority areas identified by the government, as well as for the related reporting.

Against this backdrop, Mauritius ample opportunity to move beyond CSR, and a philanthropical approach, towards RBC, and an approach aimed at enhancing businesses' contribution to sustainable development and the management of business-related adverse impacts on people, the planet and society. This can contribute to support Mauritius development strategy, as a remote small island heavily reliant on trade and investment for growth. Companies, investors, and customers worldwide are increasingly paying attention to RBC matters and basing their business, investment and consumption decisions on related considerations. In addition, a growing number of countries, including some of Mauritius' main trade and investment partners, are elaborating and enacting legislation that require businesses to observe RBC principles and standards in their operations and supply chains.

Building on its relevant experience in promoting CSR, the government should take further action to drive, support and promote responsible business practices aligned with OECD RBC principles and standards. This will be facilitated by the fact that, in general, Mauritius has a developed legal, regulatory, and policy framework in the areas covered by the OECD Guidelines for Multinational Enterprises on RBC. It has adhered to the main international legal instruments in these fields and developed relevant laws, regulations, and policies. Reports of RBC issues seem rather limited, but existing ones deserve attention as these issues can trigger adverse impacts on people and the environment and undermine the attractiveness of the island as a place to trade with, or source from, and as an investment destination. This is notably the case of the risks of adverse impacts on the rights of low-skilled migrant workers that have been reported by trade unions and CSOs in recent years. The adverse environmental impacts associated with the development of the key sectors of the economy can also have a similar effect, particularly when coupled with the absence of a long-term sustainable development strategy that underlines the responsibility of the private sector for these impacts and seeks to involve businesses in managing sustainability challenges.

Beyond ensuring that its legal and regulatory framework in the areas covered by the Guidelines continues to be appropriate and continuously implemented and effectively enforced, Mauritius could also resort to other policy areas to promote RBC as, for the time being, this approach is rather limited and could be strengthened. For instance, its trade and investment policies and agreements only occasionally include considerations of relevance for RBC. Likewise, despite efforts in this direction, its public procurement framework does not yet foresee the possibility to integrate such considerations in public procurement processes. Mauritian SOEs have adopted some policies and practices relevant for RBC, but they do not seem to have developed due diligence processes to address adverse impacts. Making progress towards creating an enabling environment for RBC will therefore imply taking further measures to encourage RBC across trade and investment policies, and to exemplify RBC in the government's role as economic actor and in its commercial activities, as procurer of goods, services and works, and owner of enterprises.

Establishing the National Contact Point (NCP) under the Guidelines will also help to create an enabling environment for RBC in Mauritius. The government set out and consulted on the plans for establishing the NCP with local stakeholders, as well as with BIAC, TUAC and OECD Watch, and the OECD Secretariat. To this end, the National Contact Point was established under S.27J of the Economic Development Board Act, supplemented by the Economic Development Board (National Contact Point) Regulations 2023 specifying the details of the NCP's institutional arrangements and functions. The NCP will consist of an NCP Secretariat, an Expert Panel for case-handling and an Advisory Panel for strategic and oversight tasks. The Advisory Panel will serve as a forum for stakeholder engagement for the NCP's work and for consultation with other parts of government. The Expert Panel will be composed of experts with legal and substantive knowledge in an ad hoc manner for each case. Consistency and predictability will have to be ensured through specific procedures to be drafted in the future. Following regulatory arrangements to establish the NCP in November 2023, the NCP Secretariat will be tasked with developing case-handling procedures and a promotional plan.

Policy recommendations

Enhance awareness and knowledge of RBC among stakeholders and provide guidance and support to businesses operating in or from Mauritius to implement OECD RBC principles and standards, by:

- Raising awareness of the specificities of the concept of RBC and seeking support of business associations and large companies in Mauritius that have already developed initiatives relevant for RBC to progressively engage all stakeholders in promoting RBC. This could entail organising awareness-raising events (conferences, webinars), developing and delivering training programmes, elaborating promotional material and creating networks to share good practices.
- Communicating expectations regarding RBC to local businesses and those operating in or from Mauritius. This could include referring to RBC and the recommendations of the Guidelines in the National Code of Corporate Governance.
- Promoting the use of the OECD Due Diligence Guidance and the Sector-specific Due Diligence Guidance with business associations and individual businesses. This is particularly important for the guidance relevant for Mauritius. It includes the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector and the three guides specific to the financial sector on RBC for institutional investors, Due Diligence for Corporate Lending and Securities Underwriting, and RBC Due Diligence for Project and Asset Finance Transactions. The future NCP, as well as the EDB and other government entities, such as the National Committee on Corporate Governance or the ICAC, could play a key role in that regard.
- Providing reliable information, tools, and incentives to encourage the observance of RBC principles and standards by businesses operating in or from Mauritius. This could entail mainstreaming RBC into existing information dissemination mechanisms, tools, and incentives or designing new ones specifically for RBC, in cooperation with the future NCP. The EDB and the NCP could, for instance, create an information platform on RBC and the related tools and incentives.

Maintain an appropriate legal and regulatory framework in areas covered by the Guidelines that is continuously implemented and effectively enforced, with a focus on current concerns regarding specific labour, environmental and corruption issues. This could include:

- Ensuring, in relation to low-skilled migrant workers in Mauritius, that the labour legal and regulatory framework, or relevant policies and practices, encourage businesses operating in or from Mauritius to contribute to eliminating all forms of forced or compulsory labour, provide a safe and healthy working environment, and maintain the highest standards of safety and health at work, and that these frameworks, policies and practices are implemented and enforced.
- Within the environmental legal and regulatory framework and relevant policies and practices, encouraging enterprises operating in or from Mauritius to conduct their activities in a manner that protects the environment, avoids and addresses adverse environmental impacts and contributes to the wider goal of sustainable development. This means, in particular, that enterprises should establish and maintain systems of environmental management that embed environmental impact assessments in broader due diligence and contribute to developing environmentally responsible and economically efficient public policy.
- Encouraging, through the anti-corruption legal and regulatory framework or relevant policies, businesses operating in or from Mauritius to develop and adopt adequate internal controls,

ethics and compliance programmes or measures for preventing, detecting, and addressing corruption, elaborated based on a risk assessment.

Promote coherence across government entities in Mauritius to enhance alignment between policies and practices relevant to RBC. Taking advantage of the fact that Mauritius is a small country with a relatively well-integrated public administration, the government could take measures to enhance coordination and cooperation between ministries and government entities that have competences in the areas covered by the Guidelines and in other relevant economic areas. This could be done through different types of coordination mechanisms, such as intergovernmental committees or overarching national plans or strategies on RBC and/or related topics, with a view to adopting a whole-of-government approach and progressively mainstreaming RBC in relevant policy areas and initiatives. As recognised by the Guidelines and encouraged by the OECD *Recommendation on the Role of Government in Promoting RBC*, the NCP may support these efforts by the government to develop, implement, and foster the coherence of policies aimed at promoting RBC. Maurice Stratégie could also play a role by taking RBC into consideration in the context of its mission to shape policies for inclusive and sustainable economic development.

Promote RBC through trade and investment policies and consider integrating considerations of relevance to RBC in bilateral and multilateral agreements where appropriate. The different support services and incentives provided by the EDB could be used as a conduit to promote responsible business practices among local exporters and foreign investors. In addition, the inclusion of sustainability provisions and RBC clauses in the regional trade and investment agreements recently concluded by Mauritius constitutes a useful reference upon which the government could draw should it seek to further integrate such provisions and clauses in its network of trade and investment agreements. The revision of the Investment Promotion and Protection Agreement model represents a good opportunity in this regard.

Use public procurement as a strategic tool for promoting RBC in Mauritius and include RBC in public procurement policies. The government could seize the opportunity provided by the upcoming development of a sustainable public procurement framework to start integrating considerations of relevance for RBC, beyond corruption, in its public procurement policies and in the different phases of the procurement cycle.

Establish and publicly disclose clear expectations for SOEs to observe RBC principles and standards, together with mechanisms for their implementation. The government could build on the fact that most SOEs are familiar with the concept of CSR, have started disclosing non-financial information, and have adopted some policies and instruments of relevance for RBC, to incentivise them to observe RBC principles and standards based on a shared and structured RBC approach including due diligence processes aligned with the OECD RBC instruments, particularly OECD Due Diligence Guidance.

Establish an effectively functioning NCP to further the effectiveness of the OECD Guidelines. Following the adoption of the NCP Regulations, the government should see to the timely development of any other procedures guiding the operations of the NCP, including case-handling procedures. It should ensure that the NCP is equipped with sufficient resources to fulfil its mandates successfully and is able to support efforts towards RBC policy coherence across government. As the NCP takes up its work, it should pay particular attention to the meaningful engagement of representatives of all types of stakeholders. The government should consider fine-tuning the NCP regulations and develop procedural guidance documents that ensure that:

- the NCP Advisory Panel's upcoming operating rules ensure that appointment of stakeholders takes place following meaningful consultation with concerned groups, and that all stakeholder

groups have equitable weight in the Advisory Panel's decisions, to ensure accessibility, accountability, impartiality and equitability, as well as compatibility with the Guidelines.

- all regulated aspects of the NCP's institutional arrangements are clear to achieve transparency and, consequently, predictability with regards to the NCP's operations.

Within six months of adopting the regulations to establish the NCP, develop and start implementing a promotional plan to fulfil the NCP's mandate to promote RBC, the Guidelines and related OECD legal instruments. Promotional efforts should be targeted to different audiences and include all stakeholder groups. A promotional plan should include the following:

- Preparation of a website providing easily accessible information about the NCP, RBC and related instruments;
- Events introducing the NCP and the Guidelines to all main national stakeholder groups;
- Basic promotional materials disseminating information about the NCP and the Guidelines.

Establish the NCP's case-handling function within six months of adoption of the regulation to establish the NCP, paying particular attention to the perception of impartiality of the NCP's Expert Panel and the predictability of the NCP's case-handling, for example by:

- Fine-tuning the role of the Advisory Panel in developing the case-handling procedures and ensuring that all types of stakeholders, including civil society, trade unions and business associations, are meaningfully involved in the development of these case-handling procedures;
- Clarifying and strengthening the support provided by the NCP Secretariat to the Expert Panel to achieve the greatest possible consistency among cases;
- Adopting strong case-handling procedures in a timely fashion and disseminating them for wide access by potentially interested parties.

Notes

[1] Mauritius is first in Africa in the Fraser Institute's Economic Freedom of the World Index, the Wall Street Journal and Heritage Foundation's Economic Freedom Index, the Forbes Best Country for Business Index and the Bertelsmann Transformation Index.

[2] Over a longer horizon, Mauritius overall ranking in Doing Business progressed from 49th place out of 112 countries in 2007 to 20th out of 189 by 2014 (OECD, 2014[2]).

[3] Gross FDI inflows, excluding global business companies.

[4] Integrated Resort Scheme, Invest Hotel Scheme, Property Development Scheme, Smart City Scheme.

[5] The Bank of Mauritius conducts an annual Foreign Assets and Liabilities Survey which collects data on equity and intra-company loans, which cannot be collected from banking records and other sources. It also provides data on reinvested earnings. The Survey undertaken in 2023 led to a substantial upward revision of the estimate for net FDI inflows in 2022. Several sectors saw increased gross inflows in 2022 as a result of the adjustment, notably in manufacturing and in tourism-related sectors. By country of origin, FDI inflows from France doubled, making it responsible for one third of total FDI in 2022.

[6] The enforcement of the RIA framework is expected to be managed administratively by way or circulars, notes, guidelines and policy directives to all ministries and relevant public sector agencies involved in business-related rulemaking. A pilot RIA was carried out as part of the OECD review on the applicability of Fire Certification. Impact assessments of other measures have not been made publicly available.

[7] Information supplied by APRM:
https://www.aprm-au.org/publications/aprm-statement-on-the-rating-downgrade-of-mauritius-by-moodys/

[8] The CSG was introduced in September 2020, replacing the former National Pension Fund and intended to protect the income of retired workers faced with rising dependency ratios. Unlike the previous NPF, the CSG had no upper limit, resulting in a potentially higher wage bill for employers.

[9] The absence of a sustainable development framework in Mauritius is expressly recognised in the Environment Master Plan for 2020-2030 which calls for the EPA to be amended to include provisions supporting sustainable development and for developing a sustainable development framework. See Government of Mauritius (2022), Environment Master Plan 2020-2030 for the Republic of Mauritius, Section 4.1 "Sustainable development", https://environment.govmu.org/DocumentsList/Masterplan%20for%20the%20Republic%20of%20Mauritius.pdf.

[10] The crafting process is expected to be lengthy as it would involve extensive consultations and discussions among all stakeholders in Mauritius, involving public institutions, the private sector, NGOs, civil society and the public . Maurice Stratégie is seeking the assistance of United Nations Resident Coordinator Office to organise a capacity building based on "future and systems thinking" which will support the conduct of a strategic foresight process contributing to the Vision 2050. A draft Roadmap has been sent to the Strategic Advisory Council of Maurice Stratégie and is current in review.

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2 Foreign investment trends and qualities in Mauritius

This chapter reviews the trends in domestic and foreign investment in Mauritius and the impact of foreign investment in terms of various FDI Qualities indicators of inclusive and sustainable development.

2.1. Introduction and summary

Mauritius' successful global business company regimes have made it one of the largest foreign direct investment (FDI) recipients and source countries worldwide. Its inward FDI stock amounted to USD 375 billion in 2022, 29 times the country's GDP, and the outward investment stock to USD 335 billion. Global business companies account for 98.3% of the inward FDI stock and for 99.7% of the outward FDI stock (2022). Investors use these companies to channel investment through Mauritius to third destinations, with very little actually invested in Mauritius' real economy. Most of this chapter examines trends in and the impact of traditional FDI on Mauritius' economy, excluding global business companies.

Traditional FDI flows into Mauritius increased rapidly between 2006 and 2012 but have become more volatile in recent years and are moderate in international comparison. The growth in FDI inflows in the 2000s can be attributed to the gradual opening of the real estate market to foreign citizens through the introduction of several residency by property acquisition programmes starting in 2001-02 and the implementation of a set of ambitious structural and regulatory reforms starting in 2005, which liberalised the economy and significantly improved the regulatory environment for investment. Following a peak in 2012, FDI inflows in Mauritius have been more volatile because of the phasing out of preferential trade agreements and, more recently, the Covid-19 pandemic. They dropped significantly during the pandemic but exceeded pre-pandemic levels in 2022. Overall FDI flows into Mauritius amounted to 2.1% of GDP between 2020 and 2022 but to only 0.9% of GDP when excluding FDI in real estate. This compares to FDI inflows of 3.5% of GDP on average in the SADC region.[1]

The bulk of traditional FDI flows into real estate and export-oriented sectors, allowing investors to benefit from economies of scale by expanding their markets beyond Mauritius. FDI in the real estate sector amounted to over half of total FDI inflows between 2018 and 2022, mostly related to the sale of high-end luxury real estate to foreigners. Apart from real estate, given its small domestic market size, Mauritius has been successful in attracting FDI in export-oriented sectors such as light manufacturing and tourism services and in sectors with potential to become regional hubs such as financial services, the information and communications technology (ICT) and business process outsourcing (BPO) sector. These sectors allow investors to expand their markets beyond Mauritius.

FDI has been an important driver of the development of thriving modern services industries in Mauritius and could help to expand other non-traditional sectors. Financial and insurance activities are one of the main pillars and largest sectors of the economy and the second largest FDI recipient, as Mauritius is an important regional financial centre. Likewise, Mauritius has become a leader in Africa in BPO and ICT services with more than 700 firms operating in its ICT sector. Since 2006, FDI in ICT services has increased fivefold. In light of Mauritius' quality infrastructure and health and education systems, new opportunities have arisen, particularly in expanding services exports to other African countries. Education and health have both attracted increasing FDI over the last decade but their contribution to total FDI remains low. Opportunities for expanding investment in these sectors exist in health tourism and in education, attracting additional offshore campuses of foreign universities to Mauritius and better promoting and improving the enabling environment for existing campuses. The sustainable ocean economy is another emerging sector, which offers investment opportunities in marine research and products, transport and port services, energy and education.

The share of FDI in Mauritius originating from Africa has increased, while the share of FDI from Europe has fallen. This shift has been supported by the government's pro-Africa policies, seeking to position Mauritius as a gateway for investment in and trade with Africa. Whereas almost three quarters of FDI in Mauritius originated from Europe in 2006, FDI inflows from Europe accounted for only one third of total FDI in 2022, with a rising share originating from Africa and Asia and Oceania. The two largest countries of origin of FDI in Mauritius in 2018-22 were France, reflecting historical ties, and South Africa, which is the largest market for Mauritian products in proximity. While French couples account for a large share of

investment in real estate, French investors are also present in many other economic sectors, including modern services, manufacturing and energy. Greenfield investment and merger and acquisition (M&A) deals from South Africa target to a large extent Mauritius' modern services industries.

2.1.1. Contribution of FDI to sustainable development

Besides providing a source of financing, FDI in Mauritius contributes to productivity, innovation and skills development. Based on data from the World Bank Enterprise Survey, foreign firms in Mauritius in sectors other than real estate are larger and more likely to export than domestic firms. Their labour productivity is 43% higher than in domestic firms overall, and they experience faster productivity growth than domestic firms[2] (see more details on Mauritius' productivity performance in Chapter 3). While 27.2% of foreign firms in Mauritius report spending on R&D, only 9.3% of domestic firms do so. Similarly, foreign firms are more likely to engage in product and process innovation than domestic firms. Furthermore, 62% of foreign firms offer their workers training compared to only 19% of domestic firms. While foreign firms are more likely to have a female top manager than domestic firms, the latter perform better on other gender dimensions. These results indicate that foreign firms in Mauritius outperform domestic firms on a number of dimensions, and that, with the right policy mix in place, Mauritius could benefit from knowledge, technology and skills transfers from foreign to domestic companies.[3]

FDI in Mauritius also supports the green transition and the uptake of clean technologies, as foreign firms outperform domestic peers in terms of environmental practices. For example, more than half of foreign companies report complying with environmental certifications or standards and taking measures for water management and for waste minimisation, recycling or management compared to less than 30% of domestic companies. Similarly, more than 40% of foreign firms report monitoring energy consumption, water usage or CO_2 emissions, having adopted greener materials for production and having taken measures for energy management compared to only 22-27% of domestic firms. With the right policy mix, foreign firms' strong performance in deploying clean technologies and environmental protection measures could help to improve Mauritius' environmental performance and a wider deployment of clean technologies.

Most FDI in Mauritius flows into sectors which stimulate the development of other economic sectors but generate few technology spillovers from foreign investors to domestic companies. Investment in the real estate sector, which receives more than half of FDI, supports the development of tourism infrastructure and ancillary services such as wealth management and other financial services and providers of smart home applications. But the sector itself has very limited potential for knowledge and technology spillovers from foreign investors to domestic companies. Likewise, real estate contributes indirectly to creating jobs in other sectors, most importantly, the construction sector, but the sector itself generates very few jobs: it accounts for only 0.3% of employment in Mauritius. The financial sector, which attracts the second-largest share of FDI in Mauritius (12%), displays a high level of labour productivity and is technology and skills-intensive, but accounts for only 2.8% of employment in Mauritius.

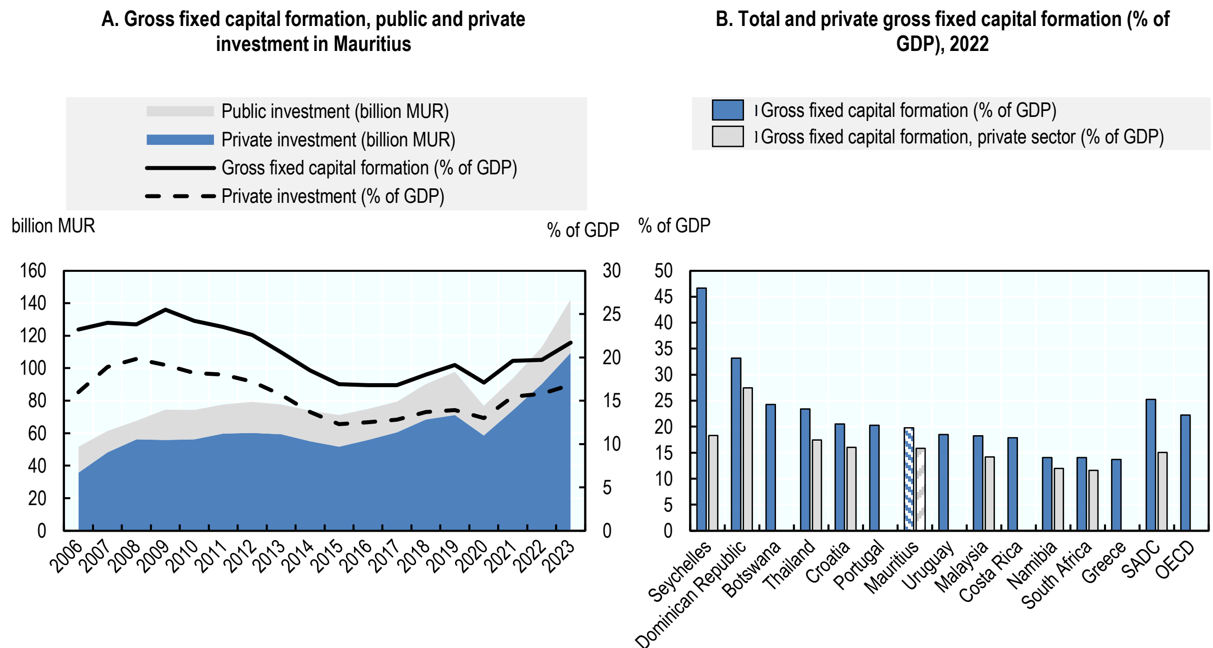
2.2. Trends and characteristics of FDI in Mauritius

2.2.1. Investment

Private investment declined in Mauritius in the 2010s but has been picking up since 2021, both in absolute terms and as a share of GDP. Gross fixed capital formation stagnated in absolute terms and declined from a peak of 25.5% of GDP in 2009 to a low of 16.8% of GDP in 2016 (Figure 2.1, Panel A). Likewise, private investment declined from a peak of 19.8% of GDP in 2008 to a low of 12.3% of GDP in 2015. This evolution can be attributed to a decline in private investment in manufacturing, accommodation and food services and agriculture as a result of a loss of competitiveness in labour-intensive manufacturing and sugar production and to a decline in capital productivity (World Bank Group, 2015[1]; Ranzani, Bergmann and

Tandrayen-Ragoobur, 2019[2]). An increase in investment in real estate over the same period was not able to fully compensate for this decline. Following a further drop in 2020 because of the Covid-19 pandemic, private investment has been picking up again since 2021 in most sectors, but particularly in real estate (Statistics Mauritius, 2023[3]). In 2022, GFCF reached 19.7% of GDP and is predicted to reach 21.7% of GDP in 2023. Nevertheless, GFCF in Mauritius (% of GDP) remains moderate compared to countries in the region and elsewhere and lower than in the SADC region and in the OECD (Figure 2.1, Panel B).

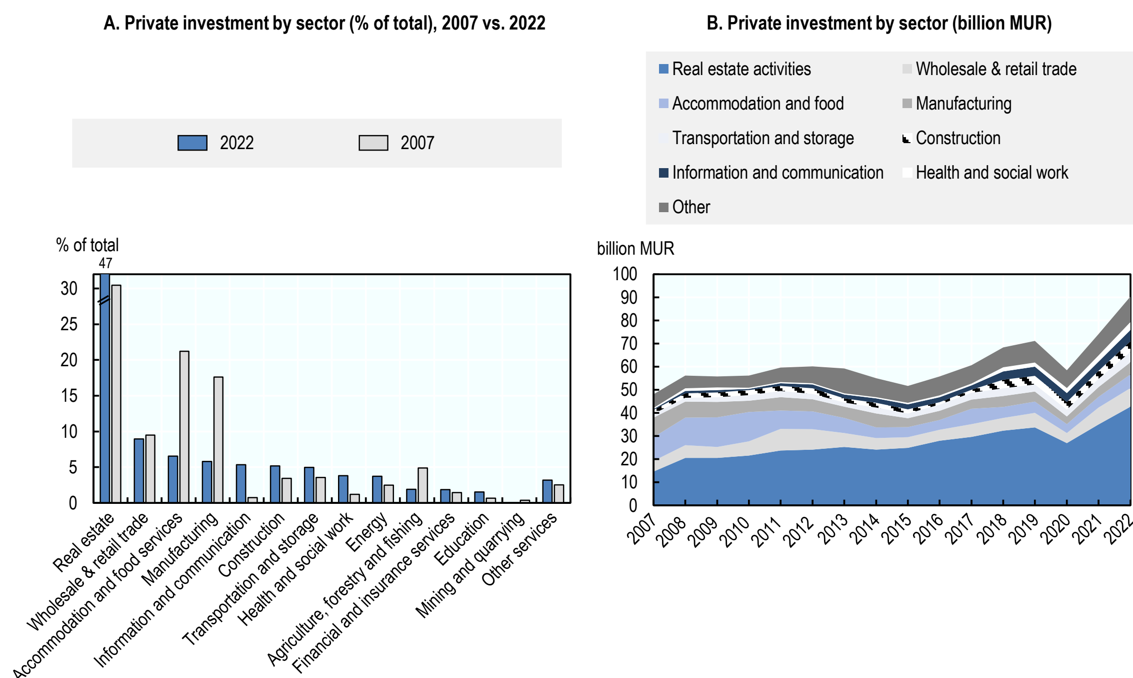
Figure 2.1. Investment declined in the 2010s but has since picked up, although it remains moderate compared to peers



Notes: The difference in GFCF as a share of GDP between panels A and B can be attributed to the different data sources (Statistics Mauritius vs. World Development Indicators). Panel A. 2023 is a forecast. Panel B: GFCF: OECD and SADC 2021 instead of 2022; GFCF, private sector: Croatia, Dominican Republic 2021 instead of 2022, no data for Botswana, Portugal, Uruguay, Costa Rica, Greece and OECD.
Source: A. Statistics Mauritius; B. World Development Indicators.

Private investment is concentrated and expanding in real estate, as approximately half of private investment is directed towards real estate (47% as of 2022), compared to only around 30% in 2007 (Figure 2.2, Panel A). This increase can be attributed to various Residency by Property Acquisition schemes (Box 2.2). Other sectors attracting significant amounts of investment are wholesale and retail trade (9% in 2022), accommodation and food services (6.5%), manufacturing (5.8%), information and communication services (5.3%) and construction (5.2%). Beyond investment in real estate, investment has also been expanding in sectors with higher technology sophistication and productivity such as information and communication or health (Figure 2.2, Panel B), but these sectors' overall contribution to private investment remains small. On the other hand, the share of accommodation and food services, manufacturing and agriculture in total investment has declined significantly since 2007.

Figure 2.2. Private investment in Mauritius is concentrated and expanding in real estate



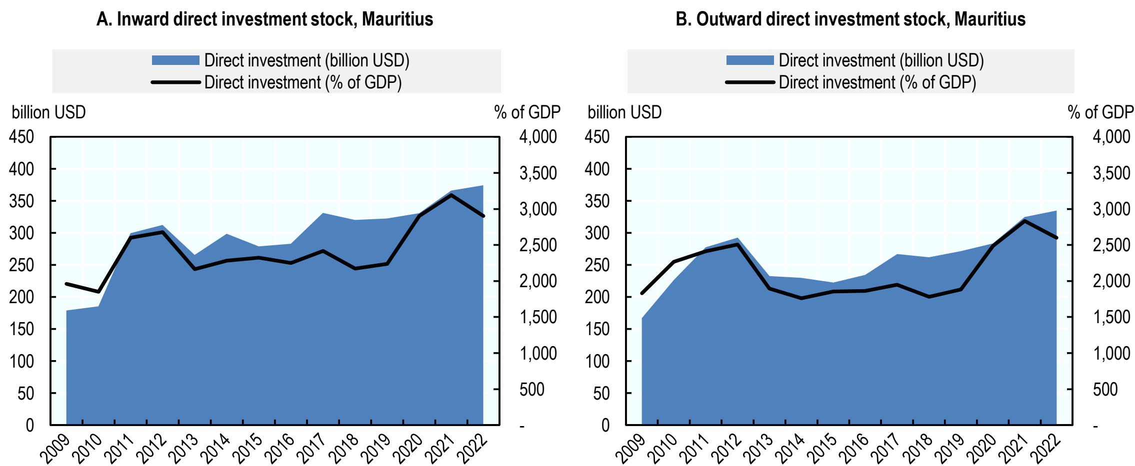
Source: Statistics Mauritius

2.2.2. Foreign direct investment

Mauritius' successful global business company regime has made it one of the largest FDI recipients and source countries worldwide. Two types of international company licences exist: Global Business Companies (GBCs) and Authorised Companies (ACs). Both conduct business largely outside of Mauritius (see section on investment in global business companies). Thanks to these companies, Mauritius' inward and outward FDI stocks are amongst the largest in the world: Mauritius had the 23rd largest inward investment stock and the 24th largest outward investment stock in the world in 2022 in absolute value. Its inward FDI stock amounted to USD 375 billion in 2022, 29 times the country's GDP (Figure 2.3, Panel A), and the outward investment stock to USD 335 billion, 26 times its GDP (Figure 2.3, Panel A). This compares to inward and outward FDI stocks of less than 100% of GDP in most countries in the region and elsewhere (Figure 2.4, Panels A and B). Mauritius also has also a large portfolio outward investment stock amounting to USD 178 billion, almost 14 times its GDP (IMF, 2023[4]).

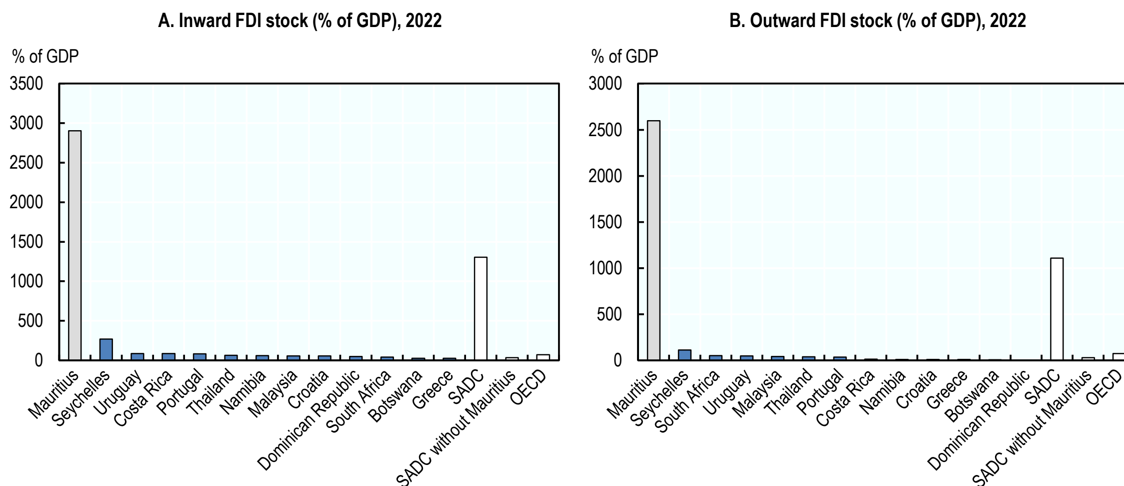
Traditional FDI accounts only for a small share of foreign investment in Mauritius. Global business companies account for 98.3% of Mauritius' inward FDI stock and for 99.7% of the outward investment stock (2022). Investors use these companies to channel investment through Mauritius to third destinations with very little of this capital actually invested in the real economy. The traditional inward investment stock excluding global business companies amounts to only 44.8% of GDP or USD 4 315 per capita (2022) (UNCTAD, 2023[5]). Most of this chapter will examine trends in, and the impact of, traditional FDI in Mauritius, excluding global business companies. More details on investment in global business companies are provided in a short sub-section, which is part of section 1.2.

Figure 2.3. Inward and outward FDI stocks are amongst the world's largest and are growing



Source: IMF International Investment Position database

Figure 2.4. Inward and outward FDI stocks are a multiple of those of comparators



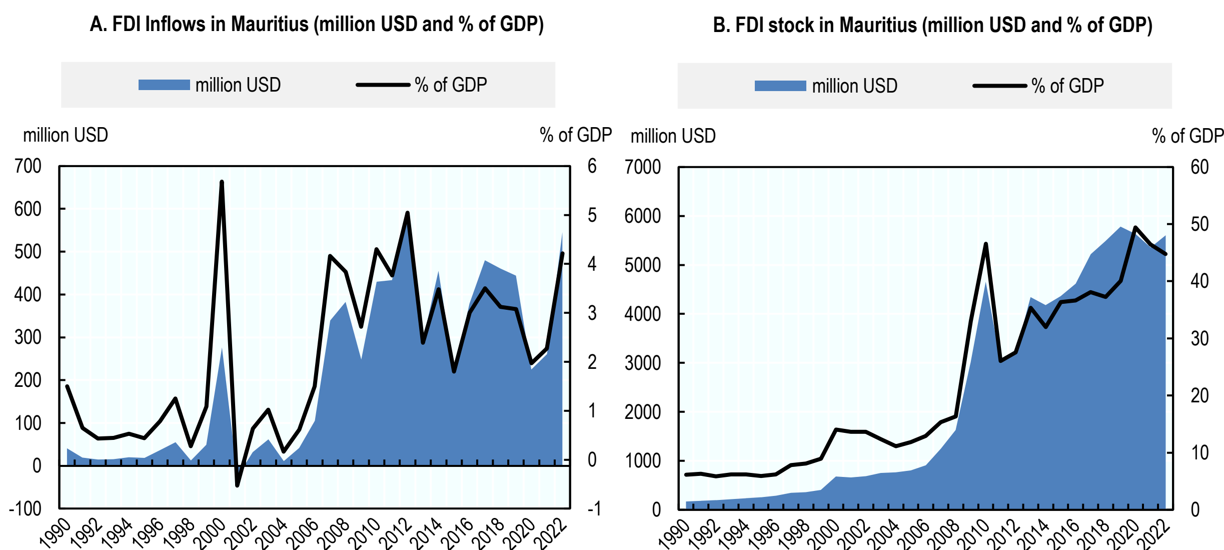
Source: IMF International Investment Position database

Traditional foreign direct investment excluding flows into global business companies

Traditional inward FDI in Mauritius increased impressively between 2006 and 2012. Except for a short peak in 2000 as a result of the acquisition of a 40% stake in Mauritius Telecom by France Telecom for USD 261 million (Refintiv, 2023[6]), FDI inflows in Mauritius were low prior to 2006, below USD 60 million or 1.5% of GDP (Figure 2.5). FDI inflows began to increase sharply in 2006 following the gradual opening of the real estate market to foreigners starting in 2002 and the implementation of a set of ambitious structural and regulatory reforms starting in 2005, which liberalised the economy and significantly improved the regulatory environment for investment (Box 2.1) (UNCTAD, 2017[7]; World Bank Group, 2015[1]). Following this increase, FDI inflows decreased moderately in 2009 in the context of the global financial and economic crisis but started recovering in 2010, peaking at USD 589 million or 5.0% of GDP in 2012.

Since 2012, FDI inflows in Mauritius have been more volatile. This can be attributed to the end of the Multi-Fibre Arrangement in 2004 and the phasing out of other preferential trade agreements which had attracted efficiency-seeking investors looking for access to the European and US markets, especially in the textile and sugar sectors (UNCTAD, 2017[7]). In the context of the Covid-19 pandemic, in 2020, FDI inflows in Mauritius declined significantly, by almost one third in absolute value from USD 444 million in 2019 to USD 225 million in 2020 but started recovering in 2021 and exceeded pre-pandemic levels in 2022.

Figure 2.5. Following a strong increase in 2006-12, FDI inflows have become more volatile



Note: A. The Bank of Mauritius conducts an annual Foreign Assets and Liabilities Survey which collects data on equity and intra-company loans, which cannot be collected from banking records and other sources. It also provides data on reinvested earnings. The Survey undertaken in 2023 led to a substantial upward revision of the estimate for net FDI inflows in 2022. Several sectors saw increased gross inflows in 2022 as a result of the adjustment, notably in manufacturing and in tourism-related sectors. By country of origin, FDI inflows from France doubled, making it responsible for one third of total FDI in 2022.
Source: Panel A. 2010-2022: FDI: Bank of Mauritius; GDP: World Bank, 1990-2009: UNCTAD bilateral FDI database; Panel B: UNCTAD bilateral FDI database.

Despite the growth in FDI in the 2000s, inflows per capita and as a share of GDP continue to be moderate relative to other countries. The FDI stock and inflows are above or in line with other countries in the region such as Botswana, South Africa and Namibia and with the SADC average when measured in USD per capita but lower than in other international comparators (Figure 2.9). Mauritius performs worse when FDI is measured as a share of GDP: Mauritius' FDI stock as a share of GDP is lower than the SADC average but remains higher than in South Africa and Botswana. These differences can be attributed to having a higher GDP per capita than in most other countries in Africa, particularly in SADC.

Box 2.1. Regulatory and structural reforms in Mauritius in the mid-2000s

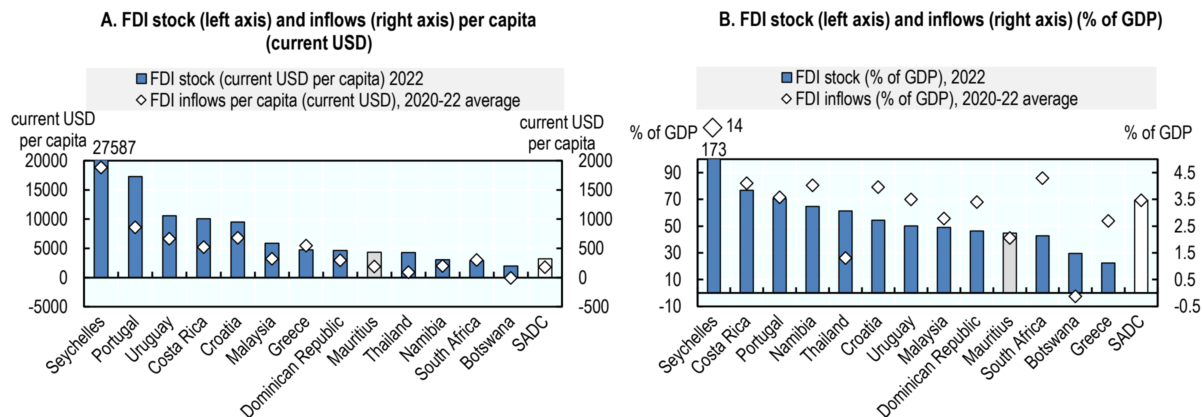
Mauritius significantly improved the regulatory environment for investment through a set of liberalising reforms in the mid-2000s, starting in 2005. In the context of these reforms, the favourable tax and regulatory environment, which was previously provided exclusively in the so-called export processing zone (EPZ), was expanded to the entire economy, thereby opening the economy to further competition, eliminating distortions and significantly reducing customs tariffs and trade barriers. Labour and business

regulations and the tax system were simplified, notably through the introduction of a single corporate income tax rate of 15%. The Business Facilitation Act – adopted in 2006 – was at the core of these reforms. It amended 26 laws with the aim of simplifying business procedures by removing the scope for discretion and focusing on a rules-based approach.

The government also improved macroeconomic stability by dealing with high public deficits and rising public debt, implemented successful labour market reforms and simplified the process for starting a business. Labour market reforms succeeded in easing labour market regulations and reducing the high cost of job termination through the Employment Rights Act and the Employment Relations Act of 2008/2009. In 2008, Mauritius made starting a business faster by implementing a centralised database linking the company registry with tax, social security, and local authorities, thereby reducing the cost of starting a business by two thirds and the number of days required to start a business from 46 to 6 days.

Source: (World Bank Group, 2015[1]) (UNCTAD, 2017[7])

Figure 2.6. Mauritian FDI performance is mixed compared to countries in region and elsewhere



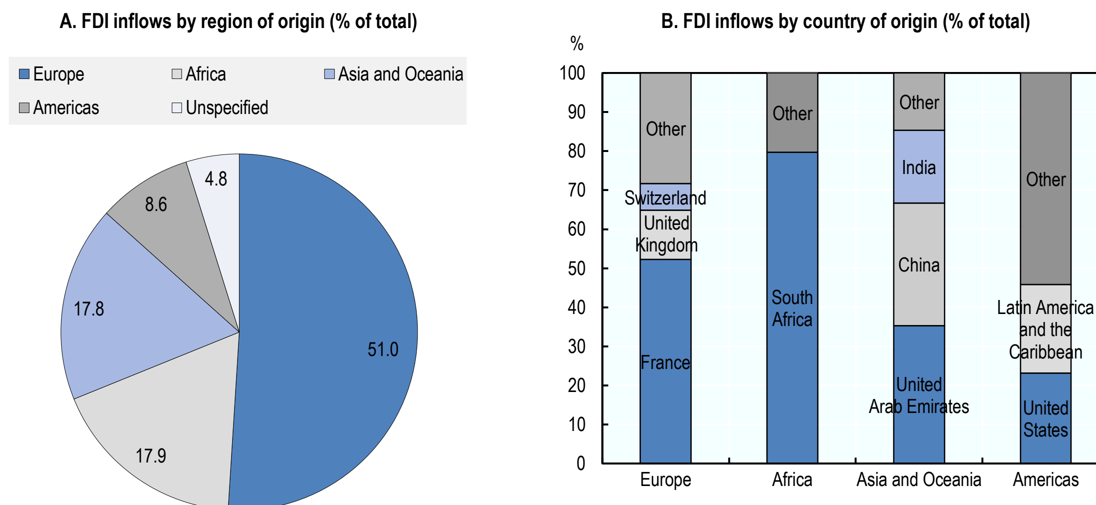
Notes: See figure 2.5. for the UNCTAD's definition of FDI.
Source: UNCTAD bilateral FDI database

FDI in Mauritius originates largely from Europe (51%), Africa (18%) and Asia and Oceania (18%) (2018-22), reflecting the country's strategic position between Africa and Asia (Figure 2.7, Panel A). The main countries of origin of FDI in Mauritius in 2018-22 were France (26.6%), reflecting historical ties, and South Africa (14.3%), which is the largest market for Mauritian products in proximity (Figure 2.7, Panel B). Other important home countries include the United Kingdom (6.4%), the United Arab Emirates (6.3%) and China (5.6%). France accounts for a large share of investment in real estate in Mauritius, owing to retired French buying a secondary residence in Mauritius. South Africa and the United Arab Emirates are also present in the Mauritian real estate market although to a lesser extent (Roxana Popescu, 2021[8]).

FDI from Africa has increased faster than from Europe. FDI inflows from Africa increased more than twenty times and FDI inflows from Asia and Oceania tripled between 2006 and 2012 whereas FDI from Europe only doubled over the same period (Figure 2.8). While the bulk of investment originated from Europe in 2006 (74%), FDI inflows from Europe accounted for only 35% of Mauritius' total FDI inflows in 2022, with 13.7% originating from Africa and 13.4% from Asia and Oceania. Since 2012, FDI from Europe, Africa and Asia has remained at similar levels, albeit with some fluctuations. The increase in investment from Africa

can be attributed to the government's pro-African policies, seeking to position Mauritius as a gateway for investment to, and trade with, Africa (Capital Economics/EDB, 2021[9]; EDB, 2023[10]).

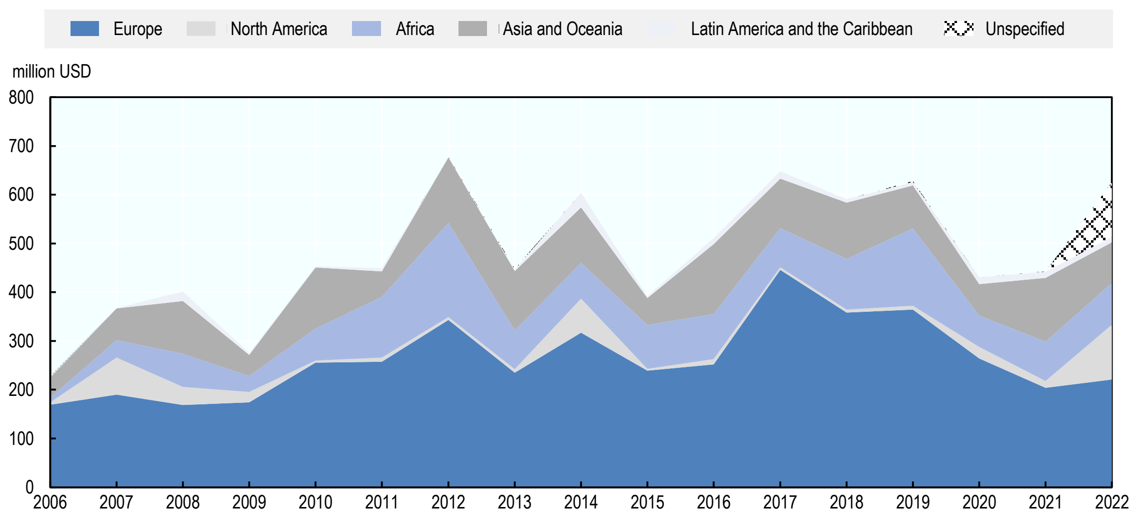
Figure 2.7. FDI in Mauritius (2018-22) originates largely from Europe, followed by Africa and Asia



Note: Panels A and B are based on FDI statistics from the Bank of Mauritius excluding direct investment in global business companies.
Source: Bank of Mauritius

Figure 2.8. FDI inflows from Africa have increased at a faster rate than FDI from Europe

FDI inflows into Mauritius by geographical origin, million USD

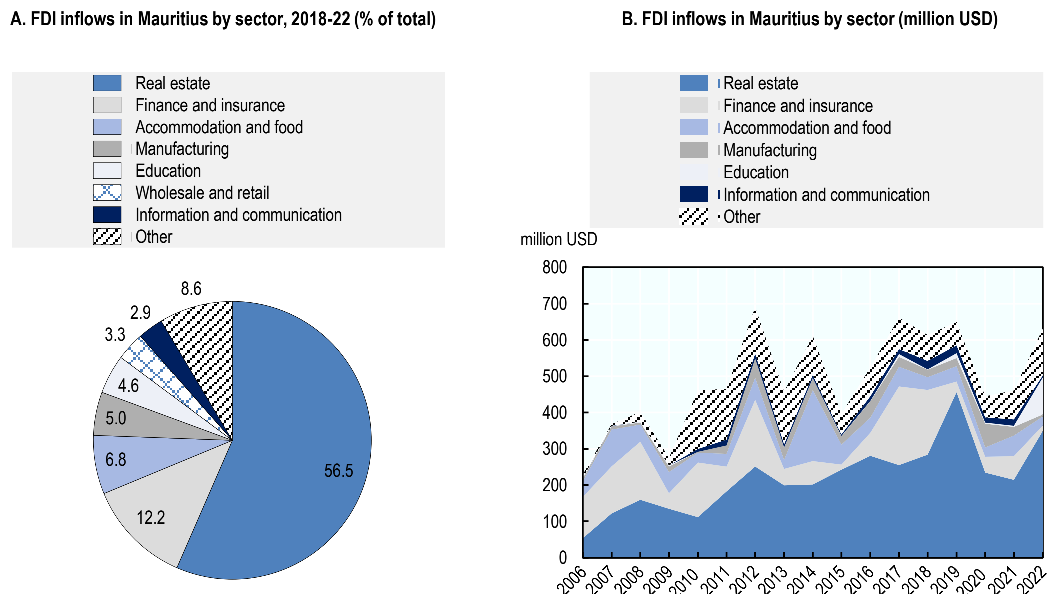


Source: Bank of Mauritius

The bulk of traditional FDI flows into real estate and export-oriented sectors, which allow investors to benefit from economies of scale by expanding their markets beyond Mauritius. This also includes sectors which have already developed into, or have the potential to become, regional hubs such as financial services and the ICT/BPO sector (World Bank Group, 2015[1]). Real estate accounted for 56.5% of FDI

between 2018 and 2022, followed by finance and insurance (12.2%), accommodation and food services (6.8%), manufacturing (5%), education (4.6%), wholesale and retail trade (3.3%) and ICT (2.9%) (Figure 2.9, Panel A). FDI in real estate has increased ninefold since 2006, when it amounted to only 23.5% of total FDI inflows (Figure 2.9, Panel B). Some non-traditional sectors such as ICT, education and health have also attracted increasing FDI inflows over the last decade but their overall contribution to total FDI remains low. On the other hand, FDI in finance and insurance services, accommodation and food services and manufacturing has been on a declining trend.

Figure 2.9. FDI in real estate has grown and accounts for more than half of total FDI



Note: Panels A and B are based on FDI statistics from the Bank of Mauritius excluding direct investment in global business companies.
Source: Bank of Mauritius

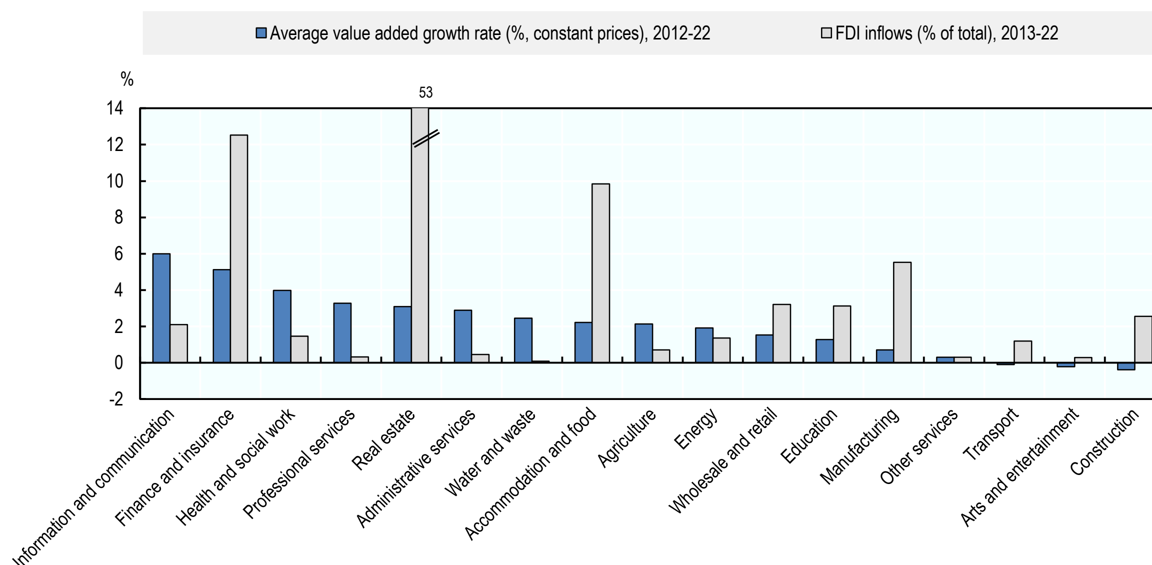
The composition of Mauritius' FDI inflows broadly resembles the composition of private GFCF with a strong concentration of investment in real estate. FDI is overrepresented in the real estate sector, which accounted for 57% of FDI inflows and 47% of private GFCF between 2018 and 2022. FDI is also overrepresented in the financial services sector, which attracted 12.2% of FDI but only 1.8% of private GFCF between 2018 and 2022. This mirrors the importance of Mauritius as an international financial centre. The wholesale and retail sector in turn receives predominantly domestic investment: accounting for 8.6% of private GFCF but only 3.3% of FDI. This can be attributed to the prevalence of many MSMEs in this sector, which are mainly domestic firms. FDI is also underrepresented in information and communication but overrepresented in the education sector relative to total private GFCF. Accommodation and food services and manufacturing attract similar proportions of FDI as of private GFCF.

Except for financial services, the bulk of FDI is directed towards sectors with relatively low value-added growth. Modern services industries recorded the fastest growth rates between 2012 and 2022 (Figure 2.10), including ICT services (6% real growth), financial and insurance services (5.1%), health and social work (4%) and professional services (3.3%). Amongst those sectors, only financial and insurance services received a significant share of FDI inflows –12.5% between 2013 and 2022, while other services industries did not account for more than 3% of total FDI. The real estate sector in turn grew at only 3.1% on average between 2017 and 2022 (in constant prices) and accounts for only 5.5% of total value added (2022). Accommodation and food services, which received the third largest share of FDI inflows between

2013 and 2022, and the manufacturing sector, which received 5.5% of FDI inflows, grew at slower rates as well.

Figure 2.10. High growth sectors receive only a small share of FDI

Average value added growth rate (%, constant prices) and FDI inflows (% of total)



Source: FDI: Bank of Mauritius, Value added: Statistics Mauritius

2.2.3. Real estate

FDI in real estate is mostly related to the sale of high-end luxury property to foreigners, which is largely occupied by foreign residents (World Bank, 2022[11]). This type of foreign investment has been promoted and facilitated through several so-called residency by property acquisition programmes, the first of which was launched in 2001 (Box 2.2). In parallel, Mauritius also developed several so-called residency for investment programmes, which target investment in economic sectors other than real estate. Seven Residency by Property Acquisition schemes account for 53.5% of Mauritius' FDI stock (MUR 136 billion, or approximately USD 3 billion in 2023 by 4 566 investors).[4] FDI in real estate has also been boosted by the tourism sector, one of the principal pillars of its economy supported by government policies targeting the high-end of the tourism industry (OECD, 2014[12]).

Box 2.2. Mauritius' Residency by Property Acquisition and by Investment Programmes

Residency by Property Acquisition Schemes

Luxury residential real estate investment schemes allow foreigners and their dependents to acquire a residence permit if they invest at least USD 375 000 in real estate. Advantages for investors include becoming tax resident in Mauritius and being exempted from occupation and work permits. The investment threshold was reduced from USD 500 000 to USD 375 000 in 2020 in light of the COVID-19 pandemic. The following residency for investment schemes exist:

- The **Integrated Resort Scheme** encompasses investments luxury real estate in designated IRS projects of at least 10 ha. It was launched in 2001 as the first Residency by Property Acquisition Scheme in Mauritius but has been discontinued since 2015.
- Launched in 2007, the **Real Estate Scheme** comprises investments in luxury real estate within smaller residential developments than the IRS (up to 10ha). It was discontinued in 2015.
- The **Property Development Scheme** was launched in 2015 to replace the IRS and the RES. It encompasses investments in luxury residential properties combined with open spaces, leisure and recreational facilities as well as day-to-day management services.
- The **Invest Hotel Scheme** allows for acquiring hotel rooms or units. The unit owner may use the unit or room(s) for a total of 180 days in any period of 12 months.
- The **Smart City Scheme** was launched in 2015 and allows foreigners to acquire real estate within designated smart cities – large-scale developments consisting in residential buildings, offices, commercial spaces, educational institutions and medical and leisure facilities.[5]
- The **Ground +2 Apartment Scheme** consists in the acquisition of residential property by foreigners in buildings of at least two levels above the ground floor.

In addition to these schemes, the **Senior Living Residence Scheme** allows non-citizen retirees aged above 50 years to acquire residential units or life rights in retirement homes that cater to adults aged 50 and older.

Residency by Investment Programme

In the context of Mauritius' Residency by Investment Scheme, foreigners and their dependents become eligible for a 10-year residence permit if they invest a minimum amount of capital subject to different conditionalities (or a 20-year residence permit in the case of a minimum investment of USD 375 000). The renewal of this residence permit is generally subject to the achievement of a minimum gross annual income. Eligible investments include:

- Foreigners investing a minimum of USD 50 000 in any business activity.
- Foreigners owning or inheriting a business, which is already operational in Mauritius.
- Foreigners investing a total of at least USD 50 000, out of which a minimum of USD 25 000 in high-tech machines and equipment in qualifying activities.
- Foreigners investing in innovative projects subject to the EDB's approval or registration with an accredited incubator.
- Self-employed entrepreneurs investing USD 35 000 in professional services.
- Foreigners investing at least USD 375 000 USD in qualifying business activities.

Source: (EDB, 2021[13]), (EDB, 2021[14]), (H&P, 2023[15]), (Roxana Popescu, 2021[8]), (Moka Limited, 2020[16]), (Temple Group, 2021[17])

The real estate sector has supported the development of ancillary services industries. These include first and foremost the construction sector but also financial and insurance services such as financial completion guarantees, wealth management and private equity funds, 3-D designers, companies in the media sector for advertising purposes and business and legal services such as the management of hotel units through management companies, marketing, accounting and notary services. The real estate sector is also contributing to the development of tourism infrastructure, including both, hotels and vacation houses and apartments.

2.2.4. Financial services

FDI inflows in financial and insurance activities reflect the importance of Mauritius as a regional financial centre. Financial and insurance activities are one of the main pillars and largest sectors of the economy, accounting for 11.8% of GDP and 13.5% of gross value added (2022) (Statistics Mauritius, 2023[3]). The development of a regional financial hub was facilitated by the establishment of an institutional and legislative framework for offshore business activities since 1992 and an array of double taxation avoidance agreements (DTAAs) and international investment agreements (see Chapter 4) (Box 2.3). Mauritius' international financial centre specialises in facilitating cross-border investments, supported by so-called global business companies. The cluster of financial and professional services firms includes banking, corporate services, funds, insurance, legal services and accounting (Capital Economics/EDB, 2021[9]).

Box 2.3. Development of the Mauritian financial sector

The development of Mauritius' financial sector was facilitated by the establishment of an institutional and regulatory framework for offshore business activities. In 1992, Mauritius enacted the Mauritius Offshore Business Activities Act and established the Mauritian Offshore Business Activities Authority, which was subsequently replaced by the Financial Services Commission (FSC) under the Financial Services Development Act in 2001. The 2001 Financial Services Development Act and the 2001 Companies Act also introduced so-called Global Business Companies (GBC). GBCs are designed specifically for international trade and investment, carrying out their main business operations from within Mauritius predominantly outside of Mauritius (see section on investment by global business companies) (OECD, 2014[12]; UNCTAD, 2017[7]; Capital Economics/EDB, 2021[9]). In 2006, the amendment of the Banking Act to eliminate the distinction between offshore and onshore banking further supported the development of financial services targeted at non-residents in Mauritius, which now represents more than half of banks' deposits and loans in Mauritius (World Bank Group, 2015[1]).

A wide network of DTAAs and IIAs also played an important role in the country's transformation into a regional financial hub. Mauritius' 46 DTAAs (MRA, 2023[18]) combined with corporate tax simplification have increased its attractiveness as a low-tax gateway for channelling investments to third destinations. In particular, the DTAA with India, signed in 1983, which limited the capital gains tax on the sales of assets in India registered in Mauritius, facilitated investments in India from Mauritius from both Indian companies and international investors. However, following the renegotiation of the DTAA with India, since 2017, capital gains from the sale of shares in an Indian company in India are liable to tax in India. Mauritius' many investment agreements have also contributed to its attractiveness as a regional financial hub (see Chapter 4) (UNCTAD, 2017[7]; Capital Economics/EDB, 2021[9]).

The international arbitration centre and stock exchange have further increased its attractiveness as an international financial centre for cross-border investments. In 2011, Mauritius established its International Arbitration Centre, which operated as a joint venture with the London Court of International Arbitration between 2011 and 2018. Further, Mauritius has a well-capitalised stock exchange, the Stock Exchange of Mauritius, founded in 1989. Foreign investors account for 40% of daily trading (World Bank Group, 2015[1]; Capital Economics/EDB, 2021[9]).

Source: (UNCTAD, 2017[7]), (World Bank Group, 2015[1]), (Statistics Mauritius, 2023[3]), (OECD, 2014[12])

Investment in finance and insurance has been on a declining trend in recent years, decreasing by 80% between 2006, when the sector accounted for 50% of total FDI inflows, and 2020. This trend reflects the renegotiation of the DTAA with India, which was amended in 2016, to impose more stringent conditions on investors and prevent companies from using the Mauritian jurisdiction merely for tax purposes. In addition,

the adoption of more stringent anti-tax avoidance rules in 2017[6] has put the financial sector under pressure (UNCTAD, 2017[7]; World Bank Group, 2015[1]). The diversification of investment in finance and insurance from predominantly Indian investors to more investors from African countries has been able to partially compensate for these factors.

2.2.5. Manufacturing

Mauritius started developing export-oriented light manufacturing from the 1970s through the 1980s and 1990s. Textiles and clothing and, to a lesser extent, food products, mainly sugar and fish processing, made up the bulk of production. The development of manufacturing was supported by preferential trade agreements with the United Kingdom, the European Union and the United States, most importantly, the MFA but also the African Growth and Opportunity Act (AGOA). The MFA limited the ability of other countries such as India and China to compete with Mauritian textile production and exports to Europe and attracted FDI in the textile sector, especially from Hong Kong, China. Beyond preferential trade agreements, the EPZ, established following adoption of the 1970 Export Processing Zone Act, facilitated the development of the manufacturing sector (OECD, 2014[12]; World Bank Group, 2015[1]).

FDI in manufacturing accounts for only a small share of both FDI and private GFCF and has not increased substantially since 2006. Private GFCF in manufacturing has even declined from MUR 8.5 billion in 2007 to MUR 5.2 billion in 2022 (Statistics Mauritius, 2023[3]).This can be attributed to the textile sector's loss of competitiveness following the phase-out of the MFA in 2004 and as a result of competition from low-cost textile production in China, India and Bangladesh while wages have been increasing in Mauritius (OECD, 2014[12]; Rossignoli, 2021[19]; ADB, 2020[20]). Likewise, the end of the sugar protocol in 2009 and the end of EU sugar-import quotas from African, Caribbean and Pacific states in 2017 reduced the international prices for Mauritian sugar. Lower international sugar prices in turn combined with a rising cost of sugar production and a decline in productivity in the sugar sector eroded the sector's competitiveness (ADB, 2020[20]). As a result, the manufacturing sector has declined in relative terms from 15.8% of GDP in 2008 to 12% of GDP in 2022 (Statistics Mauritius, 2023[3]). This decline is also reflected in trends in FDI in manufacturing.

Opportunities exist in moving up the value chain to produce more sophisticated manufacturing products. Mauritius is already expanding manufacturing of higher value added and relatively sophisticated products such as medical devices, parts of watches, diamond polishing and processing, jewellery, electronics and pharmaceuticals (ADB, 2020[20]). Foreign investment in these manufacturing sub-sectors could support this expansion.

2.2.6. Tourism

FDI in the tourism sector remains significant but is decreasing. Tourism represented 6.5% of GDP and accommodation and food services accounted for 7.5% of employment in 2022 (Statistics Mauritius, 2023[3]). Prior to the Covid-19 pandemic, in 2019, tourist arrivals amounted to 1.4 million travellers, which compares to a total resident population of 1.3 million (Statistics Mauritius, 2022[21]). FDI inflows in accommodation and food services have decreased by almost one third from USD 55.6 million between 2006 and 2010 to USD 37.1 million on average between 2018 and 2022 (Figure 2.9, Panel B).

This decline in FDI in the tourism sector can be attributed to a loss of competitiveness and deceleration in the sector's growth. Accommodation and transport costs are relatively high and at the same time, air transport connectivity is limited. This has resulted in a decrease in tourist arrivals from Mauritius' traditional markets, mainly Europe and the United States, following the 2008 financial crisis, which was further exacerbated by the Covid-19 pandemic. This loss in tourist arrivals from traditional markets has been offset only partially by arrivals from new markets such as China, India and South Africa (World Bank Group, 2015[1]). Opportunities for investment in the tourism sector and further raising tourism value added exist in

the still under-developed marine leisure activities and in the growing medical tourism sector, which benefits from Mauritius' highly developed and affordable healthcare sector (World Bank Group, 2015[1]).

2.3. Information and communication technology and business process outsourcing

FDI inflows in new, non-traditional sectors such as the ICT and BPO sectors have increased significantly over the last decade but remain low overall. FDI in ICT services has increased fivefold since 2006 but remains less important than domestic investment: the ICT sector accounted for 5.6% of private investment but only 2.9% of FDI between 2018 and 2022. Thanks to investments from companies such as Oracle, Microsoft, Accenture, Huawei, Orange Business Services, HP, IBM, Infosys, France Telecom, the TNT Group, CISCO and others, Mauritius has become a leader in Africa in BPO and ICT services (ADB, 2020[20]; World Bank Group, 2015[1]). As of 2019, over 700 ICT companies operated in Mauritius in a wide range of activities such as software development, call centre operations, BPO, IT-enabled services, web-enabled services, training, hardware assembly and sales, networking, consultancy, multimedia development or disaster recovery (ADB, 2020[20]). In 2022, the ICT sector accounted for 5.2% of GDP (Statistics Mauritius, 2023[3]). The development of the ICT/BPO sector has been facilitated by its financial services industry, which requires specialised legal and accounting services.

Government policies and language skills have supported the development of the ICT and BPO sectors. Mauritius' ability to serve both French- and English-speaking export markets has contributed to the development of its BPO sector. In addition, government policies provide a solid regulatory framework that promotes infrastructure development and foreign investment in these sectors, including liberalising access to the landing stations of the three international submarine cables connected to Mauritius. This facilitates competition in the telecommunications market and reduced prices. As Mauritius is transitioning from BPO to information processing outsourcing, to continue supporting the ICT and BPO sectors' growth, it will be crucial to develop more advanced ICT skills in Mauritius (World Bank Group, 2015[1]).

2.3.1. The sustainable ocean economy

The sustainable ocean economy, particularly tourism, port services and seafood, presents another opportunity to attract FDI. The sustainable ocean comprises the exploitation of living and non-living resources in Mauritian waters, on the seabed and in the subsoil (World Bank Group, 2015[1]). As a Small Island Developing State, Mauritius is endowed with rich and diverse marine resources. The three most important sustainable ocean economy sectors in Mauritius are coastal tourism (see above), seaport-related activities and the seafood sector (World Bank Group, 2015[1]). Foreign companies have made an important contribution to the seafood industry, which accounts for 1.3% of GDP (2022) (Statistics Mauritius, 2023[3]) and employs approximately 12 000 people directly and indirectly (UNCTAD, 2017[7]). Opportunities exist in expanding the aquaculture sub-sector. Seaport-related activities in turn could be expanded in areas such as ship repair and maintenance, petroleum products and bunkering services as well as container transhipment, port and other cargo and logistics services. Mauritius could even leverage its strategic position between Africa and Asia to become a regional hub for those activities, thereby generating economies of scale and increasing market size (World Bank Group, 2015[1]).

Other investment opportunities in the sustainable ocean economy include research, non-edible ocean products, renewable energies, marine ICT, hydrocarbon exploration and marine finance. Pearl culture, ocean-based biopharmaceuticals, anti-cancer research and tidal energy are concrete opportunities. Moreover, Mauritius could potentially develop a regional sustainable ocean economy education and research hub, leveraging the University of Mauritius' recently set up Department of Biosciences and Ocean Studies and the Mauritius Oceanography Institute, established in 2000 (World Bank Group, 2015[1]).

2.3.2. Health and education

FDI in the health sector has been on an upward trend and could be further expanded. It has been encouraged by government policies, positioning Mauritius as an international and regional medical hub and knowledge centre (ADB, 2020[20]). Foreign investment in health has increased by an average annual rate of 18.8% since 2007 from a low initial level. Opportunities for further investment in the sector exist in health tourism and in linking the health sector to the sustainable ocean economy, allowing for innovative medical research and the production of biopharmaceuticals. Health tourism could expand the health sector's market beyond Mauritius, thus allowing for economies of scale. Increasing private participation in the health sector, which is largely funded by the government, could facilitate the modernisation of medical facilities and equipment and the expansion of the health tourism sector (AHB, 2021[22]).

Similarly, FDI in the education sector has been increasing recently and could be scaled up even more. Mauritius' education sector experienced a spike in FDI inflows amounting to USD 103 million in 2022 as a result of investments by the African Leadership University. As a result, FDI is overrepresented in the education sector, which attracted 4.6% of FDI but only 1.1% of private GFCF between 2018 and 2022. FDI in education could be expanded by attracting additional offshore campuses[7] of universities abroad, opening branches in Mauritius. These campuses cater largely to foreign students, thereby increasing the target market beyond Mauritius and generating economies of scale. The natural beauty of Mauritius and the lifestyle outside the educational context combined with only a few hours' time difference with European countries offer advantages for developing this sector. Several foreign educational institutions have already opened campuses and branches in Mauritius, including the British Middlesex University and the Australian Curtin University (Middlesex University Mauritius, 2023[23]; Curtin Mauritius, 2023[24]). In addition to attracting new offshore campuses, it would also be important to improve the enabling environment for these institutions as well as promotion and image building of Mauritius as an attractive destination for higher education. This includes, for example, easier access to residence and work permits for foreign students in Mauritius following their graduation.

2.3.3. Freeport free zone

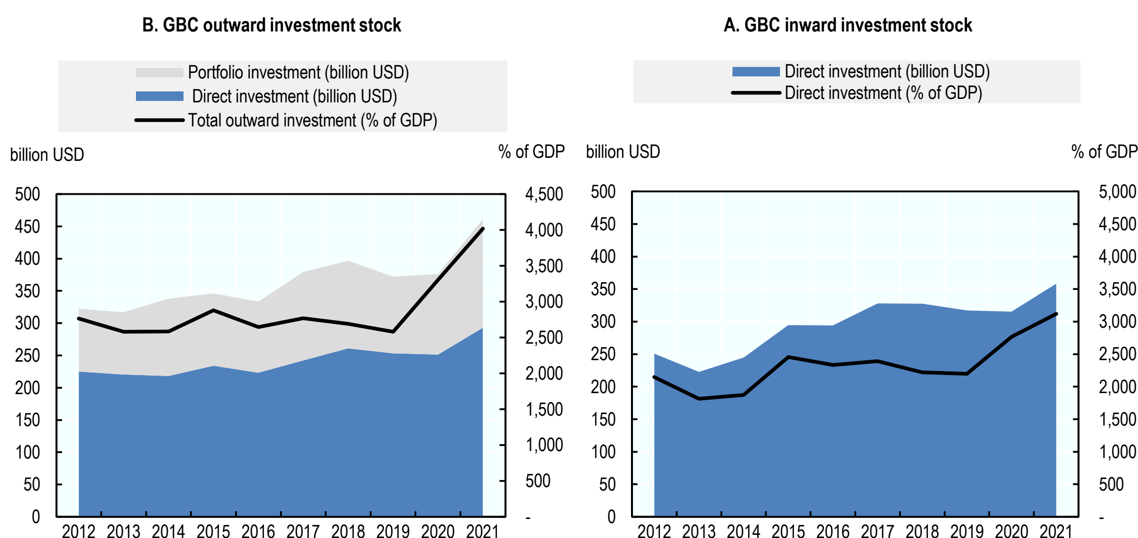
Mauritius Freeport is playing an important role in attracting foreign investment and in establishing Mauritius as a regional trading and logistics hub. Established in 1992, Mauritius Freeport is a commercial free zone which offers services and benefits such as world-class logistics and warehousing facilities. This includes logistics services for dry warehousing, cold rooms, processing activities and office space (OECD, 2014[12]). It also organises events and offers tax incentives such as VAT and customs exemptions, 100% foreign ownership and free repatriation of profits (Myles, 2023[25]). Mauritius Freeport further offers different support schemes for SMEs, including preferential treatment of female-led SMEs in public procurement. During the Covid-19 pandemic, it offered SMEs interest-free loans and freight rebates (Myles, 2023[26]). Mauritius' Freeport was nominated the best free zone in Africa by FDI Intelligence's Global Free Zones of the Year 2023 Awards in the categories large tenants and SMEs (Myles, 2023[25]; Myles, 2023[26]).

Investment in the Freeport is concentrated in logistics and distribution services, but FDI also flows into processing, manufacturing and trading activities. Large companies, which recently invested in the freeport include pharmaceutical companies, a company processing PET plastic bottles, beverages and food manufacturers, a sport equipment distributor and a solar equipment producer. These companies originate from countries such as France, South Africa, the UAE or Japan (Myles, 2023[25]). SMEs, which have recently invested in Mauritius Freeport include a stationery supplier from India, a South African spices and flavouring firm, a British company processing precious and semi-precious stones, and a ceiling specialist from Chinese Taipei (Myles, 2023[26]).

2.3.4. Investment in global business companies

Unlike with traditional FDI, Mauritius has successfully attracted significant investment in global business companies. Mauritius offers two types of international company licences: GBCs are corporations conducting business primarily outside of Mauritius, which are resident for tax purposes and can benefit from the country's wide network of double taxation treaties. Authorised Companies (ACs) conduct business principally outside of Mauritius, have their central management and control outside of Mauritius and are non-resident for tax purposes and therefore not subject to corporate income tax (FSC Mauritius, 2023[27]; Business Consult, 2022[28]; Capital Economics/EDB, 2021[9]).[8] As of January 2023, there were 12 714 active GBCs in Mauritius and 6 219 active ACs (FSC Mauritius, 2023[29]). In 2022, the global business sector accounted for 7.4% of GDP, a similar contribution as the tourism sector (6.5% of GDP in 2022) (Statistics Mauritius, 2023[3]). GBCs' inward direct investment stock in Mauritius amounts to USD 358 billion, more than 30 times the country's GDP (2021) (Figure 2.11, Panel A) (FSC Mauritius, 2023[30]). Most of these funds do not stay in Mauritius but are channeled to third destinations. This is reflected in GBCs' high outward investment stock: USD 293 billion in direct investment and USD 168 billion in portfolio investment as of December 2021,[9] representing together more than 40 times Mauritius' GDP (Figure 2.11, Panel B) (FSC Mauritius, 2023[30]).

Figure 2.11. Mauritius has attracted significant investment in global business companies

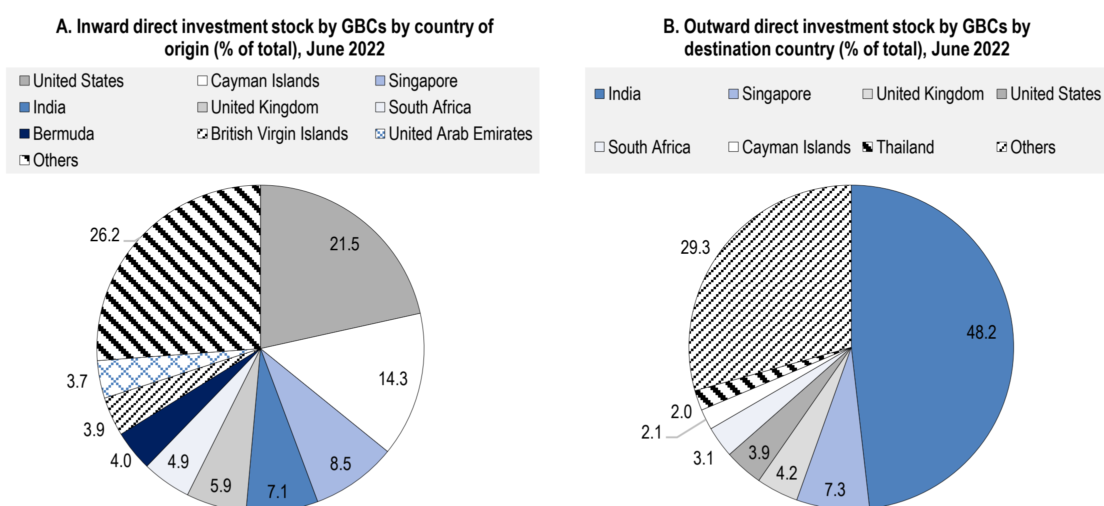


Source: Financial Services Commission Mauritius

Approximately half of GBC outward direct investment stock is in India reflecting advantages linked to the DTAA with India as well as proximity and cultural links (48.2% of total) (Figure 2.12, Panel B). Cultural ties with India date back to the 19th and 20th centuries when the island was under British rule and developed strong trade relations with India. This resulted in a significant influx of Indian migrants into Mauritius. To this day, a large share of the population is of Indian descent (approximately two-thirds) (Capital Economics/EDB, 2021[9]). The DTAA with India in turn has encouraged Indian companies and individuals seeking to invest domestically to channel their investments through global business companies in Mauritius (so-called "round-tripping")[10] by limiting the capital gains tax on the sale of assets in India registered in Mauritius (UNCTAD, 2017[7]). Estimates indicate that approximately 20% of GBC outward investment in India could be linked to round-tripping (Capital Economics/EDB, 2021[9]).

Most other countries of origin and destinations of significant amounts of GBC direct investment benefit from DTAAs and IIAs with Mauritius or are international financial centres. This includes the United States, the Cayman Islands, the United Kingdom and Singapore (Figure 2.12, Panels A and B). Significant inward and outward GBC direct investment to and from Singapore, the United Kingdom and South Africa can further be attributed to DTAAs and IIAs with these countries (UNCTAD, 2023[31]; MRA, 2023[18]) as well as proximity in the case of South Africa, which is the largest economy in the region. In addition, exchange controls in South Africa can make it difficult to conduct international business activities abroad, making Mauritius an attractive destination for South African companies looking to expand their activities into other countries. It is important to note that the geographical distribution of GBC direct investment does not always reflect the ultimate source and destination of capital flows but rather transit countries, through which capital flows are mediated as a result of the advantages which they offer, such as the Cayman Islands or Bermuda (Capital Economics/EDB, 2021[9]).

Figure 2.12. Inward and outward investment by GBCs by origin and destination



Source: Financial Services Commission Mauritius.

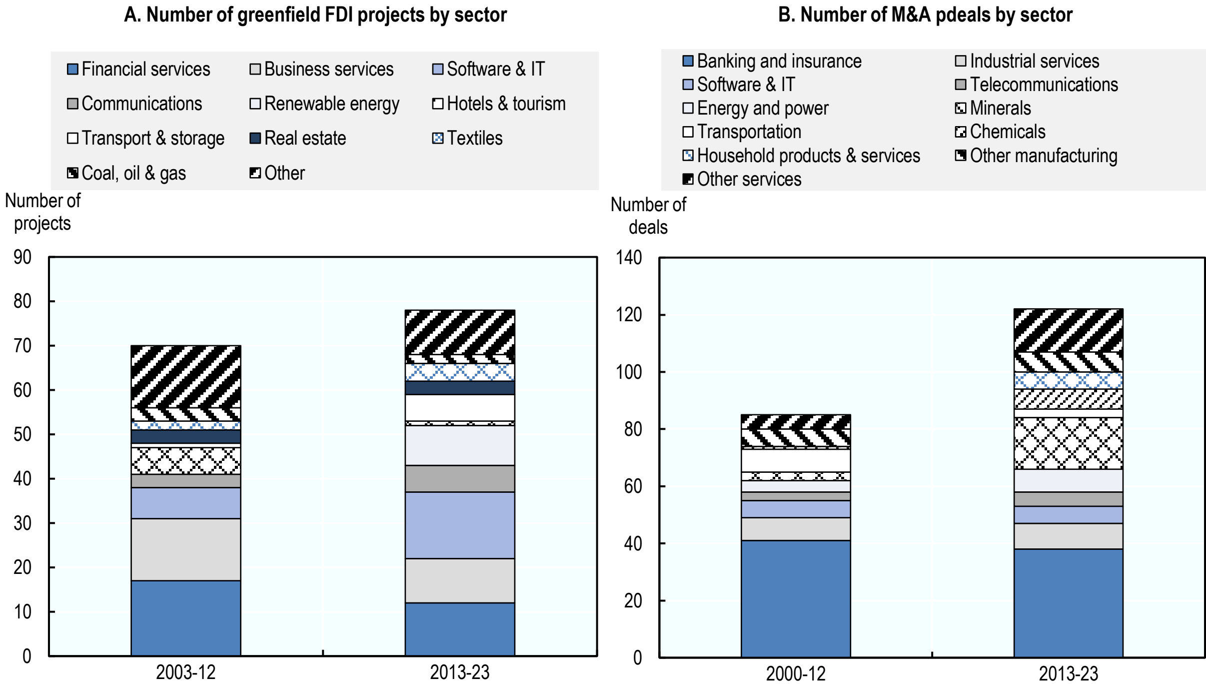
2.3.5. Greenfield FDI and Mergers and Acquisitions

Financial services, business services, software & IT, communications and the energy sector account for most greenfield FDI projects and M&A deals (Figure 2.13). The data do not cover the sale of residential real estate to private individuals. Both greenfield FDI projects and M&A deals in financial services and insurance are concentrated in investment management, reflecting Mauritius' financial centre and the large number of GBCs operating in international trade and investment. M&A deals in industrial services consist mainly of business support services, civil engineering and employment services. Greenfield FDI projects in business services, on the other hand, cover a variety of activities such as employment services, legal services, business support services, advertising, civil engineering and education services. Greenfield FDI in software and IT relates mainly to computer programming services and software publishing whereas M&A deals cover software, data processing and information retrieval and computer facilities management.

Over the past 20 years, greenfield investment projects have grown in software & IT and in renewable energies but have decreased in tourism. The increase in investment in renewable energies can be attributed to several investment projects in large solar power plants since 2014 by companies from France, the US and other African countries. The decrease in greenfield investment in hotels and tourism could be explained by the sector's loss in competitiveness. It relates to both a decrease in the construction of new

hotels by large international groups and investments by international travel service providers. An increase in M&A deals in the minerals sectors can be attributed to several deals in metals mining and construction materials.

Figure 2.13. Most large greenfield FDI projects and M&A deals are in business services, software & IT, communications and energy



Note: This figure displays the number of greenfield FDI and M&A projects rather than the amount of capital invested since data on the amount of capital invested was only available for 40% of M&A deals in Mauritius.
Source: Panel A. FDI Markets; Panel B. Refinitiv

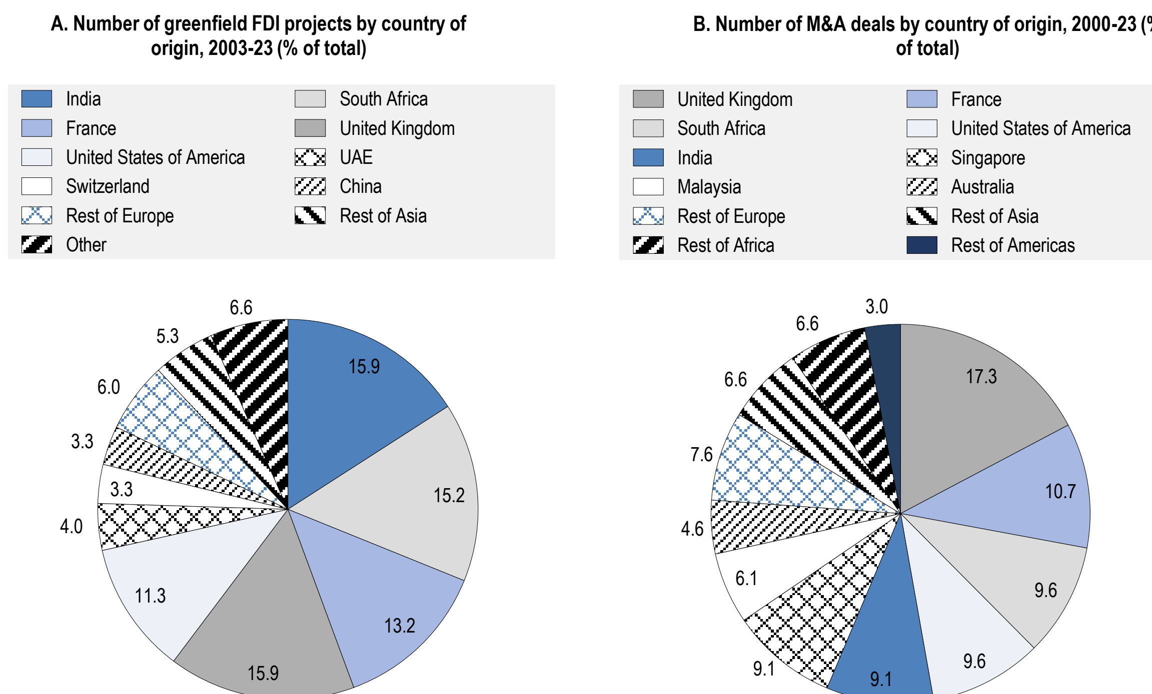
India, South Africa, France, the UK and the US account for the majority of greenfield investment and M&A deals in Mauritius (Figure 2.14). Greenfield investment and M&A deals from India, South Africa the UK and the US target largely modern services industries, including financial, business, software and IT services. This reflects the UK and US position as international financial centres and the significant financial, business and software and IT industries in these countries. In addition, investment from South Africa also flows into the retail sector. M&A deals from UK investors in turn also target metals and mining. Greenfield FDI and M&A deals from France are dispersed across many different sectors, including solar energy, modern services industries and manufacturing, reflecting the broad historical ties.

2.3.6. Exports

The openness of Mauritius' trading system has supported FDI inflows in export-oriented manufacturing and services industries and the development of regional finance and ICT hubs. Mauritius joined the WTO in 1995 and is a member of eight regional trade agreements and beneficiary of 12 bilateral preferential trade agreements. It has a very liberal trading regime and is one of the most open economies in the world, ranking fourth of 176 countries in 2023 in terms of trade openness on the Heritage Foundation's Economic Freedom Index in the category trade freedom (The Heritage Foundation, 2023[32]). Approximately 98% of tariff lines are duty-free (World Bank Group, 2015[1]) and Mauritius is amongst the ten countries worldwide

with the lowest average tariff rate (1.18% in 2020, and 0.92 when weighted by products' share in total imports) (World Bank, 2023[33]). It has also significantly reduced non-tariff barriers (World Bank Group, 2015[1]). In 2022, exports of goods and services amounted to USD 7.2 billion or 56% of GDP. Overall, trade amounted to 119% of GDP in 2022 compared to 92% on average in SADC members (2022) and 56% on average in OECD members (2021) (World Bank, 2023[33]).

Figure 2.14. Four countries account for more than 70% of greenfield projects and more than 50% of M&A deals in Mauritius



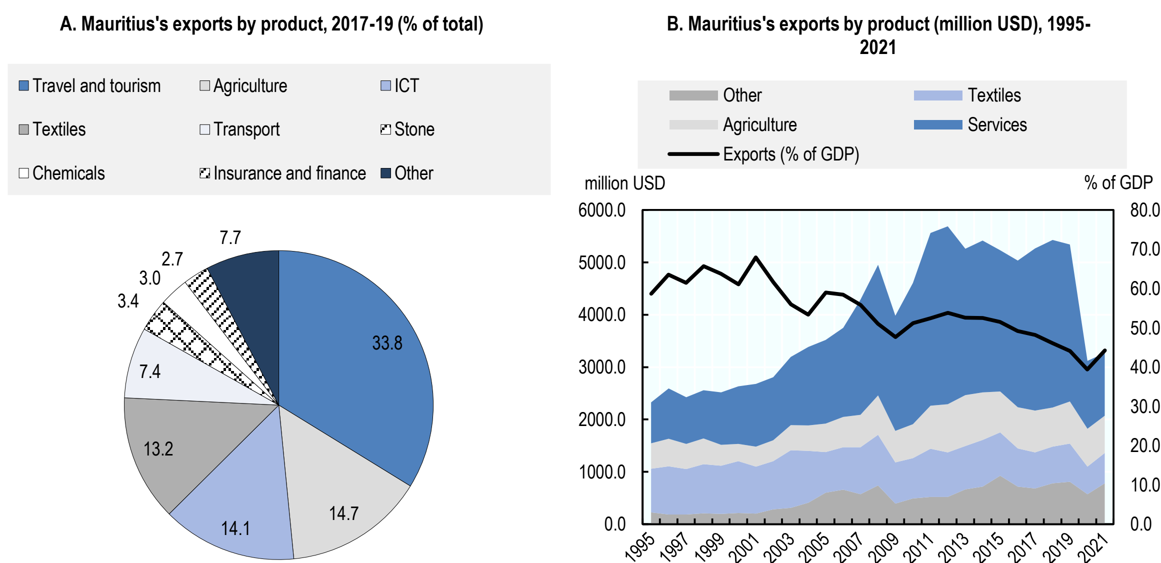
Note: This figure displays the number of greenfield FDI and M&A projects rather than the amount of capital invested since data on the amount of capital invested was only available for 40% of M&A deals in Mauritius.
Source: Panel A. FDI Markets; Panel B. Refinitiv

Mauritian exports are well-diversified and their composition reflects FDI inflows. Prior to the Covid-19 pandemic, travel and tourism (33.8% of total exports between 2017 and 2019), agriculture (17.7%), ICT services (15.7%) and textiles (14.9%) accounted for the largest shares of exports (Figure 2.15, Panel A). The main agricultural export products are processed fish, reflecting Mauritius' location as a small island in the tropics, and sugar, a remnant of preferential access to European and US markets in the past. Similarly, the significant textile exports relate to preferential access to the European market in the past and continued preferential access to the US market through AGOA. The significant financial service and ICT exports can be attributed to the large financial services, ICT and BPO industries. Exports of transport services (7.4% of total exports between 2017 and 2019) reflect the country's increasing role in providing logistics services to the region (ADB, 2020[20]).

However, Mauritian exports remain concentrated in relatively unsophisticated products, including light manufacturing, food-processing and tourism. Mauritius has developed some more sophisticated export industries such as insurance and financial services and ICT and more technology-intensive manufacturing goods such as chemicals and optical and medical devices, watch parts or diamonds and jewelry. But exports of these goods and services remain much smaller than those of traditional export sectors such as

textiles, food products and tourism (World Bank, 2021[34]; Rossignoli, 2021[19]). Overall, the export composition is like that of countries with lower incomes per capita (World Bank, 2021[34]).

Figure 2.15. Mauritian exports are dominated by services, which declined sharply during Covid-19



Note: Panel A shows the composition of Mauritius' exports between 2017 and 2019 prior to the Covid-19 pandemic since the pandemic significantly altered the country's export composition through its strong impact on travel and tourism and transport, which declined significantly.
Source: Harvard Atlas of Economic Complexity

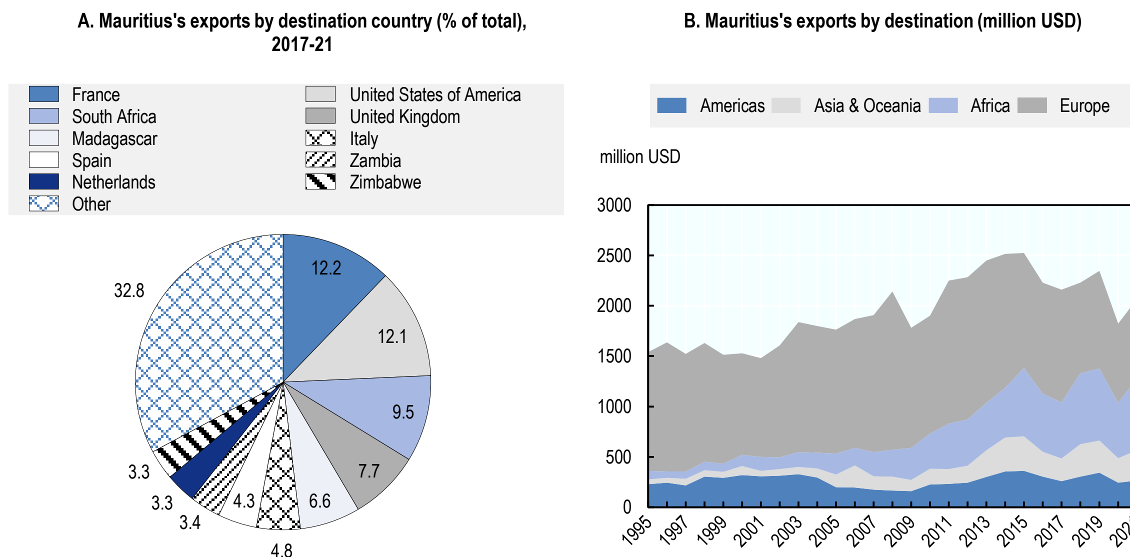
Mauritian exports expanded impressively in the 2000s but have stagnated over the past decade and declined significantly during the Covid-19 pandemic, mirroring trends in FDI inflows (Figure 2.15, Panel B). The strong growth in exports until 2012 was driven by expanding services exports, especially tourism and ICT services, from USD 0.8 billion in 1995 (34% of total exports) to USD 3.4 billion in 2012 (60% of total exports) (Ranzani, Bergmann and Tandrayen-Ragoobur, 2019[2]). Meanwhile, textile and agricultural exports have been on a declining trend over the last decade because of the loss of competitiveness in these sectors following the loss of preferential access to export markets. Even though exports in some more sophisticated manufacturing activities increased simultaneously, this was not sufficient to offset the loss of market share in these traditional export sectors (World Bank, 2021[34]). As a result, Mauritian exports as a share of GDP declined from 59% in 2005 to 44% in 2019 and then to 39% in 2020 in the context of the Covid-19 pandemic (World Bank, 2023[33]). Services exports were hit particularly hard by the Covid-19 pandemic: they more than halved, largely from the collapse of tourism, from USD 3 billion in 2019 (56% of exports) to USD 1.2 billion in 2021 (37% of exports).

Mauritian export destinations are diversified among many countries, led by France (12.2% of exports), the US (12.1%) and South Africa (9.5%) (Figure 2.16). These countries are also amongst the top countries of origin of FDI inflows. The largest share of exports goes to Europe (38%), followed by Africa (34.7%), Asia (14.5%) and the Americas (12.8%). While exports to European countries have declined by 44% since 2013, exports to Africa and Asia have expanded steadily over the last decade, reflecting enhanced regional integration with African countries, supported by intra-regional trade agreements and Mauritius' pro-Africa policies, as well as new trade agreements with Asian countries. This includes the Common Market for Eastern and Southern Africa (COMESA) (1994) and SADC (1995) and more recently the Tripartite Free Trade Area (EAC-COMESA-SADC) (2019), the Africa Continental Free Trade Agreement (2019), the

Mauritius-China Free Trade Agreement (FTA) (2019) and the Mauritius-India Comprehensive Economic Cooperation and Partnership Agreement (CECPA) (2021) (ADB, 2020[20]; ITA, 2023[35]; Capital Economics/EDB, 2021[9]). In December 2023, Mauritius concluded a Comprehensive Economic Partnership Agreement with the United Arab Emirates. Supported by these trade agreements, in particular the Africa Continental Free Trade Agreement, trade between Mauritius and the African continent is expected to grow further.

Figure 2.16. Exports are diversified by destination and are shifting from Europe to Africa and Asia

Mauritius' goods exports by partners (% of total)



Source: A. UN Comtrade; B. Harvard Atlas of Economic Complexity

2.3.7. The contribution of FDI to sustainable development

Besides providing a source of financing, FDI may support sustainable development. It can help to diversify the economy, provide technology and knowledge, develop the host country's skills base, boost productivity, and establish linkages with local firms, which help them to access new markets and integrate in global value chains. Aside from the pure economic benefits, FDI can also support social and environmental goals, for instance by promoting responsible business conduct and the use of cleaner technology. This section explores how FDI contributes to selected aspects of Mauritius' sustainable development using the OECD's FDI Qualities Indicators (Box 2.4). Most of the FDI Qualities Indicators examined in this section are based on data from the 2020 World Bank Enterprise Survey (WBES) for Mauritius (Box 2.5). It is, however, important to bear in mind that this analysis has to be taken with caution since the sample of foreign firms is very small and may not be fully representative, leaving out sectors such as real estate, which is not covered by the WBES but which accounts for the bulk of FDI in Mauritius. Further, the quality of the data does not allow for examining sector-specific differences between foreign and domestic firms.

Box 2.4. The OECD FDI Qualities Indicators

The OECD FDI Qualities Indicators describe how FDI relates to specific aspects of sustainable development in host countries. They currently focus on four clusters: productivity and innovation; employment, job quality and skills; gender equality; and the carbon footprint. These clusters have been selected in consultation with various stakeholders of the FDI Qualities Policy Network, which includes policymakers, the private sector, civil society, international organisations and academia. For each of the four clusters, many different outcomes are identified and used to produce indicators that relate them to FDI or activities of foreign multinationals. Most FDI Qualities Indicators are calculated using data from the World Bank Enterprise Surveys.

Considering the country-specific context, policymakers can use the FDI Qualities Indicators to assess how FDI supports national policy objectives, where challenges lie, and in what areas policy action is needed. Indicators also allow cross-country and cross-sectoral comparisons and benchmarking against regional peers or income groups. This can help to identify good practices and make evidence-based policy decisions.

Source: OECD (2019), FDI Qualities Indictors: Measuring the sustainable development impacts of investment, OECD Publishing, Paris, http://www.oecd.org/investment/fdi-qualities-indicators.htm.

2.3.8. Economic outcomes, productivity and innovation

Foreign firms in Mauritius tend to be larger, more productive and more likely to export and to pay higher wages than domestic firms. Foreign firms' volume of sales and number of employees are both approximately 1.5 times those of domestic firms on average (Table 2.1). Further, foreign firms pay 12% higher wages than domestic firms and the value added per worker in these firms is almost 50% higher than in domestic firms. Foreign firms export either directly or indirectly half of their sales while domestic firms export only 13%, on average, suggesting that foreign firms are better integrated in global value chains. These findings are in line with the theoretical literature, which predicts that foreign firms tend to be larger and more productive than domestic firms since only sufficiently large and productive firms can pay the fixed cost of investing abroad (Helpman, Melitz and Yeaple, 2004[36]).

Box 2.5. The 2020 Mauritius World Bank Enterprise Survey

World Bank Enterprise Surveys (WBES) are nationally representative firm-level surveys, with top managers and owners of businesses interviewed using a globally comparable questionnaire. They cover a broad range of business environment topics such as innovation, training, access to finance and infrastructure as well as firms' characteristics and performance measures. To date, WBES have been conducted in 155 countries and 319 WBES are publicly available on the WBES website. These surveys have been collected through a consistent methodology and indicators can be benchmarked across countries. However, given that World Bank Enterprise Surveys are not conducted regularly in all countries, data for different countries are not always available for the same year.

The 2020 survey for Mauritius covers 732 firms, although 132 firms are excluded from the analysis since their responses reflect arbitrary and unreliable numbers. The remaining 600 companies consist of 38 foreign (6.3% of firms) and 562 domestic firms (93.7% of firms). They are concentrated in the retail sector (48.8% of firms), followed by different manufacturing industries (20.8% of firms, including food, textiles & garments, wood & furniture, chemicals, rubber & plastics), accommodation (9.7% of

firms), transport & storage (8.8% of firms), other services (8.5% of firms) and IT & Telecommunications (3.3% of firms). The survey does not cover real estate companies. Further, given the small size of the sample of foreign firms, it may not be fully representative.

Source: (World Bank, 2023[37]), Mauritius 2020 World Enterprise Survey

Table 2.1. Foreign firms in Mauritius perform better than domestic firms on a number of metrics

(Differences between foreign and domestic firms in Mauritius, comparative statistics, 2020)

	Domestic	Foreign
Sales (million USD)	1.93	3.03
Average wage (USD)	3 746	4 191
Value added per worker (based on sales) (USD)	28 192	40 364
Export intensity (% of sales)	13	50
Number of workers	93	152

Note: Export intensity: % of sales, which are direct or indirect exports.
Source: World Bank Enterprise Survey Mauritius 2020

2.3.9. Productivity

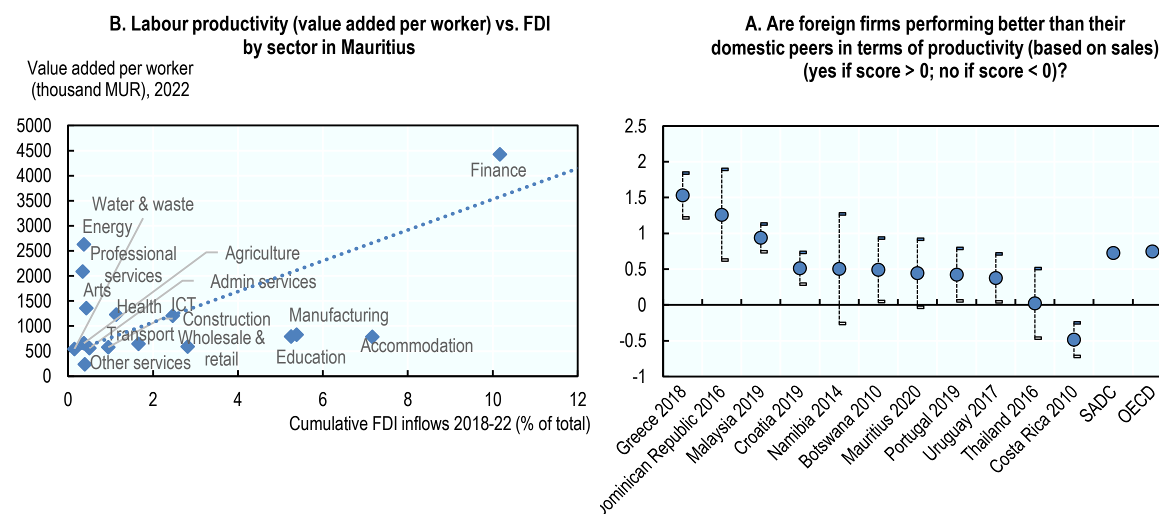
There is some evidence that foreign firms in Mauritius outperform domestic firms in terms of labour productivity. On the macro-level, labour productivity in Mauritius is significantly higher than in SADC but remains well below the OECD average (see chapter on productivity trends in Mauritius). In foreign firms in Mauritius, annual value added per worker (calculated using firms' sales as an approximation for value added), a proxy for labour productivity, is 43% higher than in domestic firms Table 2.1). However, this productivity difference is at the borderline of statistical significance and less pronounced than in comparators such as Greece, the Dominican Republic or Malaysia (Figure 2.17, Panel A). Foreign firms' higher productivity could be explained by their larger scale of operations, allowing them to harness economies of scale, and better access to technology, financial resources and foreign markets (as evidenced by their significantly higher export intensity), combined with better managerial skills (Javorcik, 2004[38]; Arnold and Javorcik, 2009[39]; Alfaro and Chen, 2012[40]; OECD, 2022[41]).

Except for financial services, FDI in Mauritius is not concentrated in technology-intensive sectors. The bulk of FDI is directed towards two sectors with a high value added per worker: real estate and financial services. While high productivity in financial services can be linked to the sector's skills- and technology-intensity, the high value added per worker in real estate can be largely explained by the sector's capital intensity whereas the sector generates few technology and knowledge spillovers. The remainder of FDI in Mauritius is largely directed toward labour-intensive sectors with a relatively low value added per worker, such as accommodation and food services, education, wholesale and retail trade, or light manufacturing (Figure 2.17, Panel B). This is in line with evidence that foreign manufacturers do not always operate in more productive or innovative sectors, but often target labour-intensive industries where the intensity of innovation is expected to be lower than in capital-intensive manufacturing (OECD, 2022[41]).

Productivity growth is stronger in foreign than domestic companies. Overall, labour productivity growth in the economy has been on a declining trend over the last two decades (see Chapter 3). Labour productivity growth in foreign firms averaged 8.6% between 2017 and 2020 compared to only 1.2% in domestic firms. This difference is statistically significant and larger than in most comparators (Figure 2.18, Panel A). With the right policy mix in place, foreign firms could boost economy-wide productivity growth both through spillovers and by attracting more foreign firms with a strong productivity performance.

On average, sectors with above average labour productivity growth do not attract more FDI. The amount of FDI which a sector receives is not correlated with the sector's labour productivity growth rate (Figure 2.18, Panel B). This relationship is positive only when accommodation and food services, which receive a significant share of FDI inflows and are subject to a strong average decline in labour productivity between 2017 and 2022, are excluded. The decline in value added per worker in accommodation and food services can be attributed to the sharp decrease in tourism arrivals in the context of the Covid-19 pandemic and the resulting decline in hotel and restaurant sales. There is thus some evidence that FDI in other sectors is concentrated in sectors with above average labour productivity growth.

Figure 2.17. Evidence suggests that FDI may contribute positively to labour productivity



Notes: Panel A: The indicator registers a positive value if foreign firms have higher outcomes than domestic firms, and a negative value if foreign firms have lower outcomes, on average. Confidence intervals are reported at the 95% confidence level. If the confidence interval crosses the zero line, the difference of average outcomes of foreign and domestic firms is not statistically significant. Panel B: Real estate (56.5% of cumulative FDI inflows between 2018 and 2022) is excluded but the line showing the correlation between cumulative FDI inflows and average employment growth takes into account the real estate sector.
Source: Panel A: World Bank Enterprise Survey Mauritius 2020; Panel B: Data on FDI inflows: Bank of Mauritius; data on value added per worker: Statistics Mauritius.

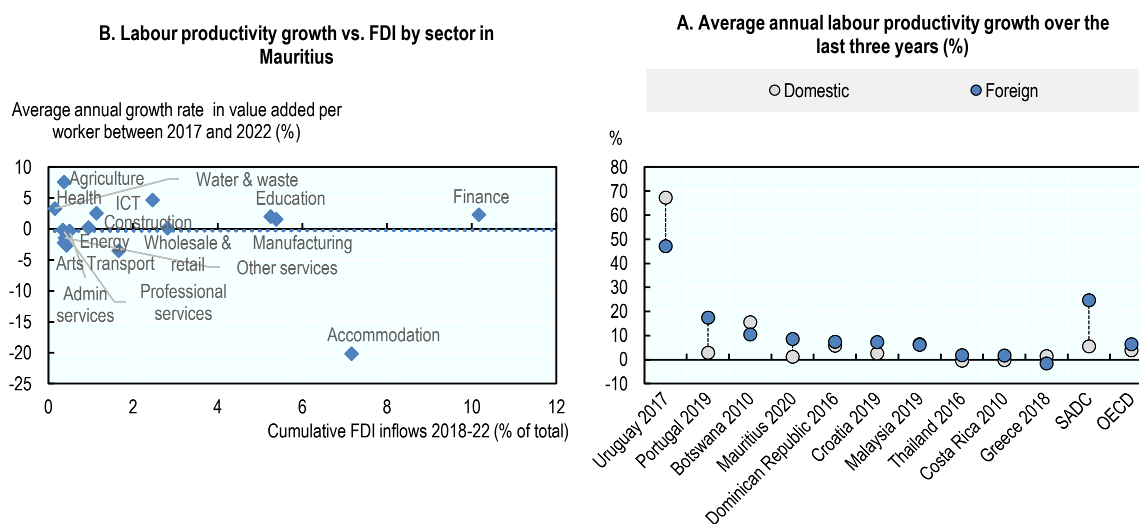
2.3.10. Innovation

Foreign firms in Mauritius are significantly more likely to engage in innovation than domestic firms. At the macro-level, Mauritius still lags behind upper middle income and OECD countries in terms of R&D and innovation (see chapter 3). At the micro-level, while 27.2% of foreign firms reported spending on R&D in 2020, only 9.3% of domestic firms did so (Figure 2.19). Similarly, 60.2% of foreign firms in Mauritius introduced a product innovation in 2020, compared to only 44.1% of domestic companies, and 36.4% of foreign companies introduced a process innovation in 2020 compared to only 19.7% for domestic firms. These differences are both large and statistically significant. Even though foreign firms in Mauritius still lag behind those in top performers in terms of innovation, including Costa Rica, Namibia or Uruguay, they outperform foreign firms in many other comparators such as Portugal, Greece, Thailand or Croatia.

Foreign firms' strong performance in innovation could allow for technology spillovers but could also be evidence for limited absorptive capacities in domestic firms. More innovation in foreign companies increases opportunities for knowledge and technology spillovers and transfers to domestic firms. Such spillovers would be particularly important given limited private sector involvement in innovation and R&D

in Mauritius (see chapter 3). However, on the other hand, the significant gaps in terms of innovation between foreign and domestic firms could also indicate limited capabilities of domestic firms to acquire, assimilate and use the information, knowledge and technologies, which they receive through interactions with foreign firms (also called absorptive capacities) (OECD, 2022[41]). Evidence suggests that domestic suppliers with better technological capabilities tend to be better able to absorb foreign firms' knowledge (OECD, 2022[41]; Nicolini and Resmini, 2010[42]; Saliola and Zanfei, 2009[43]).

Figure 2.18. Foreign firms experience stronger labour productivity growth than domestic firms

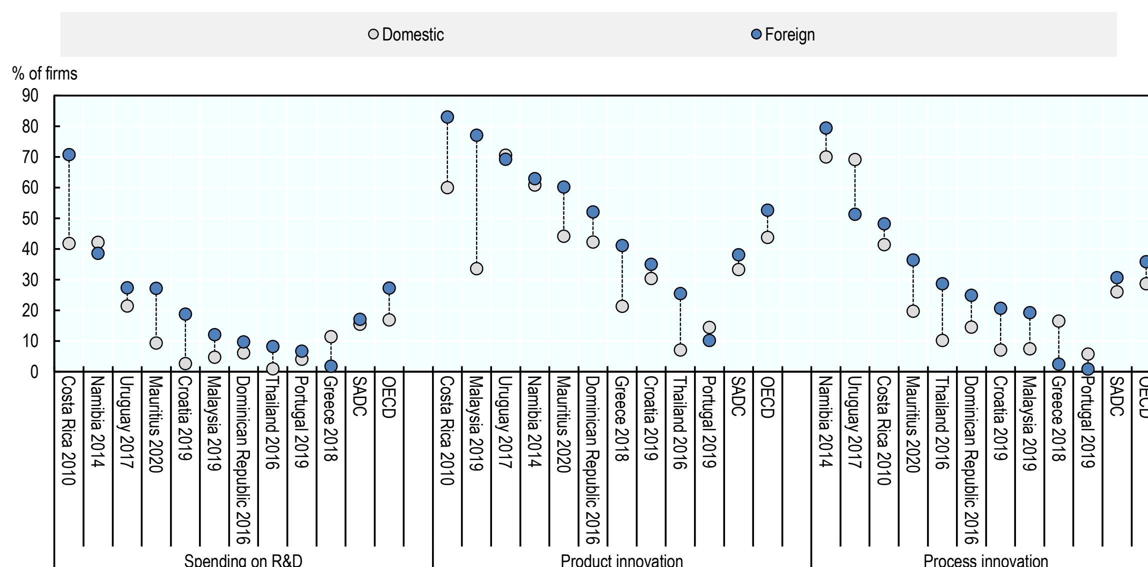


Notes: Panel A. Labour productivity growth is defined as annual growth in value added per workers based on firms' total sales. The OECD and SADC averages are based on the latest year, for which data is available, for each country. Angola and Namibia are excluded from the SADC average since they are outliers and as a result of the small number of observations available for Namibia. Panel B: Real estate (56.5% of cumulative FDI inflows between 2018 and 2022) is excluded but the line showing the correlation between cumulative FDI inflows and average employment growth takes into account the real estate sector.

Source: Panel A: World Bank Enterprise Survey Mauritius 2020; Panel B: Data on FDI inflows: Bank of Mauritius; data on value added per worker: Statistics Mauritius.

Figure 2.19. Foreign firms in Mauritius strongly outperform domestic firms in terms of innovation

Spending on R&D (% of firms), having introduced a product innovation (% of firms) and having introduced a process innovation (% of firms)



Note: The OECD and SADC averages are based on the latest year, for which data is available, for each country.
Source: World Bank Enterprise Survey Mauritius 2020

2.3.11. Knowledge, technology and skills spillovers to domestic firms

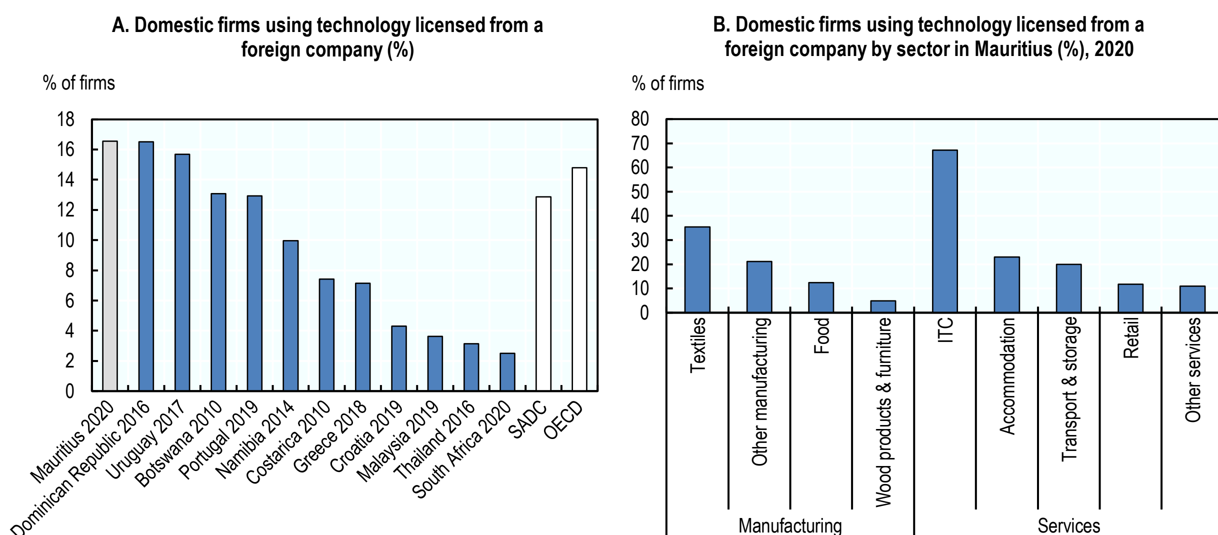
Domestic firms can benefit from knowledge, technology and skills spillovers from foreign firms through business linkages, competition, imitation effects and labour mobility. Business linkages include those between foreign affiliates of multinational enterprises (MNEs) and domestic suppliers or customers; and strategic partnerships, which involve formal collaborations beyond buyer-supplier relationships, for example in the area of R&D or workforce/managerial skills upgrading (OECD, 2022[41]).[11] On the other hand, spillovers between firms in the same industry can be the result of competition and imitation effects: the entry of foreign firms heightens the level of competition on domestic companies, putting pressure on them to become more innovative and productive (OECD, 2022[41]; Becker et al., 2020[44]). Finally, labour mobility consists in the movement of MNE workers to domestic firms – either through temporary arrangements such as secondments and long-term arrangements such as open-ended contracts – or through the creation by MNE workers of start-ups (i.e. corporate spin-offs) (OECD, 2022[41]). Spillovers through these channels can include the acquisition of new technology, the development of new skills, improved management practices, the creation of new products, improved quality of existing products, cost reductions and access to new markets for selling or buying inputs, including foreign markets. The extent of spillovers depends on the absorptive capacities of domestic firms (see above).

The potential for technology and knowledge spillovers in Mauritius is limited by the concentration of FDI in the real estate sector. Even though this sector, which receives the bulk of FDI inflows contributes to developing tourism infrastructure and ancillary services such as construction, wealth management and providers of smart home appliances, it has a very limited potential for knowledge and technology spillovers. FDI inflows in other sectors more likely to generate technology and knowledge spillovers accounted for only 0.9% of Mauritius' GDP or USD 80 per capita between 2020 and 2022.[12]

In sectors other than real estate, there is evidence for technology and knowledge spillovers from foreign to domestic firms. Fully 16.5% of domestic firms in Mauritius use technology licensed from a foreign company (excluding office software), the highest share of domestic firms among comparators in the region and elsewhere (Figure 2.20, Panel A). This can be attributed in part to the large share of domestic companies in the ICT sector (67.2%) and in the textile sector (35.5%), which are using foreign technologies (Figure 2.20, Panel B). The share of firms using foreign technologies is above 20% as well in other manufacturing industries, accommodation, transport and storage. Labour productivity[13] is 36.2% higher in domestic firms using foreign technology than in firms which are not. These results have to be taken with caution since the indicator is not limited to foreign-owned companies based in Mauritius and therefore technology licensing could occur through channels other than local spillovers.

Domestic firms serve as foreign firms' suppliers to a lesser extent in Mauritius than in comparators. Foreign firms source only 24.7% of their inputs domestically, the lowest share among comparators (Figure 2.21). The share of inputs sourced domestically is particularly low in the manufacturing sector (6.6%), indicating that foreign manufacturers rely largely on imported inputs. This reflects the composition of Mauritius' manufacturing sector, which is concentrated in low-technology products, mainly textiles and food processing. These products generally do not generate significant knowledge spillovers or linkages to other productive sectors (ADB, 2020[20]). On the other hand, the relatively low share of locally sourced inputs could be linked to Mauritius' very open trading system with very low tariff and non-tariff barriers. This theory is supported by the equally low share of domestically sourced inputs by domestic companies in Mauritius compared to countries in the region and elsewhere (46% compared to 69% on average in SADC and 65% on average in OECD members).

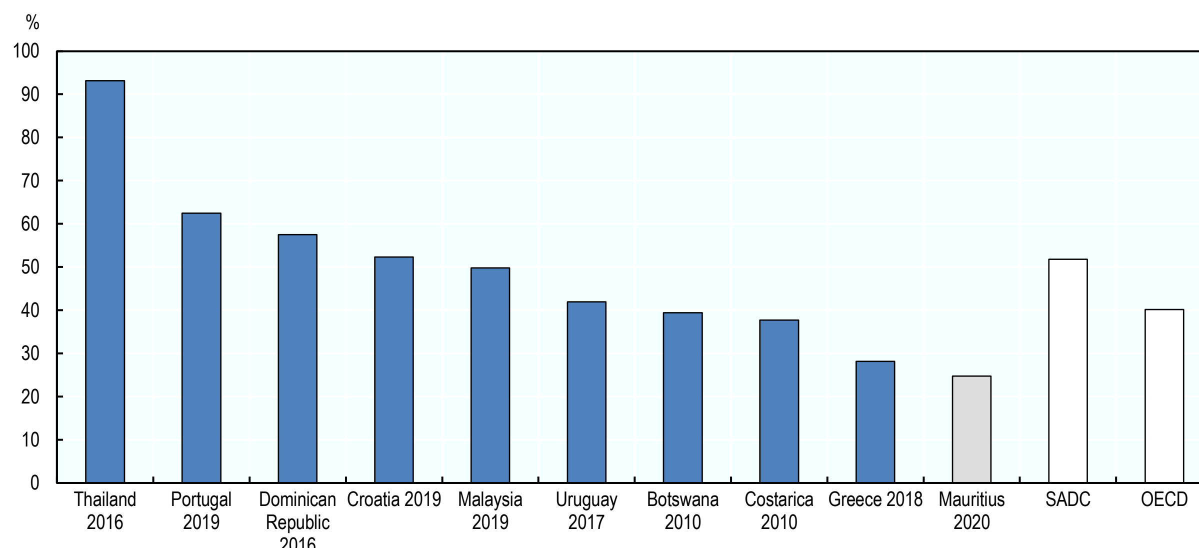
Figure 2.20. Technology spillovers from FDI are large in the ICT and textiles sectors



Note: Panel A. The OECD and SADC averages are based on the latest year, for which data is available, for each country.
Source: World Bank Enterprise Survey Mauritius 2020

Figure 2.21. Foreign firms in Mauritius source a smaller share of their inputs locally than comparators in the region and elsewhere

Foreign firms' share of domestically sourced inputs (%)



Note: The OECD and SADC averages are based on the latest year, for which data is available, for each country.
Source: World Bank Enterprise Survey Mauritius 2020

Knowledge and technology spillovers in Mauritius could be the result of strategic partnerships, competition and imitation effects and labour mobility. Given the rather low share of foreign firms' inputs sourced domestically, there could be additional transmission channels for the large amount of technology spillovers from foreign to domestic firms, which is suggested by the large share of domestic firms using foreign technology. An alternative transmission channel for these spillovers could be strategic partnerships, particularly in technology-intensive sectors such as the ICT sector. Another transmission channel could be competition and imitation effects, especially in labour-intensive sectors such as textiles and other light manufacturing industries and accommodation services. International evidence suggests that spillovers as a result of competition and imitation are frequently found in labour-intensive sectors such as light manufacturing (OECD, 2022[41]; Nicolini and Resmini, 2010[42]). Lastly, spillovers could also be attributed to labour-mobility between MNEs and domestic firms (OECD, 2022[41]).

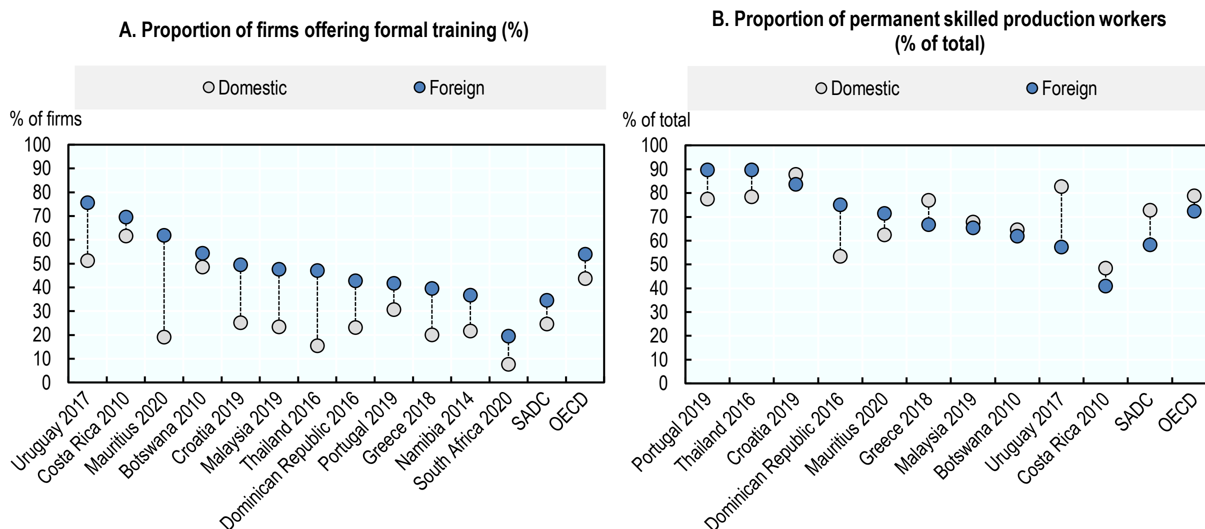
2.3.12. Skills and quality jobs

A large proportion of foreign firms in Mauritius provide their employees with training: 62% of foreign firms offer their workers training compared to only 19% of domestic firms, a statistically significant difference (Figure 2.22, Panel A). Further, the share of foreign firms providing training to their workers is higher in Mauritius than in most comparators even though the share of domestic firms offering their workers formal training is lower than in most international comparators. This is in line with international evidence that foreign firms often contribute to skill development in host countries by providing training to their employees or to the employees of domestic partner companies, for instance to ensure the quality and reliability of inputs (OECD, 2022[41]). On the other hand, the big difference in providing training between foreign and domestic firms could also be attributed to more significant skills mismatches and shortages in foreign firms, which may require workers with more rare or different skill sets than domestic firms. Even though Mauritius performs well in education outcomes overall, skills mismatches are a challenge for some businesses (see chapter 3).

Evidence suggests that foreign manufacturing firms employ a moderately higher share of skilled production workers than domestic firms. The share of permanent full-time skilled workers in foreign and domestic manufacturing companies in Mauritius is in line with international comparators even though it remains below top performers such as Portugal, Croatia or Thailand (Figure 2.22, Panel B). On average, 71.5% of foreign firms' workers are skilled compared with 62.4% in domestic firms. However, these numbers have to be taken with caution since the World Bank Enterprise Survey 2020 for Mauritius includes only 10 manufacturing companies. Given this small sample size, this difference is not statistically significant. When looking at all permanent full-time workers, foreign and domestic firms' performance in terms of skilled workers is very similar: while 31% of domestic firms' workers are skilled, 30.6% of foreign firms' workers are skilled. The moderate performance of foreign manufacturing companies in terms of skilled workers could be attributed to the prevalence of FDI in relatively labour-intensive light manufacturing activities, often employing a significant amount of low-skilled workers (OECD, 2022[41]).

FDI in Mauritius is not concentrated in sectors which generate many jobs. The real estate sector, which attracts the bulk of FDI (56.5% of total between 2018 and 2022) employs only approximately 1 500 workers (2022) and accounts for less than 0.3% of employment, less than any other economic sector (Figure 2.23, Panel A), although it has to be borne in mind that investment in real estate creates jobs indirectly in the construction sector and other ancillary services industries such as financial and insurance, business and legal services. Construction accounts for the third-largest share of employment. Likewise, the sector receiving the second largest share of FDI, the financial services sector, accounts for less than 3% of total employment. Except for accommodation and food services, sectors, which account for a large share of employment, such as wholesale and retail trade, manufacturing, construction and transport, receive relatively little FDI. Overall, except for real estate, financial services, accommodation and education, most sectors' share in FDI is lower than their share in employment. In terms of employment growth, it is weakly positively correlated with the amount of FDI in a sector when real estate is excluded, driven largely by strong employment growth in financial services, although this relationship disappears once real estate is included, suggesting no strong link overall between FDI and employment growth (Figure 2.23, Panel B).

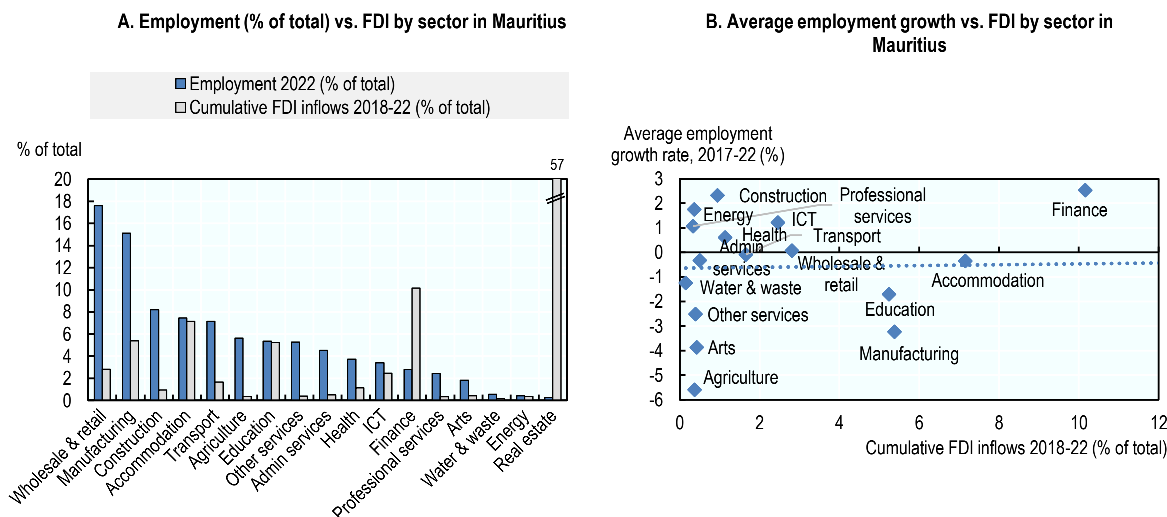
Figure 2.22. Over half of foreign firms in Mauritius offer their employees training but foreign manufacturers employ only moderately more skilled workers than their domestic peers



Notes: The OECD and SADC averages are based on the latest year, for which data is available, for each country. Panel B is based on manufacturing firms only.
Source: World Bank Enterprise Survey Mauritius 2020

Figure 2.23. FDI does not seem to contribute significantly to employment

Average employment growth vs. FDI by sector in Mauritius



Notes: Panel B: Real estate (56.5% of cumulative FDI inflows between 2018 and 2022) is excluded but the line showing the correlation between cumulative FDI inflows and average employment growth takes into account the real estate sector.
Source: Data on FDI inflows: Bank of Mauritius; data on employment and employment growth: Statistics Mauritius

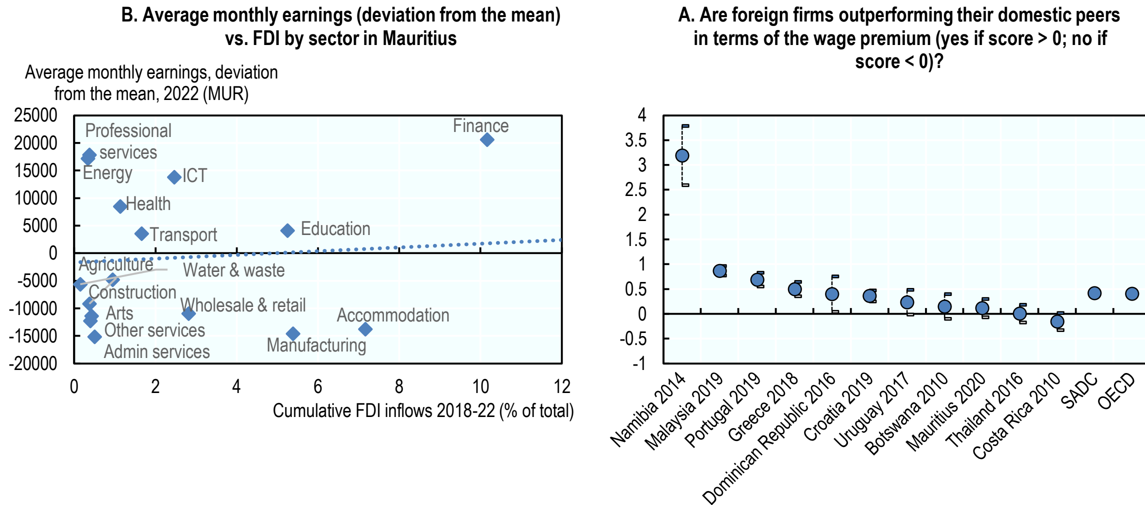
Evidence for higher wages paid by foreign firms in Mauritius is weak. International evidence suggests that foreign firms tend to pay higher wages because of their access to better technologies, inputs and human capital and higher levels of productivity (OECD, 2022[41]). In Mauritius, annual wages in those foreign firms included in the 2020 World Bank Enterprise Survey averaged USD 4 191 compared to USD 3 746 in those domestic firms covered by the survey.[14] This difference is not statistically significant and significantly smaller than in most comparators in the region and elsewhere (Figure 2.24, Panel B). A cross-sectoral analysis shows a weakly positive relationship between a sector's amount of FDI and the deviation of average wages paid in this sector from the economy-wide mean (Figure 2.24, Panel A). This is largely driven by financial services and real estate, which receive the bulk of FDI and where wages are comparatively high but which account for only very small shares of total employment. Once these two sectors are excluded, the relation becomes weakly negative, indicating that overall FDI is not concentrated in sectors with above-average wages. Sectors with relatively low wages receiving relatively large shares of FDI include accommodation and food services, manufacturing and wholesale and retail trade.

2.3.13. Gender equality

Enhanced gender equality could improve well-being and economic outcomes. Mauritius has achieved gender-parity in education, and female-to-male labour force participation has been increasing, but gender inequities persist in the labour market, driven in part by gender-discriminatory traditions and customs (ADB, 2020[20]). This is evidenced by substantial and persistent gender gaps in labour force participation and in wages and by higher female unemployment rates: In 2021, for women aged 15 to 64, the labour force participation rate stood at 53.3% compared to 80.1% for men. Female unemployment was 8.6% compared to 7.1% for men (World Bank, 2023[33]). Further, Mauritian women were paid on average 30% less than men in the private sector in 2015 conditional on characteristics such as education, age and work experience. This large wage gap further discourages female labour market participation (World Bank Group, 2015[1]; ADB, 2020[20]). The gender gaps in the labour market contribute to worse well-being outcomes for women than for men: in 2017, 11% of female population was living below the poverty line

compared to only 9.7% of the male population and 16.1% of female headed households were in relative poverty compared to 7.7% of male headed households (Statistics Mauritius, 2020[45]).

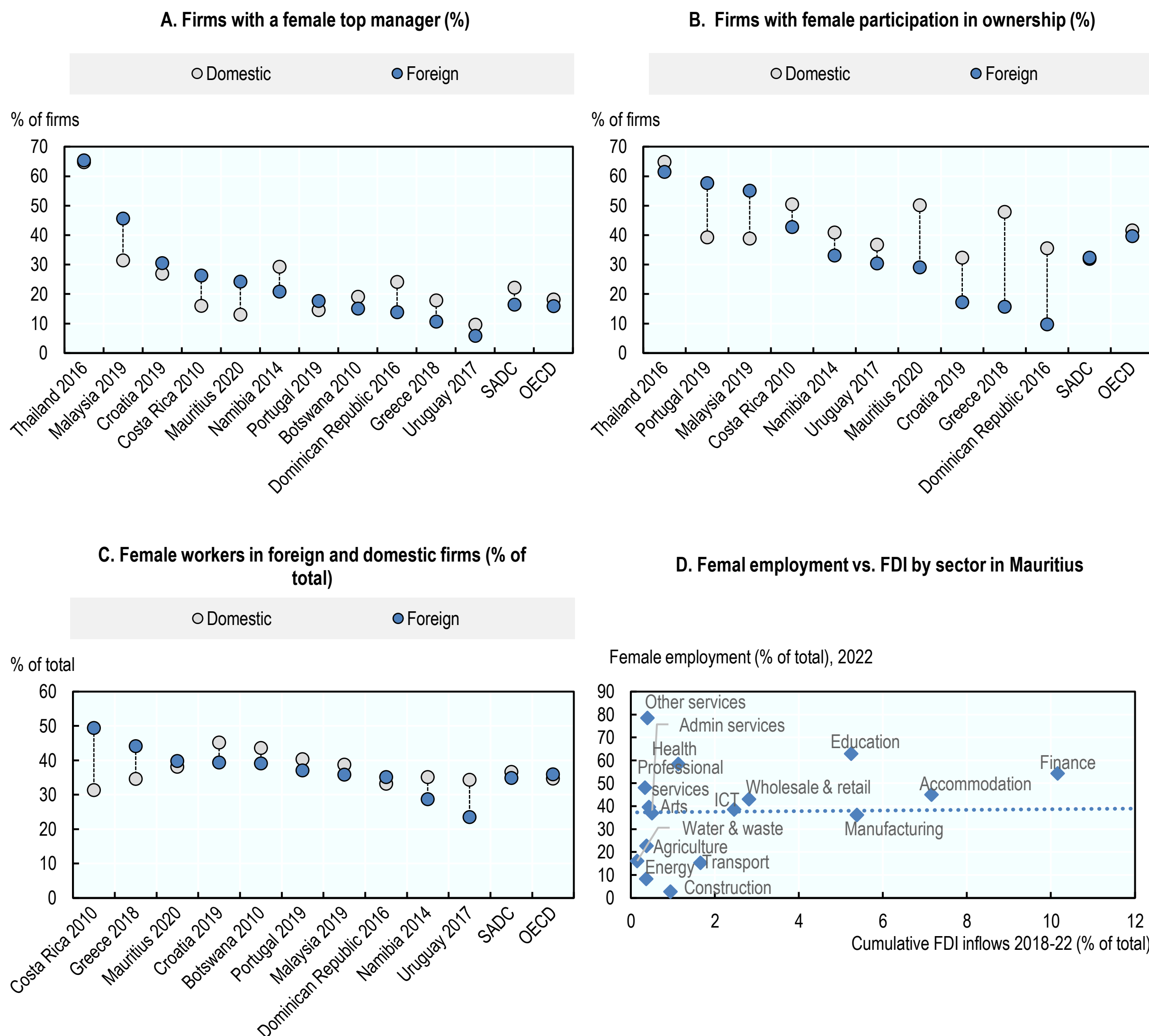
Figure 2.24. There is only weak evidence that FDI is linked to higher wages



Notes: Panel A: indicator registers a positive value if foreign firms have higher outcomes than domestic firms, and a negative value if foreign firms have lower outcomes, on average. Confidence intervals are reported at the 95% confidence level. If the confidence interval crosses the zero line, the difference of average outcomes of foreign and domestic firms is not statistically significant. The OECD and SADC averages are based on the latest year, for which data is available, for each country. The Panel B: Real estate (56.5% of cumulative FDI inflows between 2018 and 2022) is excluded but the line showing the correlation between cumulative FDI inflows and average employment growth takes into account the real estate sector.
Source: Panel A: World Bank Enterprise Survey Mauritius 2020; Panel B: Data on FDI inflows: Bank of Mauritius; data on value added per worker: Statistics Mauritius.

FDI is not linked to higher female employment. The share of female workers in both foreign and domestic firms is approximately 40%, in line with or above many comparators (Figure 2.25, Panel C). Excluding real estate, on average, sectors with a relatively large share of female employment such as education, financial services, accommodation and food services receive more FDI. This relationship becomes less clear, when the real estate sector is included, which employs only approximately 40% of women (Figure 2.25, Panel D). This sector also has the largest gender wage gap in Mauritius: women's wages are only 24% of men's in this sector. Sectors where women often earn more such as professional activities, electricity and transport and storage receive less FDI (ADB, 2020[20]). However, it has to be borne in mind that, as mentioned previously, overall the real estate sector accounts only for a very small share of employment.

Figure 2.25. Foreign firms are more likely to have female top managers but do not outperform domestic firms on other gender dimensions



Notes: Panels A, B and C: The OECD and SADC averages are based on the latest year, for which data is available, for each country. Panel D: Real estate (56.5% of cumulative FDI inflows between 2018 and 2022) is excluded but the line showing the correlation between cumulative FDI inflows and average employment growth takes into account the real estate sector.

Source: Panels A, B and C: World Bank Enterprise Survey Mauritius 2020; Panel D: data on FDI inflows: Bank of Mauritius; data on female employment: Statistics Mauritius

Foreign firms could contribute to improved gender outcomes in the labour market through their higher share of female top managers but perform less well in terms of female ownership. One quarter (24.2%) of foreign firms in Mauritius have a female top manager but only 13% of domestic firms and this difference is strongly statistically significant. This is in line with or above most international comparators but remains below top performers in Asia (Figure 2.25, Panel A). However, women are amongst the owners of only 29.2% of foreign companies in Mauritius compared to 50.1% of domestic firms. On average, 20.2% of domestic companies are fully or partially owned by women compared to only 8.2% for foreign firms. Among domestic firms, female ownership is particularly high in the textile sector (34.7%) and above 20% in the ICT sector, accommodation, wood and furniture manufacturing, food manufacturing and the retail sector.

Except for the ICT sector, these high shares of female ownership could be attributed to the typically relatively high shares of female employment and female ownership of SMEs in labour-intensive and low-skilled sectors such as textiles, accommodation and retail (OECD, 2022[41]).

The mixed performance of foreign firms in gender outcomes could be linked to gender practices in their countries of origin. The gender-inclusivity of foreign firms is strongly influenced by the values and norms in place in their countries of origin (OECD, 2022[41]). While female ownership is widespread in France, one of the two main countries of origin of FDI in Mauritius, (53% of French firms report female participation in ownership), it is very low in South Africa, the second largest country of origin of FDI in Mauritius (only 10% of South African firms report female participation in ownership). In contrast, few French firms have a female manager (only approximately 20%) and the share of female workers in French companies remains relatively low (36%), whereas a large share of South African firms (39%) report having a female top manager and approximately 40% of their workers are female (World Bank, 2023[46]).

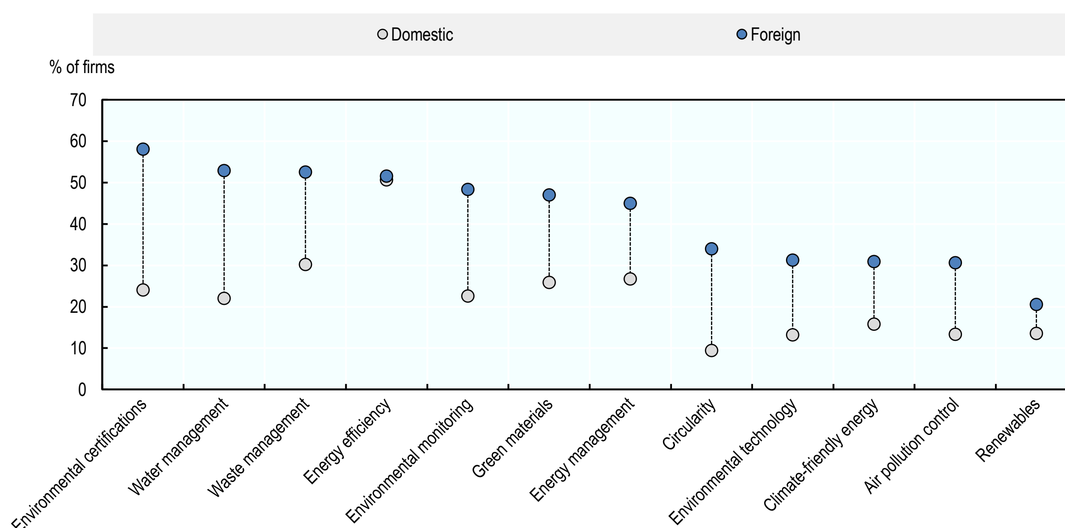
2.3.14. Green growth

Addressing environmental pressures in Mauritius is essential to preserve the tourism sector's attractiveness and to fully exploit the island's sustainable ocean economy. As a small island, Mauritius is highly vulnerable to climate change, including rising sea levels and more frequent and intense natural disasters. Rising sea levels are already contributing to coastal degradation: it is estimated that 18% of beaches in Mauritius are affected by severe erosion (World Bank, 2022[11]). In addition, overfishing and the deterioration of lagoons, reefs and other maritime ecosystems as a result of overfishing, land-based pollution leaking into the ocean and unsustainable tourism installations are issues affecting its sustainable ocean economy (World Bank Group, 2015[1]). Further, sewage and waste management remain challenges and present risks for the environment: Only 28.3% of Mauritians were connected to the public sewage system in 2022 (WMA, 2023[47]) compared to 82.7% in OECD countries on average (as of 2021) (OECD, 2023[48]). At the same time, the land area and infrastructure available for solid waste management are limited and waste production is increasing rapidly, placing water supply sources and the environment at risk from contamination through uncontrolled discharges and illegal dumping (World Bank Group, 2015[1]) (UNDP, 2023[49]). Mauritius also remains strongly dependent on coal and oil for electricity generation, with only 22% of electricity from renewables (2021) (IRENA, 2023[50]).

Foreign firms' strong performance in deploying clean technologies and environmental protection measures could contribute to improving environmental performance and the wider uptake of clean technologies. Foreign firms in Mauritius outperform their domestic peers on almost all environmental dimensions except for energy efficiency, where domestic firms perform equally well and for renewables, where the difference in foreign and domestic firms' performance is relatively small and not statistically significant (Figure 2.26). For example, more than 50% of foreign companies report complying with environmental certifications or standards and taking measures for water management and for waste minimisation, recycling or management compared to only 22-30% of domestic companies. Similarly, more than 40% of foreign firms report monitoring energy consumption, water usage or CO_2 emissions, having adopted greener materials for production and having taken measures for energy management compared to only 22-27% of domestic firms. These findings align with international evidence that MNEs are key players in the deployment of capital and R&D-intensive clean technologies across borders thanks to their financial and technical advantages. The strong performance of foreign companies in Mauritius in green business practices could also be linked to several initiatives by the Bank of Mauritius and the Financial Services Commission to promote environment- and climate-friendly investment.[15] It opens opportunities for technology, knowledge and skills transfers to domestic firms through market interactions and worker mobility (OECD, 2022[41]).

Figure 2.26. Foreign firms in Mauritius perform strongly on environmental dimensions

Over the last three years, did this establishment adopt any of the following measures? (% of firms), 2020



Notes: Environmental certifications = Compliance with environmental certifications or standards; Waste management = Waste minimization, recycling or waste management; Energy efficiency = Energy efficient appliances; Environmental monitoring = Monitoring energy consumption, water usage or CO2 emissions; Green materials = Adoption of greener materials; Circularity = Adoption of circularity practices; Environmental technology = Adoption of new machineries or processes with a smaller footprint; Climate-friendly energy = More climate-friendly energy generation on site; Air pollution control = Air pollution control measures; Renewables = Use of renewable energy
Source: World Bank Enterprise Survey Mauritius 2020.

Notes

[1] These figures come from UNCTAD and World Bank statistics. The Bank of Mauritius conducts an annual Foreign Assets and Liabilities Survey which collects data on equity and intra-company loans, which cannot be collected from banking records and other sources. It also provides data on reinvested earnings. The Survey undertaken in 2023 led to a substantial upward revision of the estimate for net FDI inflows in 2022. Several sectors saw increased gross inflows in 2022 because of the adjustment, notably in manufacturing and in tourism-related sectors. By country of origin, FDI inflows from France doubled, making it responsible for one third of total FDI in 2022. Using the revised Bank of Mauritius data, FDI flows into Mauritius averaged 2.8% of GDP between 2020 and 2022 but only approximately 1.4% of GDP when excluding FDI in real estate.

[2] Labour productivity is calculated as value added per worker based on firms' sales.

[3] These outcomes have to be interpreted with caution since they rely on a small sample of foreign firms and the quality of the data does not allow for analysing sector-specific differences between foreign and domestic firms.

[4] Information received from partners in Mauritius.

[5] The Smart City Scheme aims to (**a**) to promote the creation of smart cities across Mauritius which shall be of mixed use comprising office, business, residential and entertainment components, all integrated in a coherent Master Plan focussing on innovation, sustainability, efficiency and quality of life and, where appropriate, involving the creation of technopoles or the construction of public transport stations or terminals; (**b**) to provide, in relation to the development

of a smart city project, for – (i) the creation of an environment-friendly working, living and leisure space aiming at generating its own resources in terms of energy and other utilities and providing for state-of-the-art connectivity, smart modern transport and reducing traffic congestion; (ii) the promotion and co-ordination of the orderly and economic use and development of land; (iii) the proper management, development and conservation of natural and man-made resources for the purpose of promoting the social and economic welfare of the community and a better environment; (iv) ecologically sustainable development – and (**c**) to promote targeted economic activities and increase FDI and extend export promotion strategically to rapidly growing economies, while at the same time strengthening the industrial and service base and an economic diversification path.

[6] In July 2017, Mauritius signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The MLI was ratified and entered into force in February 2020 (UNCTAD, 2017[7]; Capital Economics, 2021[51]).

[7] Offshore campuses are campuses, centres, schools or faculties of a university in one country operating abroad in another country. They are operated and maintained as part of the parent university abroad and tend to award degrees of the parent university.

[8] Both GBCs and ACS are governed by the Financial Services Act of 2007, which replaced the Financial Services Development Act of 2001 (UNCTAD, 2017[7]; FSC Mauritius, 2023[27]).

[9] Official statistics on the GBC inward and outward investment stock cover only direct investment flows to and from GBCs but not ACs (Capital Economics, 2021[51]).

[10] Round-tripping reflects the flow of domestic funds channelled through offshore centres back to the local economy in the form of direct investment.

[11] This includes joint ventures, contract manufacturing, marketing agreements, R&D collaborations but also less formal agreements like technical support or training offered as part of supply-chain arrangements.

[12] These figures come from UNCTAD and World Bank statistics. The Bank of Mauritius conducts an annual Foreign Assets and Liabilities Survey which collects data on equity and intra-company loans, which cannot be collected from banking records and other sources. It also provides data on reinvested earnings. The Survey undertaken in 2023 led to a substantial upward revision of the estimate for net FDI inflows in 2022. Several sectors saw increased gross inflows in 2022 as a result of the adjustment, notably in manufacturing and in tourism-related sectors. By country of origin, FDI inflows from France doubled, making it responsible for one third of total FDI in 2022. Using the revised Bank of Mauritius data, FDI flows into Mauritius averaged 1.4% of GDP or USD 128 per capita between 2020 and 2020 when excluding FDI in real estate.

[13] Defined as value added per worker based on firms' sales.

[14] These average wages are lower than the average annual wage of approximately USD 9150 in 2020 based on data from Statistics Mauritius because the 2020 Mauritius WBES includes a large share of firms from the retail sector (49% of firms), the manufacturing sector (21%) and the accommodation sector (10%), which all pay relatively low wages.

[15] These initiatives comprise the Environmental Awards 2023, organised jointly by the Bank of Mauritius, the Financial Services Commission and the Ministry of Environment, Solid Waste Management and Climate Change, which aim at rewarding the best environmental initiatives of banking, financial non-banking and professional services companies on sustainability measures and at encouraging their replication for a cleaner, greener and safer Mauritius. They also include, amongst others, the Bank of Mauritius's Climate Change Centre, which was established in 2021 and the Guide for the Issue of Sustainable Bonds, released by the Bank of Mauritius in 2021, which could facilitate access to finance for green investment (Bank of Mauritius, 2024[52]; FSC, 2023[53]; Bank of Mauritius, 2024[54]).

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3 Development successes and productivity challenges in Mauritius

This chapter examines the factors behind the tremendous success of the first three decades of independence in terms of inclusive and sustainable development. It then looks at the challenge currently faced by Mauritius in terms of raising productivity and fostering innovation.

3.1. Introduction and summary

Mauritius has been an economic success story in many ways, standing out from many of its peers in Africa for its performance in export-led development. Many academic studies have sought to understand the root causes of that success, highlighting the importance of strong institutions, macroeconomic stability, cultural diversity combined with the lack of an indigenous population, and inclusive politics. While these elements provided the foundation for take-off, the Export Processing Zone scheme, combined with preferential access to many OECD markets, a pool of labour and inflows of foreign direct investment (FDI) provided the spark.

The foundation remains in place, but what is required at early stages of development is not necessarily what is required now. Mauritius' impressive economic growth risks slowing without the adoption of policies supporting a new development path. New economic development strategies are needed, which do not rely on past drivers of growth, such as favourable demographics, structural transformation, and capital accumulation. Comprehensive approaches are needed in creating a more productive and innovative economy. Enhancing productivity is essential in raising per capita income. Beyond enhancing institutional capacities, priorities should include attracting and better leveraging FDI, further enhancing competition in the business environment, supporting small and medium-sized enterprises (SMEs), creating a strong foundation for innovation and improving workers' skills to help foster inclusive and stable growth.

A supportive business environment that minimises unnecessary barriers to firm establishment and growth should encourage investments that enhance productivity and innovation. Although FDI already contributes to capital accumulation and other aspects of economic development in Mauritius, inflows could be increased and better leveraged to introduce new knowledge and technologies, serving as a foundation for productivity growth and innovation. To achieve this, Mauritius must attract more investment in productive sectors with strong absorptive capacities and facilitate partnerships between foreign firms and local counterparts.

Implementing solutions to productivity growth will require strengthening policymaking and institutional capacities. Improvements to planning and policy coordination would help to ensure the development and implementation of comprehensive solutions to continuing productivity challenges. Broad-based growth requires inclusive policy dialogue that engages the private sector, including SMEs, and other affected groups. The effectiveness of SME assistance programmes could benefit from implementing a more rigorous system of consultation and of monitoring and evaluation, to assist in designing more effective programmes in future.

To provide useful services for the business community, business support organisations must possess adequate resources and internal capabilities. They should also function as a coordinated and collaborative system. Possible measures encouraging this include implementing reforms in the internal management of these organisations, capacity development programmes, the generation of new resources to enhance transparency and accessibility, and embracing a systemic approach to support provision.

3.2. A sustained track record of economic development

Mauritius is in many ways a poster child for economic development. Against significant odds, it managed to reach high income status before the pandemic. For this reason, its development trajectory has been well studied by prominent economists. Why did Mauritius succeed when so many countries in Africa and elsewhere have not? While policies and practices in the last century might seem peripheral to the challenges currently faced by Mauritius, they can help to shed light on the nature of those challenges. What appear as strengths at one point in time might not be so later. This section summarises the literature on Mauritian development in the early decades of independence.

3.2.1. Explaining the early success of Mauritius

Heavy population pressure [in Mauritius] must inevitably reduce real income per head below what it might otherwise be. That surely is bad enough in a community that is full of political conflict. But if in addition, in the absence of other remedies, it must lead either to unemployment (exacerbating the scramble for jobs between Indians and Creoles) or to even greater inequalities (stocking up still more the envy felt by the Indian and Creole underdog for the Franco-Mauritian top dog), the outlook for peaceful development is poor (Meade, 1961[1])

This oft-cited quote by the Nobel prize-winning economist, James Meade, captures the inauspicious beginnings of Mauritius prior to independence in 1968: remoteness; ethnic tensions culminating in occasional ethnic riots and with power concentrated in a small elite; with sugar accounting for almost all cultivated land and most exports; a burgeoning population coupled with high unemployment; and declining terms of trade (Overseas Development Institute, 2011[2]). Poverty was also widespread. Given these initial conditions, it is perhaps not fully surprising that 44% of the population, including most of the minority ethnic groups, voted against independence (Subramanian, 2009[3]).

Rather than succumbing to Meade's Malthusian vision, Mauritius turned these potential flaws into a source of strength, spawning one of the most successful development trajectories in Africa. Academics differ on the root causes of this success, but they generally list several inter-related factors discussed below.

Strong institutions. Mauritius ranks very highly across global measures of governance. Many studies have linked its success to this aspect (Gulhati and Nallari, 1990[4]; Subramanian and Roy, 2001[5]). The role of institutions is widely seen to be a driver of successful development trajectories (Acemoglu, Johnson and Robinson, 2001[6]) and to greater inflows of FDI (OECD, 2002[7]). Within Africa, measures of the rule of law are associated with higher levels of income (Frankel, 2010[8]).

Macroeconomic stability. A small, open economy heavily dependent on a few sectors in the past has naturally been susceptible to external shocks, whether related to commodity price fluctuations, including for sugar, to the loss of preferential access to major markets or, most recently, to covid. Despite this vulnerability, inflation has remained relatively low by African standards, despite a spike in the early 1980s, and economic growth was high throughout much of the first few decades of independence. Mauritius also maintained a competitive exchange rate, avoiding currency overvaluation, with recourse to devaluations during periods of economic crisis, such as in the early 1980s.

Cultural diversity and the lack of an indigenous population. Cultural diversity can make reforms more difficult, as suggested by Meade above, as different groups fight over economic rents. Ethnic riots by the Creole population in Mauritius erupted in both the mid-1960s and again in 1999. Somewhat paradoxically, this diversity may have served as an anchor for reforms in Mauritius. Although two thirds of the population are Indo-Mauritians, this group is in turn divided by caste, religion and origin in India. Many were brought in as indentured labourers by the British once they took control of Mauritius after the Napoleonic wars, particularly in the period 1849-1923. The rest of the population is mostly Afro-Mauritians or Creoles, brought in by the French in the 18th century (and the Dutch even earlier) as slaves for the sugar plantations. The remaining 5% of the population comprises ethnic Chinese and the Franco-Mauritians who are often descended from the land-owning oligarchy that was left in place by the British colonial administration. Subramanian and Roy (2001[5]) argue that the number of different constituencies and the fact that no ethnic group was native to the island may have facilitated a more inclusive approach to development, as well as the fact that political power was held by the majority Indo-Mauritian population while economic power at independence still resided in the Franco-Mauritian minority.

Cultural diversity and a legacy of immigration also implies the potential to tap into an overseas diaspora. Subramanian (2009[3]) argues that the small ethnic Chinese community facilitated the investments from Hong Kong, China in the textile industry, a claim supported by Hein (1988[9]): "a few Sino-Mauritians with strong business and family links in the Far East played a leading role in the early 1970s in attracting businessmen and were themselves prominent investors". The same role of the diaspora can be seen in

later Indian investments in information and communication technology (ICT) and financial services. The same could perhaps be said for the many French investments on the island and the role of the Franco-Mauritians.

Inclusive politics. The response in Mauritius to cultural diversity was an inclusive approach to politics. Subramanian (2009[3]) argues that economic performance was sustained by “OECD-type social protection”, together with large and active trade unions with centralised wage bargaining. Another contributing element was the “best loser” system introduced by the British in which an independent electoral commission appoints up to eight losing candidates to each new National Assembly to represent under-represented ethnic groups (Overseas Development Institute, 2011[2]). Furthermore, coalition governments have been common in Mauritius, along with parliamentary democracy and smooth transitions of power.

Export processing zone. Compared to the disappointing performance of many such zones across Africa, the EPZ scheme started in 1971 in Mauritius is widely considered a success. By the early 2000s, the EPZ represented 26% of GDP, 36% of employment, 19% of the capital stock and 66% of exports, and within 15 years, employment in the EPZ exceeded that in the sugar industry and its contribution to GDP grew from 2.6% in 1976 to 13% by 1990 (Subramanian, 2009[3]).

The EPZ was a system of bonded warehouses rather than a fixed zone, as the overall quality of infrastructure across the island meant that there were few benefits from dedicated zones. Most foreign investors were from Hong Kong (China) or France, although roughly half of the equity capital was estimated to come from local investors (Frankel, 2010[8]). Firms in the EPZ could import all inputs duty free, benefit from a tax holiday for 10 years, followed by 50% exemption for five years and then 25% for another five years, the exemption of dividends from income tax for a five-year period, tax rebates on salaries for foreigners and loans at preferential rates, as well as guarantees against expropriation and protection against double taxation (Hein, 1988[9]).

The EPZ allowed for the development of an export-oriented sector at a time when Mauritius still relied on import substitution for the local market. Beyond duty-free inputs, these two sectors could co-exist in part because the labour market was also effectively segmented. Labour market regulations and wages differed between the EPZ and the rest of the economy, and most of the employees in the EPZ were young women who were new to the workforce. The minimum wage for women was also set lower than for men. Hence there was little mobility between the two sectors, and the success of the EPZ did not crowd out import-competing industries through the labour market. Subramanian and Roy (2001[5]) estimate that EPZ wages were 36-40% lower in the 1980s, narrowing to 7-20% in the 1990s.

Preferential access to OECD markets. Like many countries in Africa, Mauritius benefitted in its take-off years from preferential access to the European and American markets. This was particularly the case for sugar and clothing exports, with the Lomé Convention (later the Cotonou Agreement) and the Africa, Caribbean and Pacific (ACP)/EU Sugar Protocol. In textiles and clothing it also benefited from access to the US market subject to strict rules of origin requirements under the African Growth and Opportunity Act (AGOA) after 2000, as well as the Multi-Fibre Arrangement until 2005. Subramanian and Roy (2001[5]) estimate that preferential access in these two sectors represented 7% of GDP in the 1980s and 4.5% in the 1990s.

Mauritius made a judicious decision in the 1970s when asked to choose between a limited quota at the then high world price for sugar or a higher quota at the EU domestic price. As many other African countries decided to forgo a larger quota, Mauritius benefited both from over one third of the quota and the increases in the EU prices for sugar, thereby also insulating itself to some extent from the eventual fall in world sugar prices (Subramanian, 2009[3]).

FDI inflows. Mauritius has not attracted large amounts of FDI even by African standards, with FDI inflows representing only 2.6% of GDP on average over the past 20 years by World Bank figures. Unlike in many

other countries, the EPZ was not dominated by fully foreign-owned firms but included many local ones, as well as many joint ventures. Nevertheless, at key points in time, foreign investors have played a leading role, such as with investment from Hong Kong, China in causing the take-off of the garment sector, even though FDI by textile producers from Hong Kong, China never exceeded 6% of domestic investment (Svirydzenka and Petri, 2014[10]). According to the World Bank (1983[11]), "some of the success of the knitwear industry can be related to a demonstration effect of one or two early firms which were set up with the participation of foreign capital".

Abundant labour. At independence, Mauritius also possessed a pool of unemployed, educated and flexible labour which was essential to attract footloose investors (Overseas Development Institute, 2011[2]).

3.3. Addressing the productivity challenge

While Mauritius has experienced impressive economic development, some of the past drivers of growth described above, including favourable demographics, structural transformation, and capital accumulation may be more difficult to rely upon in the future. The so-called middle-income trap – which has been experienced by many countries that struggle to sustain the kind of growth previously experienced as they approach high income status – requires the adoption of new approaches to growth and development (Box 3.1). Higher productivity will be needed to continue to raise incomes.

Box 3.1. Productivity and the middle-income trap

Although stagnating growth rates in middle-income countries had been discussed earlier, the "middle-income trap" was first defined in a 2007 report as the difficult position facing a number of economies that have outgrown the low labour costs enabling their specialisation in labour-intensive activities but that have not yet reached the innovative stage of advanced, knowledge-based economies (Gill and Kharas, 2007[12]). Indeed, the record of global economic convergence has been unconvincing, as few poorer countries have succeeded in reaching high-income status. Many economies in East Asia, Latin America, and the Middle East have been considered to be in middle-income traps, unable to maintain or restart previous periods of rapid growth (Pruchnik and Zowczak, 2017[13]). The existence of the trap remains debated, however, as several empirical studies have found little evidence of its existence (Im and Rosenblatt, 2013[14]; Bulman, Eden and Nguyen, 2017[15]; Felipe, Kumar and Galope, 2014[16]); protracted growth slowdowns are not unique to particular income levels (Han and Wei, 2015[17]), and middle-income countries may actually have better growth prospects (Gönenç, 2017[18]). This results partly from differing definitions. Among six common definitions of a middle-income trap, Mauritius qualifies based on three of these definitions (Pruchnik and Zowczak, 2017[13]).

Regardless of the validity of the income trap concept, different strategies are called for at different stages of development (Larson, Loyza and Woolcock, 2016[19]). Improving productivity is critical for sustaining growth in economies such as Mauritius that have already exploited the growth opportunities arising from shifting from lower-productivity to higher-productivity sectors and adopting more accessible technologies. Rising wages without increases in value added per worker can threaten competitiveness in these cases. Within-sector productivity improvements (as opposed to productivity gains arising from the reallocation of labour to higher-productivity sectors) seem to have played a role in the success of countries that avoided or overcame the middle-income trap (Yılmaz, 2016[20]). Innovation and the adoption of new technologies may also play a particularly important role in increasing efficiencies in

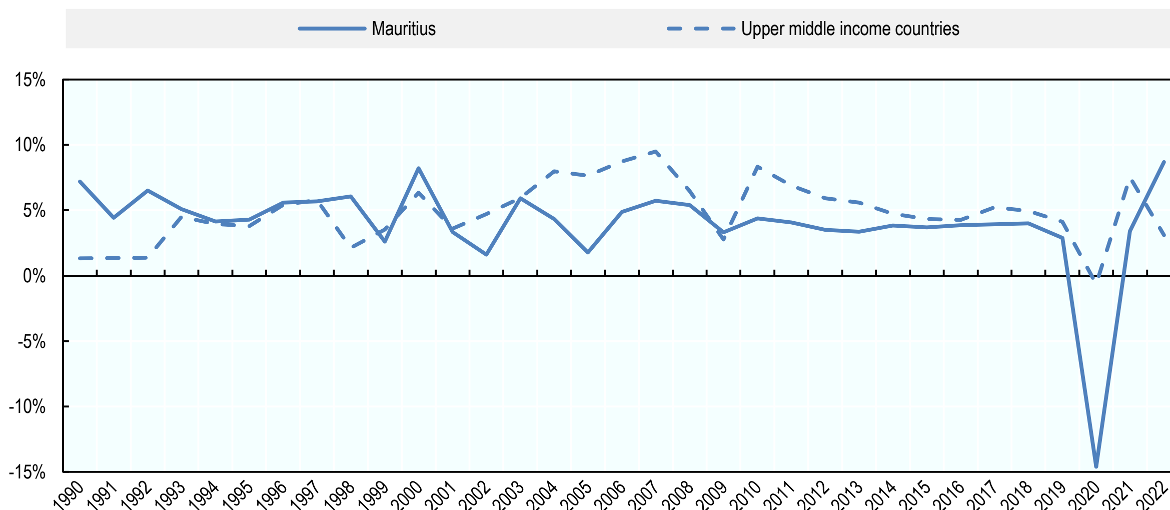
production by allowing more value to be created without proportional increases in the use of labour and other inputs (Paus, 2017[21]).

Continuing economic growth thus depends on creating dynamic firms, skilled workers, investment in innovation and new technologies, and other drivers of improved productivity. These can be challenging to foster. Reforms to product, labour and international trade and investment markets appear to have a greater impact on per capita incomes in emerging economies (Égert, 2017[22]). At the same time, these countries are likely to face greater political economy barriers to implementing institutional and policy reforms (Gönenç, 2017[18]).

3.3.1. Past drivers of growth cannot be relied upon in future

Building on its strong sugar, textiles, tourism, and financial services sectors, Mauritius has stood out among sub-Saharan African economies for its strength and stability. GDP increased in real terms by an average 4.4% per year over 1990-2019 before the significant setback during the COVID-19 pandemic and associated travel restrictions. Productivity growth accounted for much of this long-term improvement, but potential output growth has been declining for decades. Annual GDP growth has generally been below average for upper middle income countries since the early 2000s, though the recovery from a steep decline during the pandemic led to relatively strong growth in 2022 (Figure 3.1). Future economic growth risks slowing if it continues to rely on past drivers (IMF, 2022[23]).

Figure 3.1. GDP growth in Mauritius has not matched that of upper middle-income countries

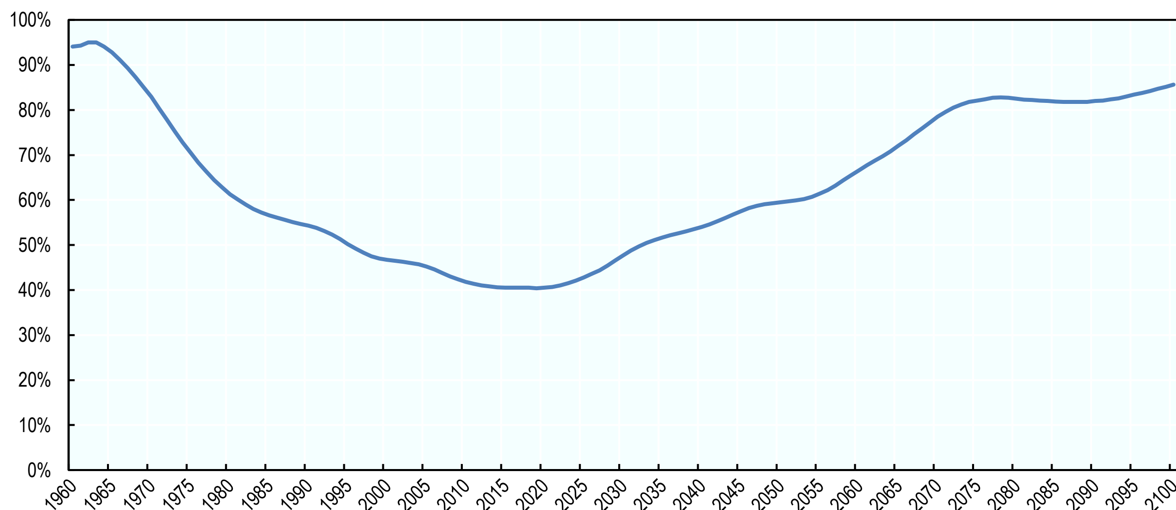


Source: World Bank

Mauritius is facing a closing demographic window of opportunity. While labour utilisation rates have been relatively stable in the recent past (with a gradual increase in the labour force participation rate of women over recent decades), economic growth has been bolstered by the expanding working age population. Between 1960 and 2015, its age dependency ratio[1] declined from 94.1% to 40.5% (Figure 3.2). The boost to growth that this demographic transition provides will be short-lived, however. The median age has been steadily increasing for several decades and the dependency ratio has recently begun to rise again.[2] Falling labour utilisation and savings rates in an ageing population will depress growth prospects. (Munozmoreno et al., 2014[24])

Figure 3.2. The dependency ratio has fallen since 1960 but is now rising

(The ratio of the economically dependent - children and elderly - to the working-age population)



Source: UN DESA (2022) World Population Prospects 2022.

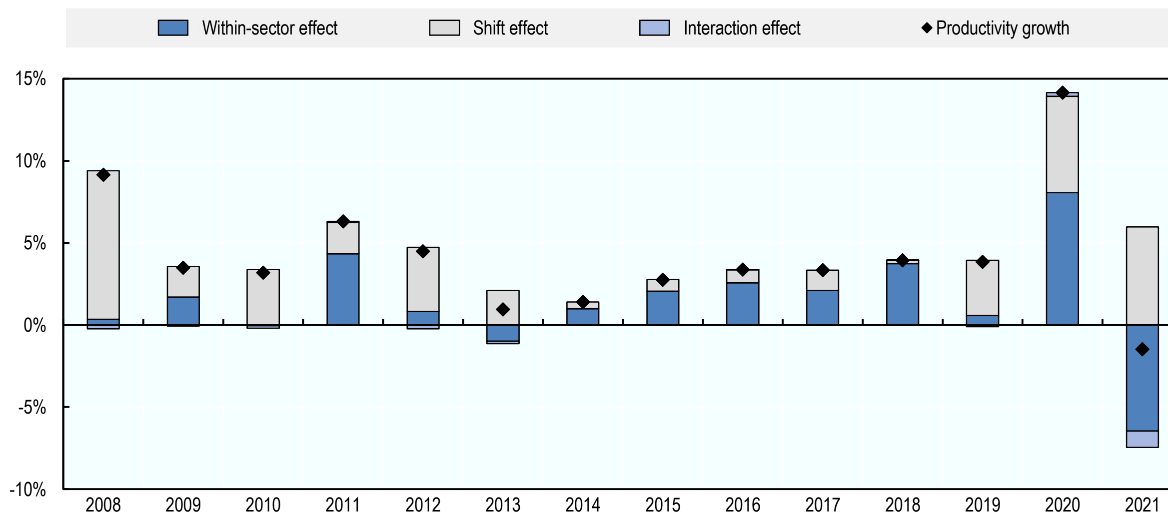
Structural transformation – the relative growth of higher-productivity sectors – has been another factor behind Mauritian growth over past decades. Economic diversification and investment in higher value-added activities have meant that traditional sectors have declined in importance. Shares of both value added and employment in agriculture, forestry, and fishing have been declining for decades: between 1976 and 2022, value added declined from 19.9% to 3.4% as a result of the growth of other sectors of the economy.[3] Beginning in the early 1980s, manufacturing rapidly increased in importance as a share of GDP, but this share has been declining since the late 1990s, partly as a result of the impact of the phasing out of the Multifibre Arrangement and the end of the successor Agreement on Textiles and Clothing. The services sector now accounts for around two-thirds of GDP.

Structural transformation is a diminished but continued source of productivity growth in Mauritius. The shift in the share of workers in sectors with lower productivity to sectors with higher average productivity was responsible for an average 2.9% annual growth in labour productivity over 2007-22, exceeding the average 1.4% due to within-sector growth (Figure 3.3). Indeed, there is likely continued space for the shift of workers to more productive sectors and within-sector productivity growth. The top sectors in terms of value added per worker do not overlap with the top sectors in terms of employment, with only limited overlap between the sectors with the highest and fastest-growing labour productivity (Table 3.1). Potential productivity growth through structural change faces inevitable limits, however, as opportunities for resource reallocation to higher-productivity sectors diminish (McMillan and Rodrik, 2014[25]).

Alongside labour accumulation related to demographic change and structural transformation, capital accumulation has been another important growth driver in Mauritius, although its contribution has declined (IMF, 2022[23]). As a percentage of GDP, gross fixed capital formation has been declining since the mid-1990s, from 31.8% in 1994 to 19.6% in 2021 (See Chapter 2 on FDI Trends and Impact). It has been lower in Mauritius than in upper middle-income countries in every year since 2000 and the gap is widening. It has also been below the average for sub-Saharan Africa for the past decade. Domestic savings have slowed investment (Moreno, Seetanah and Tandrayen-Ragoobu, 2019[26]). The contribution to growth from new investment is expected to remain low in future (IMF, 2022[23]).

Figure 3.3. Structural transformation has been the main cause of productivity growth

(Shift-share decomposition of labour productivity growth, 2008-21)



Note: : The within-sector effect measures growth in value added per worker without considering the effects of worker movement between sectors; the shift effect measures productivity growth due to workers moving into higher productivity sectors; and the residual, the interaction effect, is positive when sectors with growing productivity grow in employment share and negative when sectors with growing productivity decline in employment share. This decomposition was calculated using total employment and gross value added at constant prices in MUR across 19 economic sectors.
Source: Authors' calculations using Statistics Mauritius' National Accounts and Labour Statistics

Table 3.1. The most productive sectors are not those with the highest employment

(Top five sectors by productivity and employment measures)

Value added per worker (MUR million), 2021	Average productivity growth, 2012-21	Share of total employment, 2021
Real estate activities (233)	Mining & quarrying (6.7%)	Agriculture, forestry & fishing (29.8%)
Financial & insurance activities (31)	Administrative & support service activities (4.6%)	Manufacturing (24.4%)
Information & communication (15)	Information & communication (4.6%)	Wholesale & retail trade, repair of motor vehicles & motorcycles (9.0%)
Electricity, gas, steam & air conditioning supply (14)	Agriculture, forestry & fishing (4.4%)	Mining & quarrying (5.4%)
Professional, scientific, & technical activities (9)	Human health & social work activities (3.9%)	Public administration & defence, compulsory social security (4.3%)

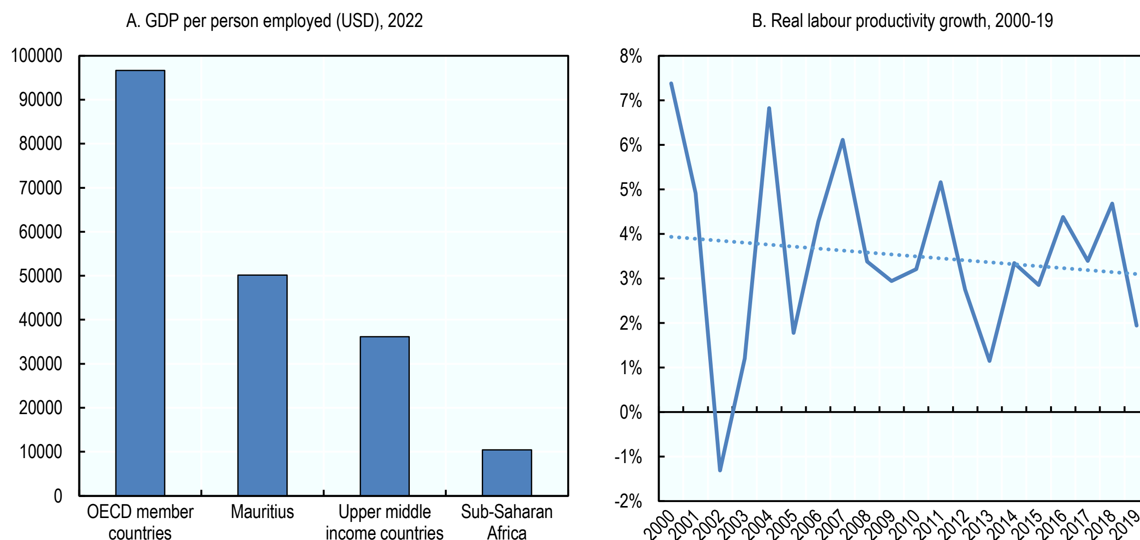
Source: Authors' calculations using Statistics Mauritius' National Accounts and Labour Statistics

3.3.2. Productivity improvements will be needed for further income growth

Higher rates of productivity growth will be needed to support continued increases in income in Mauritius. Value added per worker is just a quarter that of the OECD average. Mauritian labour productivity, measured as GDP per person employed, is well below the average for OECD member countries, but well above its regional average and also above the average for its income group (Figure 3.4, A). Total factor productivity, which measures output unexplained by capital or labour inputs, is also between that of upper middle- and high-income countries in key sectors such as food and textiles, but below both in the garments sector

(World Bank, 2021[27]). Labour productivity growth has been declining. Between 2000 and 2019 (excluding the effects of the pandemic), value added per worker grew by 3.3%, but annual productivity growth slowed over this period (Figure 3.4, B).

Figure 3.4. Measures of productivity provide a mixed picture but show deterioration over time



Source: World Bank, authors' calculations.

Although smaller firms have the potential to contribute to economic growth and dynamism, most face challenges in innovating or improving productive efficiency. Productivity levels vary considerably across firms: close to a quarter of all firms (24.1%) have a value added per worker at least double the national median (Figure 3.5). SMEs tend to be among the least productive firms, with below-average value added per worker and with just 6.6% of total export value despite accounting for close to half (45.4%) of total employment.[4] Productivity levels increase with firm size, as the median productivity level of large firms (with 250 and more employees) is more than three times that of micro-sized firms (1-9 employees).[5]

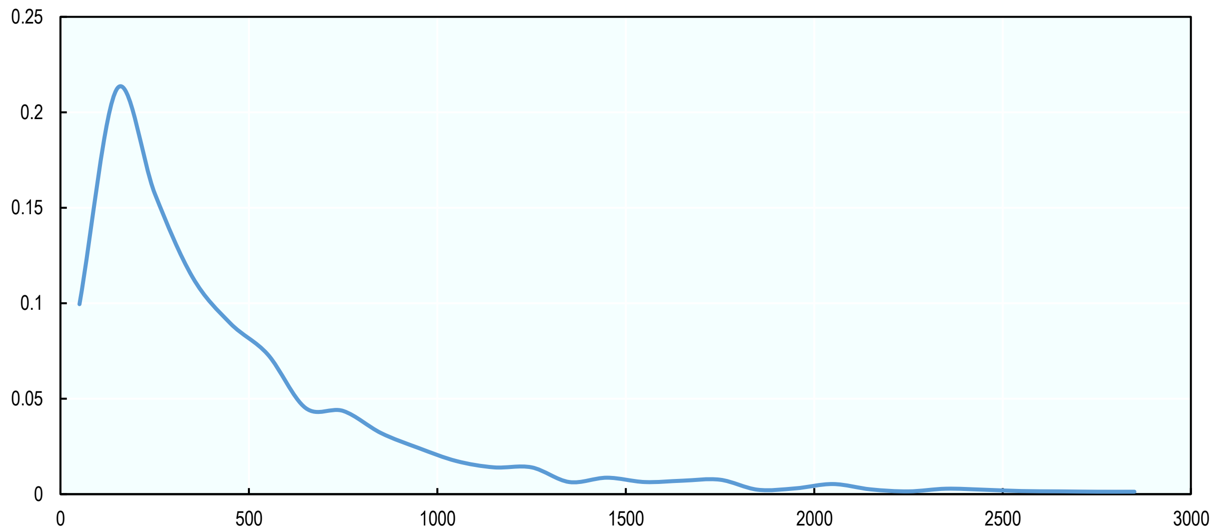
The need to adopt new approaches to pursuing growth is recognised in Mauritius. The *Government Programme 2020-2024* and the *Industrial Policy and Strategic Plan for Mauritius 2020-2025* (Office of the President of the Republic of Mauritius, 2020[28]) (Ministry of Industrial Development, SMEs and Cooperatives and UNCTAD, 2020[29]) both stress the importance of boosting productivity growth. In support of these plans, the *National Productivity and Competitiveness Council's Strategic Plan 2021-2025* outlines objectives to develop a productivity mindset through skill development and building productive and competitive enterprises through e.g. technological upgrading and capacity development (NPCC, 2021[30]).

Setting priorities for productivity growth

Improving productivity growth will require that Mauritius further build upon its established strengths regarding foreign investment, innovation and skills, and inclusiveness. It will be important to diversify the sources of FDI inflows and better leverage the opportunities they present for local businesses, including in improving export prospects. Greater emphasis on innovation and skill development will also support the expansion of new areas of economic activity and greater competitiveness for local firms. Alongside these efforts, more attention will need to be paid to fostering stronger growth that addresses inequality, including through the expansion of opportunities for SMEs.

Figure 3.5. Larger firms tend to be more productive in Mauritius

(y-axis: share of firms ; x-axis: valued added per worker in MUR thousand)



Note: Excludes the top and bottom 2.5% of firms.
Source: Authors' calculations based on Statistics Mauritius (2018[31]).

International investment and trade can be better leveraged as drivers of growth

International investment has the potential to boost productivity. Investment inflows are a major source of capital accumulation in Mauritius, as inward FDI represented 11.2% of gross fixed capital formation in 2022.[6] These inflows support the private sector's increasing share of total investment, as foreign-owned firms in Mauritius tend to invest at higher rate than domestic firms (World Bank, 2021[27]). But opportunities to leverage these FDI inflows as drivers of growth have not been fully realised. Openness to foreign investment and targeting inflows with the greatest potential to support growth and development are needed. Linkages between domestic and foreign-owned firms can create channels for productivity-enhancing spillovers. Supplying advanced foreign firms can provide opportunities for SMEs to access international product and service quality standards, knowledge, technology and finance (OECD, 2023[32]).

Much of the investment in Mauritius is poorly suited to fostering productivity spillovers. Foreign investors have typically shown the greatest interest in the real estate, accommodation, and construction sectors. They have been less active in manufacturing and other sectors that are stronger conduits for technology transfer with greater potential for innovation (World Bank, 2021[27]). In 2022, real estate activities alone attracted MUR 15.4 billion in FDI, accounting for 55.8% of all FDI inflows (see Chapter 2).

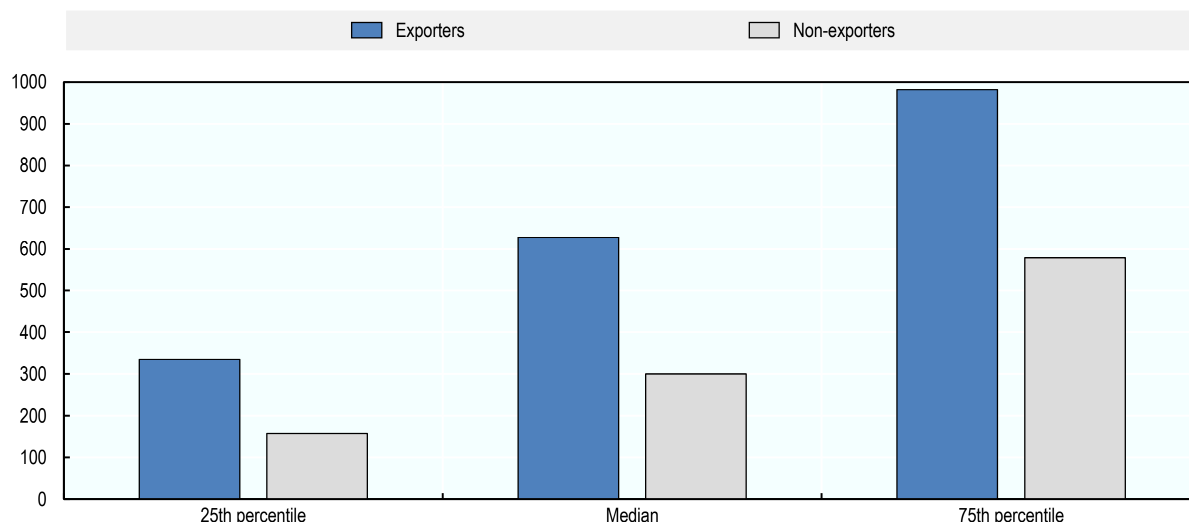
Connections between foreign-owned and domestic firms can be encouraged by establishing openly accessible databases containing information on local firms that could serve as suppliers, organising events to showcase local SMEs, and implementing initiatives to promote collaboration between foreign firms and local research institutions (ITC and DIE, n.d.[33]).

Beyond supporting capital accumulation and the upgrading of domestic firms, diversified foreign investment in productive sectors with export potential will strengthen the basis for trade-led growth. Improvements in productivity can make exports more competitive, as well as providing growth opportunities for the most productive firms, as Mauritian exporters are considerably more productive than their peers. The median value added per worker among exporting firms is more than twice that of firms with zero exports (Figure 3.6). In addition, FDI also facilitates trade through other channels, as foreign firms are often themselves engaged in trade (World Bank, 2021[27]). Engagement with these firms can help to prepare

local businesses for involvement in global value chains (GVCs) as well as in building connections with international markets (OECD, 2023[32]).

Figure 3.6. Exporters have far higher value added per worker in Mauritius

(Value added per worker by exporting status, 2018, MUR thousand)



Source: Authors' calculations using Statistics Mauritius (2018[31]).

Trade is already a major contributor to the economy – exports of goods and services account for more than half of GDP – but untapped potential remains. While being relatively diversified for an African economy, Mauritian exports are relatively undiversified by product, though Mauritius has the potential to increase the complexity of its trade (IMF, 2022[23]). About two-thirds of the value of goods exports in 2022 came from just five product categories: seafood (HS 16), knitted or crocheted clothing (HS 61), sugar (HS 17), apparel (HS 62), and knitted or crocheted fabrics (HS 60) (ITC, n.d.[34]) (see Chapter 2 for more information on Mauritian trade). Recognising the continued importance of trade-led growth, improvements to trade infrastructure and administration are helping to lower costs. Trade facilitation measures implemented by the Mauritius Revenue Authority, including automated filtering of declarations, have improved efficiency and reduced delays in trade, for example (World Bank, 2021[27]).

Trade can create opportunities for adopting new products and processes by domestic firms, thereby facilitating access to foreign technologies, serving as a foundation for domestic innovation. Innovation is further supported through other trade-related channels, including the direct exchange of technology, heightened competition fostering innovation, and opportunities for learning effects that ultimately contribute to the growth of innovative firms (Kiriyama, 2012[35]). Participation in GVCs may be particularly beneficial in driving cross-border knowledge and technology flows, such as where lead firms share these with their suppliers (Gereffi, Humphrey and Sturgeon, 2005[36]). Assisting firms in beginning to export and diversifying their exporting is the focus of several government initiatives, including NPCC's Enterprise Transformation Programme, which offers support and capacity building for local firms (NPCC, 2021[30]). Strategies should be developed to fully realise the benefits of the various agreements signed with emerging economies (Chapter 4).

3.3.3. Innovation and skills will support a productive knowledge-based economy

Innovation and skill development will become essential growth drivers for Mauritius as it reaches a high-income level. Developing domestic capacities for innovation is critical in overcoming the middle-income trap and reinvigorating economic growth (Paus, 2017[37]). The need for improvements to innovation and skills is further highlighted by local firms' labour cost shares, which are relatively high given income and productivity levels. The ratio of sales to total labour costs in Mauritius (4.4) is below the average of high-income countries (World Bank, 2021[27]). The expansion of innovation-, technology-, and knowledge-intensive areas of the economy will allow Mauritius to remain competitive while increasing incomes.

While foreign investment can contribute to these goals through value chain linkages and other spillovers (see Chapter 2), domestic capacities also need to be improved upon. Even local firms that do not do business directly with new entrants may benefit from imitating those with more productive and innovative operations or hiring workers that have gained new knowledge and skills with these businesses (OECD, 2023[32]). FDI can boost productivity and innovation in host economies through supply chain linkages and strategic partnerships. Foreign investment is easiest to leverage when there is less of a technological gap between foreign and domestic businesses. Developing the absorptive capacities of local firms is therefore a necessary precondition to benefit from productivity spillovers (OECD, 2023[32]).

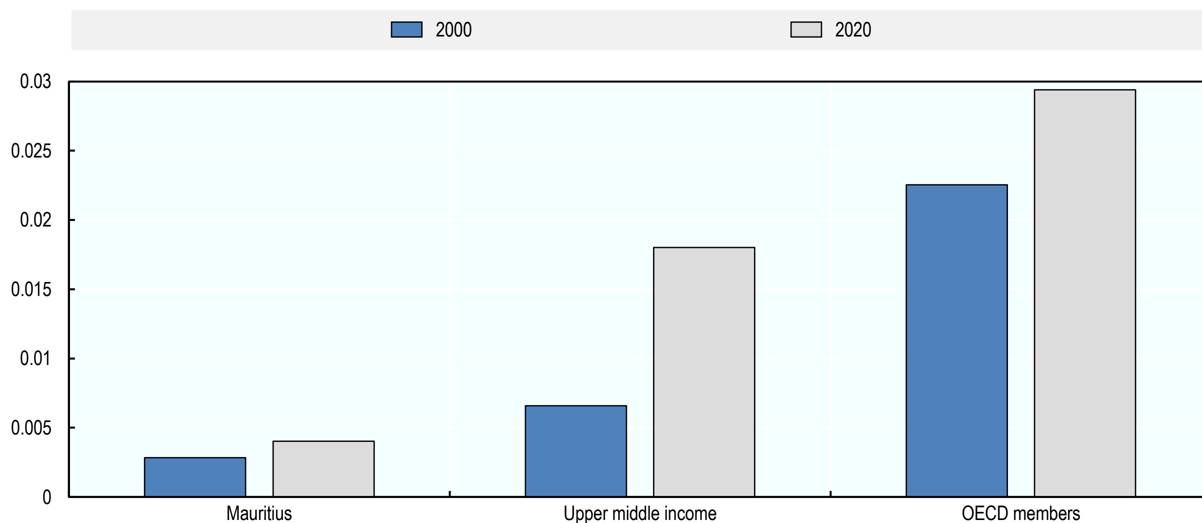
Specific funds dedicated to strategic sectors may be used to support innovation and upgrading (UNCTAD, 2021[38]). This could build on existing programmes; Mauritius already allocates funds for innovation and research to academic institutions and industry, including the Mauritius Research and Innovation Council's National SME Incubator Scheme, which focused on supporting innovative startups. Policymakers also need to consider how intellectual property rights, rules on FDI, restrictions on the employment of foreigners with management and technical skills in some sectors, and fiscal incentives, and other rules affect lead firms' decisions on investment and technology transfer (World Bank & WTO, n.d.[39]).

Innovation and technological upgrading are central to economic diversification and development. The importance of digitalisation and potential of the country's ICT sector have been recognised by the government (Ministry of Information Technology, Communication and Innovation, n.d.[40]). While Mauritius is home to a number of firms introducing new products and services to their markets – especially among larger businesses and those with an outward orientation – investment in innovation is limited overall (World Bank, 2021[27]). Investments in research and development have not growth much faster than GDP – rising from 0.3% to 0.4% of GDP over 2000-20 – and are well behind those of upper middle-income countries (1.8% of GDP in 2020) and OECD member countries (2.9% of GDP in 2020) (Figure 3.7). The number of researchers relative to population is also far lower than among these other country groups.

Government policy and planning pay significant attention to innovation. The need for faster progress on innovation is acknowledged in the *Industrial Policy and Strategic Plan for Mauritius (2020-2025)*, which calls for increased high-value R&D activities in the manufacturing sector. The Ministry of Technology, Communication and Innovation's *National Innovation Framework (2018-2023)* outlines plans to establish a system of innovation bringing together capacity building, infrastructure, incentives, and major research and innovation measures. Several programmes, including the National Research and Innovation Fund, *National SME Incubator Scheme*, and *Technology and Innovation Fund*, offer financing and assistance for small businesses to foster R&D and the adoption of new technologies. Policies aiming to better attract and leverage innovation flows from international investment include the intellectual property rights elements of the Industrial Property Bill 2019, R&D tax incentives introduced in 2017, and the Regulatory Sandbox Licence introduced in the 2018/19 budget (Madhou, Moosun and Modi-Nagowah, 2022[41]).

Figure 3.7. Mauritius lags far behind peers and OECD countries in R&D expenditure

(percentage of GDP)



Source: World Bank

The impact of these measures is limited by barriers to commercialisation and investment in innovation. The private sector is not sufficiently involved in the innovation system. Mauritius' ranking in the 2023 Global Innovation Index is lowest in the business sophistication pillar, comprising measures of knowledge workers, innovation linkages, and knowledge absorption (WIPO, 2023[42]). Fiscal incentives, incubators and other startup assistance programmes, support for collaborative innovation, and the development of complementary skills could all be improved upon to facilitate greater private sector involvement in innovation (Madhou, Moosun and Modi-Nagowah, 2022[41]).

Beyond this support, effective innovation systems rely on institutional capacities and relationships. While innovation is influenced by numerous factors, a crucial element is cultivating a business environment that facilitates knowledge creation and dissemination. Cross-sector collaboration plays a pivotal role in translating fundamental research into commercial opportunities (OECD, 2015[43]). To promote cooperation among the various stakeholders involved in innovation, well-coordinated efforts among institutions are needed. The significant delays between investment in R&D and the realisation of gains from innovation mean that national innovation plans are useful in setting common goals to direct policymaking (Cantwell and Vertova, 2004[44]). Such plans should be designed through inclusive processes and should incorporate measurable targets for tracking progress.

Improved skills are needed as well. Worker skills are a direct driver of productivity growth, and they also affect firms' capacities to develop and use new technologies and practices that improve efficiency and the production of novel products and services. Investment in education and education outcomes in Mauritius is generally in line with peer countries. Large and growing shares of the adult population have completed secondary and post-secondary education. Total government spending on education (4.7% of GDP in 2021) is above the upper middle income country average (3.7%) and close to the average of OECD countries (5.0%).[7] Skills are generally adequate, though insufficient skills do seriously constrain some businesses. While most firms do not identify an inadequately educated workforce to be an obstacle to their current operations, 17% of firms say that it is a major obstacle (World Bank, 2021[27]).

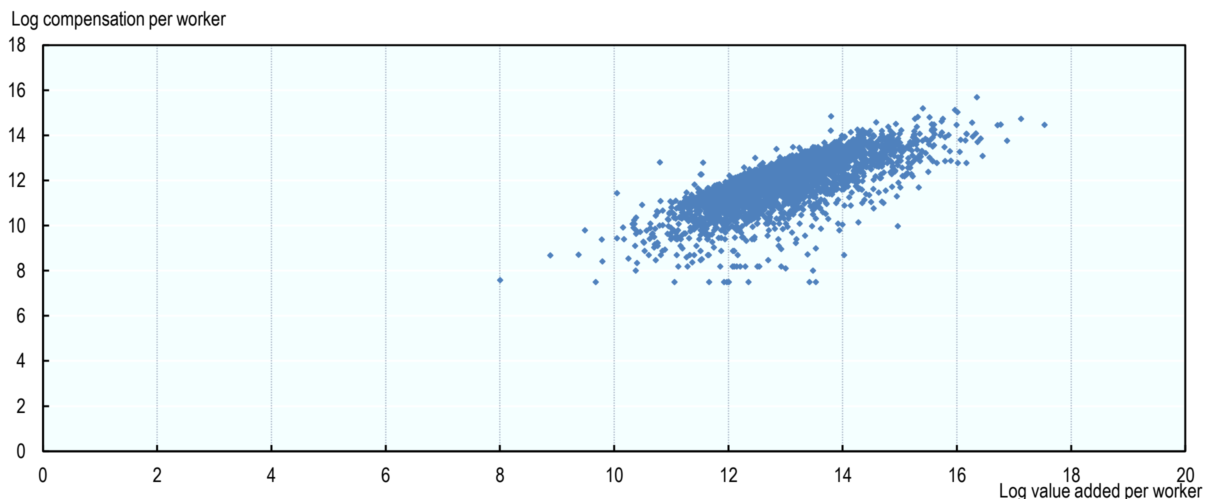
These skill gaps affect the performance of local firms. Many businesses face challenges in recruiting workers with required skills, which can be particularly relevant in innovation- and technology-intensive sectors. For example, skill demands are particularly high in the ICT sector (World Bank, 2021[27]). Although

many do not have high levels of demand for advanced skills, SMEs are likely to be particularly affected as well. Investment in worker training is relatively limited among small firms (World Bank, 2021[27]). This can have widespread effects, as the movement of skilled workers between firms and between sectors is a key means of diffusion for formal and tacit knowledge (OECD, 2001[45]).

Some evidence suggests the importance of skills to firm productivity in Mauritius. Wages, which are at least partly determined by workers' skills (OECD, 2021[46]), are closely related to labour productivity at the firm level (Figure 3.8). Similarly, skills may be associated with greater capacities for innovation and international competitiveness; average compensation per worker among exporting firms is more than twice that among non-exporters.

Figure 3.8. Workers' skills are positively related to productivity

(Value added and compensation per worker among Mauritian firms, 2018)



Source: Authors' calculations using Statistics Mauritius (2018[31]).

The technical and vocational education and training (TVET) system will play an important role in addressing these skills gaps. Established under the Ministry of Education and Human Resources, Tertiary Education and Scientific Research in the Mauritius Qualifications Authority Act 2001, the Mauritius Qualifications Authority is tasked with ensuring that education and training aligns with the demands of employers and is responsible for the national qualifications framework. It is also responsible for the TVET system, which consists of nine technical institutes and more than 500 other registered providers operated by various ministries, public sector agencies, and private sector providers (UNESCO, n.d.[47]).

The ongoing reforms of education and training programmes are needed in response to structural and technological change, which affect how firms operate and thus the nature of skills demanded (ILO, 2015[48]). Recent improvements to higher education should help to prepare workers with the skills demanded in a more knowledge-based economy. Mauritius has ten public higher education institutions, of which four are universities, and several private providers of higher education. Enrolment in tertiary education is growing faster in Mauritius than in any other sub-Saharan African country. This is partly the result of expanded access to higher education with the introduction in 2019 of publicly funded tertiary education for citizens pursuing a first certificate, diploma, or degree (UNESCO, 2022[49]). The government is also investing in improving education quality. Following the Higher Education Act 2017, the Higher Education Commission (HEC) and the Quality Assurance Authority were established to regulate higher education and conduct quality audits respectively. The HEC also funds research projects to improve the standing of local universities and creating economic, environmental, social, cultural and other impacts.

The benefits of education and training will be limited if skill development is not aligned with the needs of firms. Engagement with the private sector is therefore needed in addressing skill gaps and preparing for future labour demand. Curriculum reform should also include analysis of the nature of skills gaps or mismatches perceived by businesses and what this means for the reform of education and training systems (Branka, 2016[50]). Planning regarding the design and content of TVET may similarly benefit from regular consultation with affected actors.

A greater emphasis on digital skills, which are complementary to technological upgrading and growth, may also be needed and could be integrated into TVET programmes and schools – including the introduction of foundational skills in primary education – to better prepare workers for a more innovative and digitalised economy. Digital skills and digital literacy will allow for wider firm-level ICT adoption, e-commerce and the implementation of e-government services. This should include prioritising education programmes and enhancing access for marginalised groups. Successful initiatives that integrate digital skill development into formal education are broad and encompassing. In other areas, skill development programmes geared towards enhancing digital user skills frequently highlight the importance of improving access for excluded groups. Relatedly, national broadband strategies could be useful in setting priorities for advancing digitalisation in Mauritius through future improvements in connectivity (World Bank, 2014[51]).

Expanded on-the-job training and other forms of continuous learning are needed to drive growth, particularly during periods of structural transformation and in less favourable demographic contexts (ILO, 2021[52]).[8] Effective continuous learning systems should be relevant for both individuals seeking employment and employees aspiring to advance in their careers, including those undergoing retraining for transitioning into new sectors. To effectively meet individual needs, programmes should demonstrate flexibility while giving priority to hands-on learning (OECD, 2019[53]). The use of modular training programmes is on the rise, which appear to be most effective when integrated into a broader and well-established learning framework (OECD, 2003[54]). In environments with robust job protections and limited support for the unemployed, there is generally a preference for firm-specific training. This approach aims to retain workers within the same company, retraining them for new tasks or additional responsibilities. Conversely, systems that prioritise more general training and place greater individual responsibility on workers are more suitable in contexts where job mobility is higher (OECD, 2021[55]), as has often been perceived to be the case in Mauritius (HRDC, 2012[56]).

Additional education and training will not do much to support growth without efficient labour markets that connect workers with work to which they are well-suited. According to the ILO, many workers in Mauritius are poorly matched to their jobs, representing wasted potential. Addressing the skill mismatch will require different approaches for different demographic groups, including strengthening continuous learning and employment services. Since undereducated workers tend to be older, targeted training and retraining programmes are needed to help these workers adjust to working with newer technologies or to move to jobs in new sectors (ILO, 2019[57]). For younger workers who are often overqualified for their jobs, assistance with job search and protections for the unemployed, along with reforms to education and training programmes, could help in reducing skill mismatches. Greater use of active labour market policies (ALMPs) – including employer subsidies, job creation schemes and training, counselling and job search assistance – may help to boost employment opportunities and improve matching between jobs and workers (Lucifora and Origo, 2002[58]). ALMP systems that are decentralised and adaptable are typically most effective in handling crises and adapting to evolving situations, as was seen in countries' responses to the COVID-19 pandemic. The coverage of active labour market policies could be expanded by relaxing conditions on participation (ILO, 2019[59]).

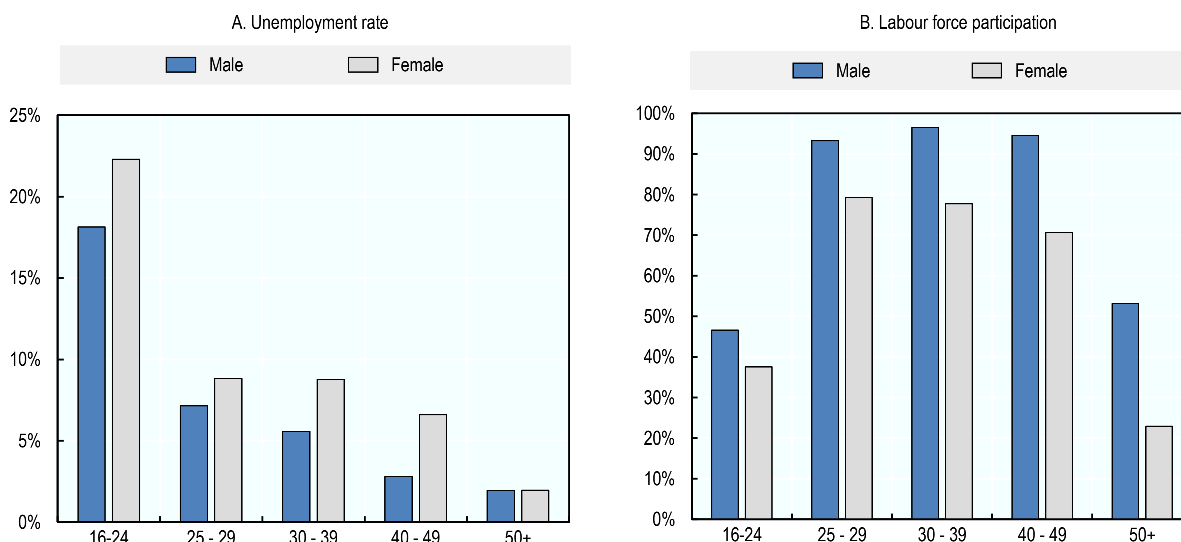
3.3.4. Inclusiveness can be fostered through broad-based productivity growth

Economic growth has raised incomes across the country but has not addressed inequalities. Between 1996/97 and 2017, the share of households in relative poverty – defined as those with incomes below half

of the median monthly household income per adult equivalent – increased from 8.7% to 9.6% (Statistics Mauritius, 2020[60]). Wage inequalities arising from skill shortages have driven increases in inequality, which were somewhat mitigated by public transfers (World Bank, 2018[61]). In addition to its impact on disadvantaged groups, uneven growth can hinder economic development by raising barriers to education and skill development (OECD, 2014[62]). Given this, improvements to worker skills and productivity levels will need to be broad-based to produce more inclusive and stronger growth. Improvements to SMEs are also needed for a more balanced economy.

Gender differences in labour market outcomes contribute significantly to inequality. While the ratio of the working-age female labour force participation rate to that of males is increasing, it is lower in Mauritius (0.75) than it is in sub-Saharan Africa (0.85) or upper-middle income countries (0.87) (Figure 3.9).[9] This trend is largely due to the increase in young women joining the labour force. On the other hand, rising income levels in future may lead to more women withdrawing from the labour market in favour of taking on domestic responsibilities (IMF, 2017[63]). In addition to differences in access to education and training, a lack of access to appropriate childcare holds back greater labour force participation rates for women (World Bank, 2021[27]). These factors have also produced an income gap, with women's average earnings just 76.1% of men's in 2021 (Statistics Mauritius, 2020[64]). Chapter 2 looks at the contribution of foreign investors to gender equality.

Figure 3.9. Youth and female unemployment are relatively high in Mauritius, 2023



Source: (Statistics Mauritius, 2023[65]).

Labour market policies addressing the needs of women will be needed to lessen inequalities by gender in Mauritius. This may include increasing assistance on care for children and the elderly that is traditionally provided by women[10], fostering more flexible modes of work, or extending paternity leave, to reduce gender gaps in employment (World Bank, 2017[66]).

Young Mauritians also face significant challenges in labour markets. The unemployment rate for people aged 16 to 24 in the labour force in the third quarter of 2023 was 17.8%, declining from 20.0% in the first quarter. Young people from poorer families are particularly likely not to be in education, employment, or training, contributing to the perpetuation of existing inequalities (World Bank, 2018[61]). Furthermore, youth and women are overrepresented among those in jobs not matching their skill levels. Skill mismatches are a growing issue in the Mauritian labour market. In particular, the share of workers overeducated for their jobs increased between 2006 and 2015 (World Bank, 2018[61]). Along with lower rates of employment, this

can negatively affect individuals' incomes and earning potential, as well as the prospects for growth and productivity improvements across the economy.

Active labour market policy measures run by the Ministry of Labour and others provide some help to improve employment outcomes for women and youth by addressing labour market inefficiencies. The Women Back to Work Programme provides special training programmes for women re-entering the workforce after a period of absence, while the Youth Employment Programme provides stipends to young workers during their first year of placement or training. The unemployment benefit Workfare Programme provides training, assistance in job placement, and startup support for both formal and informal workers. Started in 2009, the Programme is implemented by the Ministry of Labour, Industrial Relations, Employment and Training in coordination with the Ministry of Social Security, National Solidarity, and Environment and Sustainable Development and other public agencies. It has been shown to be an effective measure for supporting worker income and employability (ILO, 2019[67]).

SMEs can be drivers of inclusive growth for employees, and entrepreneurship can be an important source of upward economic mobility (OECD, 2019[68]). Many new firms are also drivers of competitive pressure and innovation, but the potential of younger and smaller firms is often underexploited. Significant labour costs and low productivity hold back the competitiveness of local SMEs, meaning that a supportive business environment is needed to strengthen these firms' capacities to compete and expand. Access to finance is a particularly common concern among smaller and lower-productivity firms, leading most to rely on internal resources for working capital and long-term investment (World Bank, 2021[27]). More balanced competition is needed as well. While the scale of the informal economy is estimated to be relatively small in comparison with other countries in sub-Saharan Africa, informal competition is a major concern to some smaller formal firms, particularly in the construction, transport, and food sectors (World Bank, 2021[27]).

Supportive policies and institutions are key to solving these challenges and the potential of SMEs and their need for support is recognised in government planning and policy. The *10-Year Master Plan for the SME Sector in Mauritius* targets significant increases in SMEs' shares of employment, value added, and exporting through improvements to skills and firm competitiveness, growth potential, and performance (Ministry of Business, Enterprise and Cooperatives, n.d.[69]). Various programmes directly offering or supporting access to finance for SMEs are offered by the Bank of Mauritius, Development Bank of Mauritius, Investment Support Programme, and SME Equity Fund, along with loans from commercial bank targeting small businesses. Most small businesses are aware of the support programmes available to them (Larson, Loyza and Woolcock, 2016[19]), even if they are not widely used. Among small manufacturing, trade, and services firms, 73.5% of businesses were aware of the existence of support schemes, but only 15.4% said that they had made use of them, according to the 2018 Census of Economic Activities.

The limited use of these assistance programmes targeting SMEs on finance and innovation suggests that either greater promotional efforts are needed or that alternative approaches would be more useful in addressing the challenges faced by these firms. These programmes could focus on fostering linkages between SMEs and larger domestic or foreign firms to support technology transfer and other productivity spillovers.

Particular attention may need to be paid to developing new and small businesses, including increasing the support available to startups and working to establish a stronger culture of entrepreneurship. This has already started, such as through recent reforms to the national curriculum to integrate entrepreneurship education.

Notes

[1] The ratio of the economically dependent (children and elderly) to the working-age population.

[2] Authors' calculations, using UN DESA. (n.d.). *Data Portal*. https://population.un.org/dataportal/data/indicators/70,67/locations/480/start/1950/end/2101/table/pivotbylocation.

[3] Data on value added were not available from before 1976. World Bank. (n.d.). *World Development Indicators*. https://databank.worldbank.org/source/world-development-indicators.

[4] Statistics Mauritius. (n.d.). *Small and Medium Enterprises*. https://statsmauritius.govmu.org/Pages/Statistics/By_Subject/SME/SB_SME.aspx.

[5] Authors' calculations, using Statistics Mauritius (2018[31]).

[6] UNCTAD. (n.d.). *UNCTADstat*. https://unctadstat.unctad.org.

[7] World Bank. (n.d.). World Development Indicators.

[8] According to the government, provisions for dual apprenticeship in legislation (for MITD) exist, but effective implementation is sometimes hindered by various factors: lack of students to launch a particular course by the MITD, lack of infrastructural facilities and equipment (and therefore collaboration with enterprises is required.)

[9] Authors' calculations, using World Bank. (n.d.). *World Development Indicators*.

[10] The budget for 2023/24 calls on firms employing more than 200 people to provide childcare facilities to employees.

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4 Investment policy in Mauritius

Changes to Mauritius' domestic framework and other investment climate improvements over the years have made it one of the world's most business-friendly jurisdictions. This chapter provides an analysis of the investment framework, focusing on both domestic legislation and its international investment agreements. It looks at statutory restrictions to foreign investment and property rights protections in the domestic legal framework and provides an overview of other investment climate-related issues, including corporate governance, contract enforcement, land tenure and administration, intellectual property rights and competition policy. It also reviews the main features of Mauritius' international investment agreements and some of their extensive investor protection standards in light of the government's ongoing revision of its model bilateral investment treaty.

4.1. Introduction and summary

In many ways, Mauritius has a modern legal framework for private sector activity, in keeping with its aim of becoming one of the world's most business-friendly jurisdictions. It provides a high degree of legal protection for investors, and its Companies Act along with the Financial Services Act 2007 have played a key role in making Mauritius a hub for global businesses. In the last Doing Business rankings from the World Bank, it ranked 13th out of 190 jurisdictions. It has also made significant strides to improve its corporate governance framework, including the update of its Corporate Governance Code in 2016, following extensive stakeholder consultations. Concerning contract enforcement, Mauritius has developed strong judicial processes that meet international standards in terms of quality, integrity and efficiency, as part of the government's efforts to become a jurisdiction of choice for international arbitration. Assessments of its court system show it to be a leader in Africa and among upper middle-income countries. It has made great strides in protecting intellectual property rights and in strengthening competition policy, not least through the creation of the Competition Commission of Mauritius in the Competition Act of 2007.

These efforts have paid off, most notably by attracting over USD 300 billion in direct investment from global businesses as of the end of 2022, according to the Bank of Mauritius. These investors are enticed by favourable tax treatment, but the quality of the regulatory environment is a necessary complement. Much of this investment is then channelled to other destinations, traditionally India but increasingly now to Africa. It is estimated that 9% of all FDI in Africa – or USD 82 billion – comes through Mauritius (Capital Economics, 2021[1]). This estimate from 2018 covers all forms of investment, not just FDI.

For domestic businesses and those foreign investors interested in actual operations in Mauritius, however, the overall regulatory and governance framework does not appear to be fulfilling its role. The weak performance in attracting traditional FDI (Chapter 2) and in improving productivity and enhancing innovation (Chapter 3) suggest that more could be done beyond the search for further administrative simplification and regulatory rationalisation. Although Mauritius is relatively open to FDI, it maintains some restrictions in key sectors of the economy which might dampen competition in these vital sectors. Advancements in corporate governance could include more complete adherence of state-owned enterprises to the Corporate Governance Code and improved disclosure. Despite the overall strong protection of intellectual property (IP) rights, local firms have reportedly conducted research and development in other jurisdictions out of concerns for protecting their IP rights. As often seems to be the case in Mauritius, the landscape for IP rights is fragmented institutionally.

Competition policy could also be strengthened. Although small markets are naturally more likely to have fewer competitors, the presence of vertically-integrated conglomerates in Mauritius and high levels of cross-directorships contribute to highly concentrated markets (World Bank, 2021[2]). None of these shortcomings in the domestic business environment presents a critical roadblock, but taken together they can help to explain why structural transformation, upgrading within sectors and R&D-led innovation are not occurring sufficiently at this stage of development of the Mauritian economy.

Policy recommendations

Domestic legal and regulatory framework

- **Reassess the rationale for restrictions in key sectors, as well as their potential impact on FDI inflows in these and in other sectors**. Mauritius is one of the SADC members with the lowest level of statutory barriers to investment but maintains a more restrictive environment for foreign investment on average than OECD members and Adherents to the Declaration on International Investment and MNEs. Many of the restrictions are in similar sectors to those found

in other countries, such as broadcasting, air transport and property. While Mauritius does not appear to discriminate widely against foreign investors, restrictions in key sectors such as sugar and tourism, run counter to the aim of presenting Mauritius as an ideal place to do business and are not in line with the degree of openness in other small economies that position themselves in the same way as Mauritius, such as Singapore.

- **Consider distinguishing between compensable and non-compensable forms of indirect expropriation**. This would align the domestic framework with commitments under international investment agreements, while preserving some regulatory leeway to implement meaningful public policy changes without being constrained by obligations to compensate affected investors. Investors' property rights are protected through constitutional safeguards limiting the government's powers to nationalise or expropriate property to exceptional circumstances and with adequate compensation. The relevant caselaw also appears to expand constitutional protections to indirect expropriation measures as well.
- **Assess corporate governance framework against G20/OECD Corporate Governance Principles**. The Companies Act 2001, as amended, provides for a modern legal framework for company establishment and the corporate governance framework for public interest entities was reviewed in 2016 to reflect international best practices. A process to align the 2016 National Code of Corporate Governance for Mauritius with the revised G20/OECD Principles of Corporate Governance was launched by the National Committee on Corporate Governance in mid-April 2024.
- **Raise awareness of IP rights over intangible assets**. Mauritius strives to become a research, technology, and innovation economy, where businesses are equally empowered to innovate. This vision may only be achieved through a strong IP rights regime. The framework for IP rights has evolved significantly since the OECD *Investment Policy Review* of 2014. The Industrial Property Act was adopted in 2019 and entered into force in 2022, consolidating the legal framework and strengthening IP rights protections. The legal regime covers patents, marks, copyrights, industrial designs, utility models, layout-designs of integrated circuits, plant varieties, trade names, and geographic indications. Despite significant improvements in the IP legislative framework, the reported lack of awareness of rights over intangible assets may hinder the development of an enabling IP and innovation ecosystem.
- **Consider further collaboration with the OECD on a review of competition law and policy or a competition assessment of a specific sector such as banking**. Effective competition is essential for a dynamic business environment in which firms are willing to take risks, invest and innovate. Creating and maintaining a competitive market requires a well-structured competition law, together with an effective competition authority, and, more widely, economic policies that foster competition. While research suggests that the Competition Act improved the enforcement and penalty in matters of uncompetitive behaviour, finding a positive relationship between the law's scope and competition intensity, the World Bank has recommended the Competition Commission to scale up its review of regulations and policies restricting entry or facilitating collusion, as well as greater efforts at advocacy.

International investment agreements

- **Consider clarifying current treaties in force to reduce exposure to potential claims**. Along with the conclusion of trade agreements, international investment agreements (IIAs) have been a key aspect of Mauritius' development and growth strategy. A sizeable investment treaty network through bilateral or multilateral agreements grants relative and absolute standards of protection to qualifying investors. Most IIAs in force follow older designs that feature vague framings of obligations and a lack of specificity in the meaning of key provisions. While the

revision of the Mauritian model BIT is a welcome step towards incorporating more specific language in its future investment agreements, Mauritius should consider clarifying its current treaties in force, given its exposure to potential claims. Joint interpretations can be a simpler and faster device than renegotiation to address some aspects of treaty policy, provided that the existing treaty text allows for such an approach. The entry into force of the African Continental Free Trade Area (AfCFTA) Protocol on Investment is also expected to replace ten in-force BITs concluded by Mauritius with other African Union members.

4.2. Mauritius' openness to foreign investment

Mauritius is one of the members of the Southern Africa Development Community with the lowest level of statutory barriers to investment but maintains a more restrictive environment for foreign investment on average than OECD members and Adherents to the Declaration on International Investment and MNEs more broadly. All horizontal and sectoral restrictions are listed below and form the basis for the draft list of exceptions to national treatment in Annexes A and B at the end of this chapter. Many of the restrictions are in similar sectors to the types of restrictions found in other countries, such as broadcasting, air transport and property. Local incorporation is also required in some sectors.

While Mauritius does not appear to discriminate widely against foreign investors, restrictions in key sectors such as sugar and tourism, run counter to the aim of presenting Mauritius as an ideal place to do business. They are also not in line with the degree of openness in other small economies that position themselves in the same way as Mauritius, such as Singapore. A reassessment of the rationale for restrictions in key sectors, as well as of the potential impact of these restrictions is called for.

The OECD *FDI Regulatory Restrictiveness Index* is based largely on the list of exceptions to National Treatment under the OECD Declaration on International Investment and MNEs, although it also includes market access issues as well (Box 4.1). It shows all discrimination against foreign investors in virtually all sectors of the economy (excluding some such as defence and education). The performance of Mauritius is shown in Figure 4.1.

Box 4.1. OECD FDI Regulatory Restrictiveness Index

The OECD *FDI Regulatory Restrictiveness Index* seeks to gauge the restrictiveness of a country's FDI rules. The FDI Index is currently available for over 100 countries. It is not a standalone measure of a country's investment climate since it does not cover many other aspects of the investment regulatory framework or the actual implementation of formal restrictions. But FDI rules are a critical determinant of FDI attractiveness and help to explain the varied performance across countries in attracting FDI (Mistura and Roulet, 2019[3]).

The FDI Index covers 22 sectors, including agriculture, mining, electricity, manufacturing and main services (transport, construction, distribution, communications, real estate, financial and professional services). Restrictions are evaluated on a 0 (open) to 1 (closed) scale following a standardised policy scoring framework, and common sectors weights, reflecting their average share in total value added over the years 1995, 2000, 2005, 2010 and 2015 for 64 economies included in the OECD Input-Output Tables, are applied across countries to compute sector scores (Mistura, Forthcoming[4]). The overall country FDIRRI score is the sum of the 22 sector sectors.

For each sector, the scoring is based on the following policy elements:

- the level of foreign equity ownership permitted,
- the screening/approval procedures applied to inward foreign direct investment;
- restrictions on key foreign personnel; and
- other restrictions, e.g., on land ownership, reciprocity requirement, discriminatory minimum capital and local content requirements and public procurement practices.

Measures considered by the FDI Index (WTO, 2022[5]) are limited to statutory restrictions on FDI. Actual enforcement and implementation procedures are not assessed. The discriminatory nature of measures, i.e. when they apply to foreign investors only, is the central criterion for scoring a measure. State ownership and state monopolies, to the extent they do not discriminate against foreigners, are not scored. Preferential treatment for special economic zones and export-oriented investors is also not factored into the score, nor is the more favourable treatment of one group of investors because of preferential treatment under international agreements.

Source: OECD FDI Regulatory Restrictiveness Index, www.oecd.org/investment/index

4.2.1. FDI restrictions by sector and type

Immovable property

A non-citizen who wishes to hold leasehold rights over a freehold immovable property for a period not less than 20 years in Mauritius needs an authorisation from the Economic Development Board after approval has been obtained from the Minister to whom responsibility for internal affairs is assigned (typically the Prime Minister's Office).[1] No authorisation is needed in respect of the following:

- a lease agreement for commercial purposes, other than a lease agreement or a sublease agreement in respect of a residential property, for a term not exceeding 20 years;
- shares in companies which do not own immoveable property;
- shares in publicly-listed companies (even if they hold immoveable property).

Foreigners may only acquire land or real estate through the Property Development Scheme (formerly the Integrated Resort and Real Estate Schemes), subject to approval and the need to finance the acquisition from funds transferred from abroad through the banking system (WTO, 2022[5]).

No foreign investor shall, without the prior written consent of the Financial Services Commission, acquire shares in a listed Mauritian sugar company if, as a result, 15% or more of the voting capital is held by foreign investors.[2]

Media

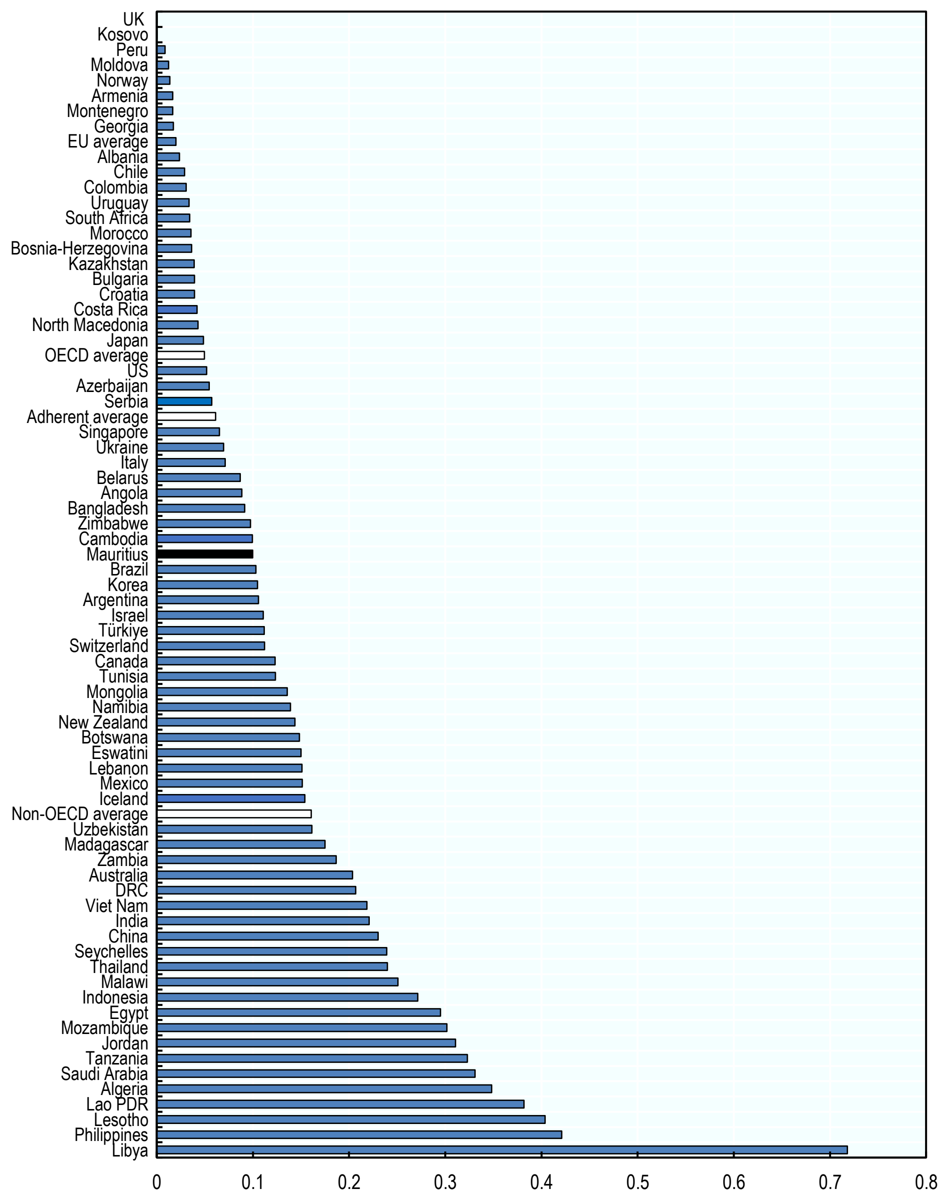
Foreign ownership is limited to 49.9% in radio and television broadcasting companies (up from 20%). No foreign or domestic investor may obtain a broadcasting licence if 20% or more of the shares of the investing company are held by another company that owns a newspaper, magazine or printing press.[3]

Air transport

In accordance with the Mauritius Civil Aviation Regulations 2007 (as amended), an Air Operating Licence shall be granted, on application, only to "qualified" persons to undertake commercial air transport services, between two or more destinations, provided that there exists a Bilateral Air Services Agreement between Mauritius and the destination countries in question. As per the definition in the Mauritius Civil Aviation Regulations 2007 (as amended), a qualified person implies that the owner, lessor, lessee, any sub-lessee or operator of the aircraft should be a citizen of Mauritius or a body corporate registered in Mauritius.

Figure 4.1. OECD FDI Regulatory Restrictiveness Index, 2021

0=open; 1=closed

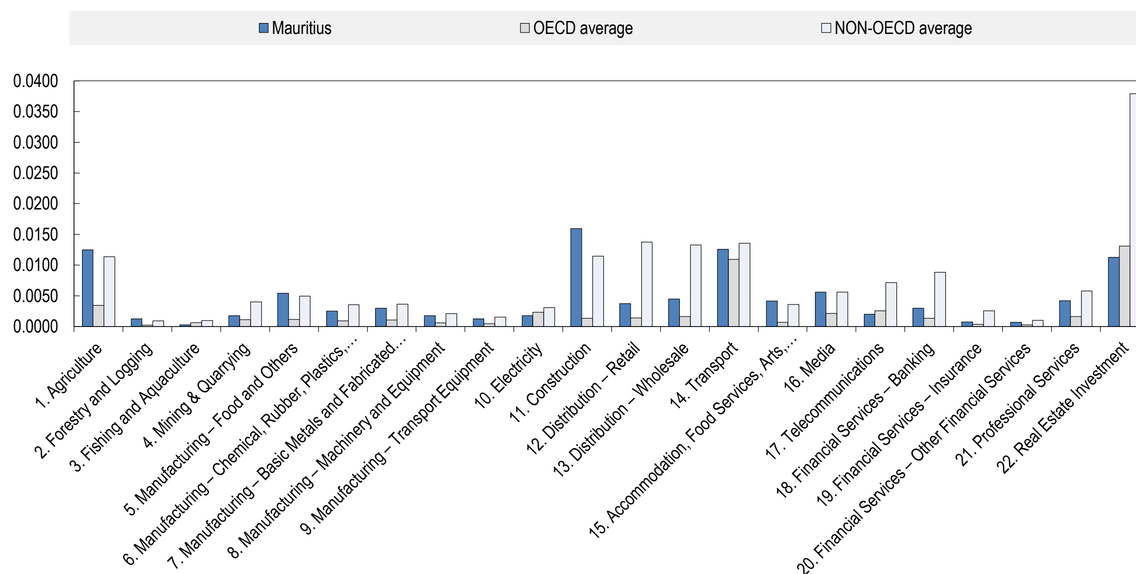


Source: https://www.oecd.org/investment/fdiindex.htm

Foreign ownership of national carriers is restricted to 49% of shares. Only a "qualified" company, duly incorporated in Mauritius, with at least 51% shares controlled by the Mauritian nationals, may be granted an Air Operator Certificate. Foreign companies are also generally not allowed to provide cabotage services in Mauritius. According to the government, cabotage regulations are designed to protect the domestic transport industry and ensure that domestic carriers have a competitive advantage in transporting goods and passengers within the country.

Figure 4.2. OECD FDI Regulatory Restrictiveness Index by sector, 2021

0=open; 1=closed



Source: https://www.oecd.org/investment/fdiindex.htm

Construction, engineering and architectural services

Foreign-owned construction consultancies or contractors are not allowed to provide consultancy services or carry out construction works without a local partner. Exceptions apply where there is an agreement with a foreign state, a foreign financial institution or an international financial organisation or where no local consultant has the necessary experience or expertise in a field of specialisation.[4]

Financial services, insurance

Local incorporation is required for securities and commodities exchanges and brokerage, investment advisory services and related activities, as well as for trusts, funds and fund management activities.[5] Local incorporation is also required for insurance companies.[6] These requirements are not considered in the list of exceptions to national treatment in Annex 4.A. Furthermore, as per Section 11 of the Insurance Act, one of the criteria while determining an application for an insurance licence is whether 'it would be in the economic interests of Mauritius for the applicant to be licensed as an insurer'. According to the government, the legislation does not provide for an economic needs test.

Tourism

Many restrictions appeared in the tourism sector in the early 1990s in the face of potential over-capacity. Full foreign ownership at the time was limited to large hotels (more than 100 rooms), otherwise it was restricted to 49%. Much of the rest of the tourism sector was effectively off-limits. For restaurants, 49% foreign ownership was permitted only above an excessive minimum threshold. Foreign investment was not permitted in travel agencies, tour operators, tourist guides, car rental, yacht charter and duty-free shops. Foreigners were however allowed to manage tourism assets (UNCTAD, 2001[6]).

Foreign investment in tourism has been opened up to some extent since then, but only subject to certain conditions. Foreign investment in certain activities in the tourism sector (guesthouse accommodation,

pleasure craft, diving and tour operators) faces minimum capital requirements and equity limitations. Foreign investors wishing to establish tour operators must be locally-incorporated, maintain a bank guarantee of MUR 20 million and demonstrate how the project will benefit the local community. Hotel projects by foreign investors must bring added value and meet quality tourism criteria, while restaurant projects must provide innovative offerings and quality standards.[7] Hotels and accommodation also face discriminatory capital requirements. [8]

Foreign investment in diving centres and existing and new/innovative pleasure craft projects is limited to 30% foreign equity. For existing pleasure craft projects, the foreign investment threshold should be MUR 20 million. New or innovative pleasure craft projects will be examined by the sea-based panel of the Ministry of Tourism on its own merit, irrespective of the quantum of investment.

The Ministry of Tourism is reportedly in the process of reviewing certain restrictions in this sector.

Fishing

Under the 2007 Fisheries and Marine Resources Act, only a Mauritian company (with its Directors' meetings held regularly in Mauritius) could register a ship under the Mauritian flag, but a locally-incorporated foreign company could register a ship under the Mauritian flag. The Fisheries and Marine Resources Act was repealed and replaced by the Fisheries Act 2023, under which a foreign fishing vessel can apply for a licence (section 97).

Government purchasing

Preferential treatment in public procurement of works is accorded to locally-incorporated SMEs and companies. Public procurement of works with investment not exceeding MUR 300 million is reserved to local contractors.[9] A public body may limit participation in openly advertised bidding proceedings to citizens of Mauritius or entities incorporated in Mauritius only where such a limitation is stated in the invitation to bid or, for prequalification, in the bidding documents and is otherwise in accordance with such criteria as may be prescribed.[10] A locally incorporated foreign construction company can compete for public procurement tenders.

Corporate organisation

One director of a firm needs to be ordinarily resident in Mauritius.[11]

4.3. Legal and regulatory framework for investment in Mauritius

4.3.1. Constitutional guarantees against direct takings of property without compensation

Protection against expropriation of property without fair compensation is one of the core rights that investors expect from a modern legal framework for investment. Expropriation regimes should be transparent, predictable and easily understandable for investors and strike a balance between protecting investments and preserving sufficient leeway for governments to implement public policy changes. The legal architecture in Mauritius provides a high degree of protection against the arbitrary dispossession of property. The Constitution and specific laws pertaining to compulsory acquisition provide established and clear criteria for when and how the state may expropriate property, including guidelines to determine financial compensation and judicial review of such measures.

The primary source of protection against expropriation for both domestic and foreign investors is found in Articles 3 and 8 of the Constitution: Article 3 enshrines a general principle of a non-discriminatory right to protection of property and against deprivation without compensation, while Article 8 declares that "no

property of any description shall be compulsorily taken possession of, and no interest in or right over property of any description shall be compulsorily acquired," with clearly defined and limited exceptions permitted under the law. Thus, expropriation can legally occur in pursuit of a legitimate public purpose, if "the taking of possession or acquisition is necessary or expedient in the interests of the defence, public safety, public morality, public health, town and country planning, the development or utilisation of any property in such a manner as to promote the public benefit or the social and economic well-being of the people of Mauritius". Any such compulsory acquisitions by the state must be pursued under applicable law and provide for the payment of adequate compensation, subject to judicial recourse to the Supreme Court.

A specific set of rules governs the compulsory taking of land. The Land Acquisition Act 1982 (amended in 2013) prescribes several requirements prior to compulsory land acquisition, including a requirement for investigation, surveying, adequate notice, and fair compensation, while distinguishing between compensable and non-compensable losses. The compensation amount is assessed based on all losses sustained, and any party dissatisfied with the Ministry's offer of compensation may appeal to an independent Board of Assessment for re-evaluation. In line with the Constitution, interested persons can challenge the legality of any compulsory land acquisition on appeal to the Supreme Court.

Compulsory acquisition by the government appears to have been pursued in a manner prescribed by law, and pursuant to reasonable public policy objectives. In the World Justice Project's 2022 *Rule of Law Index*'s sub-category assessing the propensity to expropriate without lawful process and adequate compensation, Mauritius achieved a score of 0.59, placing it above both global and the regional averages. Likewise, Mauritius ranked 29th among 141 countries in the World Economic Forum's *Global Competitiveness Index* (2019) in relation to the protection of property rights (index component 1.14).

The regime explicitly covers direct takings of property, which have become increasingly rare in recent decades, although the relevant caselaw appears to have extended protections to indirect expropriation measures as well. Mauritius' could distinguish between compensable and non-compensable forms of indirect expropriation, a distinction that countries have increasingly included in their IIAs to preserve some leeway to implement public policy changes without being constrained by obligations to compensate affected investors (see Protection against indirect expropriation in Mauritius' IIAs).

4.3.2. Regulatory framework for business establishment and operation in Mauritius

Business registration is governed by the Companies Act (2001) – a major change for the corporate governance framework which has evolved significantly since independence and has been instrumental in making Mauritius a hub for global businesses (OECD, 2014[7]). Previously, incorporation was based on the Companies Act of 1984, the first major revision of the Act since independence.[12] The 2001 reform unified the regime, as previously domestic companies were subject to the 1984 Companies Act and foreign firms the International Companies Act 1994. The 2001 reform was successful in making Mauritius attractive for global businesses. In the last edition of the World Bank Doing Business Report (2020), Mauritius was one of the world's most business-friendly jurisdictions, consistently ranking in the top tier in all of the investment climate factors assessed and ranking 13th out of 190 jurisdictions (World Bank, 2020[8]).

Under the Companies Act, domestic companies (i.e., commercial "onshore" companies that are incorporated and do business in Mauritius) may be incorporated as public or private enterprises (art. 21), with no minimum capital amount or minimum share capital requirement. Foreign enterprises may also register branches – with certain exceptions – following Article 276 of the 2001 Companies Act and appoint an authorised agent serving as contact point. Alternatively, they may set up a subsidiary as separate legal entity in Mauritius under Article 26 and must have at least one resident director (Art. 132) and an accounting record kept in Mauritius (Art. 194).

As a global financial centre with a vast network of double taxation avoidance treaties, Mauritius has also been a destination for "global businesses" (i.e., companies incorporated in Mauritius but operating abroad)

that are required to obtain a global business licence from the Financial Services Commission (FSC) under the Financial Services Act 2007. The FSC requires that all applications for a Global Business Licence be channelled through a Management Company. The licence allows companies to conduct business abroad while still being Mauritian residents for tax purposes. The Mauritius Financial (Miscellaneous Provisions) Act 2018 recently amended the former regime to align the fiscal regime with its commitments under the OECD/G20 BEPS Inclusive Framework to avoid harmful tax practices and tax treaty abuse.

4.3.3. Corporate governance framework for public interest entities

The regulatory framework for corporate governance of publicly traded companies is also an important aspect of the investment climate. Good corporate governance can contribute to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. A sound corporate governance framework helps foster long-term investment, financial stability, and business integrity, thereby supporting stronger growth and more inclusive societies (OECD, 2023[9]). Weak corporate governance frameworks can reduce investor confidence and discourage outside investment.

Mauritius has made significant strides to improve its corporate governance framework for publicly traded companies. The first National Code of Corporate Governance was adopted in October 2003, based on South Africa's King Report on Corporate Governance (2002). A survey conducted in 2014 by the National Committee of Corporate Governance (NCCG) revealed that although many public interest entities had used the Code (as updated in 2004) in their accounting and auditing activities, most respondents believed that it needed to be revised to align it with new laws and guidelines (NCCG, 2016[10]).

Similarly, a 2010 World Bank study based on the OECD *Principles of Corporate Governance* concluded that while the Code had had a significant impact on the behaviour of publicly traded companies, especially relating to board composition, board committees, and disclosures, other provisions, such as those aimed at enhancing the role of shareholders and other stakeholders, may have received less attention (World Bank, 2010[11]). The study also identified several key areas of improvement, related to the clarity of some of its provisions, its impact on the governance of state-owned enterprises, and the uneven disclosure of ownership, control, and group structures which diminished its rules on conflicts of interest.

The Code of Corporate Governance was subsequently updated in November 2016 (applicable as of July 2017) following extensive stakeholder consultations. It currently follows an 'apply-and-explain' methodology, like the approach of the latest King Report on Corporate Governance in South Africa (King IV, 2016) and avoids taking a mandatory or prescriptive approach to governance practices. The Code comprises eight principles and offers some flexibility on their application. Boards of directors are required to provide explanations in annual reports on how they have applied the principles.

The Corporate Governance Scorecard for Mauritius (2021) was recently launched to reinforce the Code, provide clarity on how to operationalise its principles and encourage more consistent corporate governance practices. A preliminary assessment of the Scorecard's effect on corporate governance practices seems to indicate a relative improvement of the quality and level of disclosures (NCCG, 2022[12]). While the new Code appears to somewhat reflect modern corporate governance practices, the extent to which it addressed earlier shortcomings and potential areas for improvement in light of the revised *G20/OECD Principles of Corporate Governance* would require a further in-depth assessment. Mauritius is thus encouraged to further its collaboration with the OECD in this key policy area. A process to align the 2016 National Code of Corporate Governance for Mauritius with the revised G20/OECD Principles of Corporate Governance was launched by the NCCG in mid-April 2024.

4.4. Contract enforcement: judicial processes and ADR mechanisms

Access to justice and to a sound court system is paramount for a stable investment climate. Investors are more likely to invest where they are confident that their contractual rights are legally preserved and enforced through an effective, independent, and impartial judicial system underpinned by rule of law principles or through alternative dispute resolution mechanisms (ADR) such as arbitration. Mauritius has developed strong judicial processes that meet international standards in terms of the quality, integrity, and efficiency. Arbitration and mediation are fully recognised within the legal system, and the government has made strides towards becoming an arbitration hub for both domestic and foreign enterprises.

4.4.1. Mauritius has a high-quality judicial system drawing on common and civil law traditions

The two-tiered judicial architecture of Mauritius is organised by the Constitution (1968), Chapter VII, and consists of the Supreme Court and subordinate Courts. As a Court of first instance, the Supreme Court hears cases through its various divisions, including the Master's Court, the Family Division, the Criminal Division, the Mediation Division, the Commercial Division, and the newly created Financial Crimes Division and Land Division. As an Appellate Court, the Supreme Court hears civil and criminal appeals from decisions of subordinate Courts. It also sits as the Court of Civil Appeal and the Court of Criminal Appeal to determine appeals from the Supreme Court in the exercise of its original jurisdiction in civil and in criminal matters (Republic of Mauritius, 2023[13]).

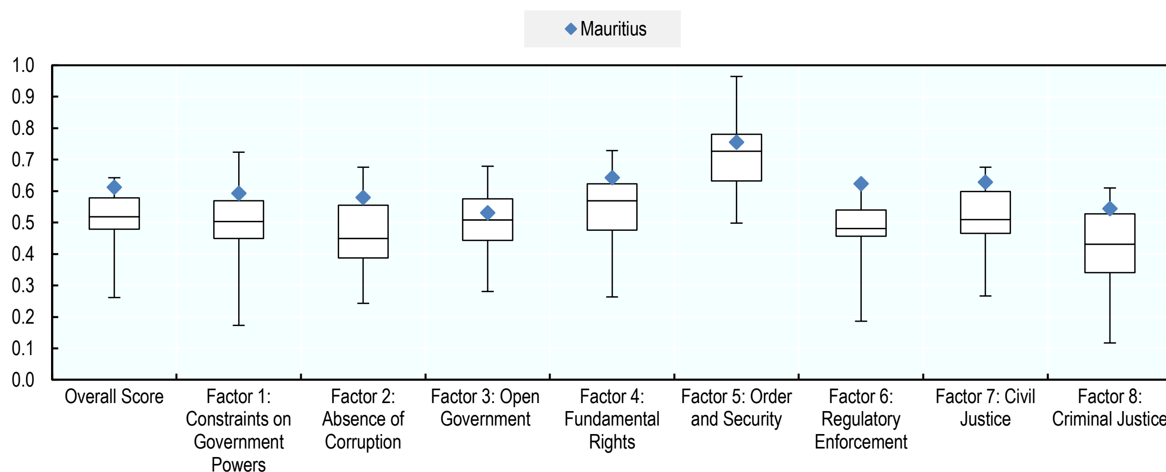
Upon independence, Mauritius chose to maintain the UK's Judicial Committee of the Privy Council as the ultimate Court of Appeal of Mauritius. It may have the final decision in any criminal or civil proceedings and on questions related to the interpretation of the Mauritian Constitution; where the matter in dispute is MUR 10 000 or above (approximately USD 211); in proceedings under section 17 of the Constitution for the enforcement of protective provisions; or, with leave of the Supreme Court for questions of great general or public importance.

Mauritius' scores and ranking on the World Justice Project *Rule of Law Index* reflect the integrity of its court system and its status as a leader in Africa and among upper-middle income countries. Factors assessed by the Index include *inter alia* absence of corruption, open government, regulatory enforcement, and civil justice. Out of 140 jurisdictions measured by the Index (2022), Mauritius ranked 45th or 2nd in Africa and 5th among upper-middle income peers, with a constant overall score of 0.61 since 2019 (Figure 4.3).

The Commercial Division of the Supreme Court, established in 2009, hears matters pertaining to company affairs, insolvency, banking, bills of exchange, offshore business, patents and trademarks or passing off, contractual and quasi-contractual matters, commercial matters, matters relating to loans, privileges, charges, seizures, and any matter relating to *sociétés*, trusts, and partnerships. The creation of this division has helped accelerate and expand Mauritius' capacity to expeditiously resolve disputes between commercial entities.

By and large, litigants pursuing court proceedings in Mauritius can expect due process, impartiality, absence of corruption, and freedom from improper government influence or discrimination. Though litigants are generally satisfied by the way laws are applied and judgements delivered, domestic courts have struggled with long time delays in resolving cases. In 2020, it took an average of 490 days to resolve a dispute in the courts, with an average of 325 of those days being consumed in the trial and judgement phase (World Bank, 2020[8]). Delays in court cases worsened owing to the COVID-19 pandemic, with the judiciary still working through various pandemic-related backlogs.

Figure 4.3. Mauritius and upper-middle income country scores, the WJP Rule of Law Index (2022)



Note: Scores range from 0 (worst) to 1 (best). Box plots were generated from data gathered on the 42 upper-middle income countries covered by the World Justice Project Rule of Law Index (2022), including Mauritius. Central lines of boxes mark median values. Vertical lines represent the distance between quartile values (first quartiles marked by lower box edges; third quartiles for higher box edges) and the highest or lowest data points recorded for each category. The WJP Rule of Law Index measures rule of law adherence across 140 jurisdictions worldwide. The country scores and rankings are built from more than 500 variables drawn from the assessments of more than 150 000 households and 3 600 legal experts. They capture the experiences and perceptions of ordinary citizens and in-country professionals concerning the performance of the state and its agents and the actual operation of the legal framework in their country.
Source: OECD elaboration from World Justice Project Rule of Law Index (2022).

The authorities have identified several ways to improve judicial efficacy, including measures to tackle delays and adopt modern technologies in the courtroom. In its 2021 Annual Report of the Judiciary, the Supreme Court recommended reducing the number of pending cases, accumulated during COVID-19 and to review procedures to expedite the disposal of cases. Furthermore, it was recognised that the modernisation of the administration of justice could be achieved with the “introduction of a new computerized system and upgrading available technologies tools and making full use of them to expedite the disposal of cases” (Republic of Mauritius, 2023[13]).

Though delays in administering civil justice remain a persistent challenge, different bodies within the judiciary appear to process cases at different rates. In 2021, 64% of cases were disposed of within three months at the Commercial Division of the Supreme Court, compared to 28% of cases at the Family Division and 11% at the Registry. While litigants in Mauritius may be wary of excessive time delays in legal proceedings, it appears that domestic courts are able to process commercial matters and business-related disputes more expeditiously. The Government Programme 2020-2024 announced some measures to ensure the timely enforcement of contracts and to expedite commercial dispute settlement in courts.

4.4.2. Mauritius aims to become a “jurisdiction of choice” for arbitration

Mauritius has anticipated the growth of its arbitration industry and has taken steps to develop the legal expertise and institutional capacity needed to facilitate this sector as it seeks to become a “jurisdiction of choice” for international arbitration (Government of Mauritius, 2016[14]). The government has advanced arbitration as a means of resolving both domestic and international contractual disputes, while promoting innovative measures to align the legislative and judicial framework with this objective.

Mauritius is party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 1996 and has passed concomitant domestic legislation to that effect. Domestic arbitration is governed by the Third Book of the Mauritius Code of Civil Procedure, whereas international arbitration falls

under the International Arbitration Act (IAA) 2008 (amended in 2013), completed by the Supreme Court (International Arbitration Claims) Rules 2013. For the purposes of the IAA, "international arbitration" is defined broadly, reflecting the Act's liberal approach, guided by the principles set out in the UNCITRAL Model Law (Government of Mauritius, 2016[14]). The decision to maintain a dualistic legal regime between domestic and international arbitration was designed to further strengthen the predictability of the international arbitration regime, ensuring that it follows international standards and would remain unaffected by potential legal developments in the domestic arbitration regime.

The international arbitration regime is designed to reassure parties of the swift processing of applications, guided by principles of judicial non-intervention. Court applications under the IAA are made to a panel of three specially trained Supreme Court judges with a direct and automatic right of appeal to the Privy Council. The regime affords a high degree of autonomy and confidentiality to the conduct of arbitral proceedings. Mauritius explicitly recognises the principle of *kompetenz-kompetenz*: as such, parties in dispute shall be referred to arbitration unless an arbitration agreement is null or inoperative. The Act also sets out specific prerogatives for courts to support arbitration proceedings: sections 23 and 29 allow the Supreme Court to issue interim measures or summons for witnesses, evidence, or documents in support of an arbitration proceeding in cases of urgency, or where an arbitral tribunal is unable to act effectively to resolve the dispute.

An international arbitration award made by a tribunal seated in Mauritius is enforceable in the same way as an award issued by a foreign-seated tribunal. Reflecting tenets of the UNCITRAL Model Law, the Supreme Court may choose to set aside a foreign arbitral award where it finds the award in conflict with the public policy of Mauritius. The "public policy" exception was recently clarified by the Judicial Committee of the Privy Council in the high-stakes *Betamax* case which involved a contract of affreightment to build and operate a tanker for the international transport of petroleum products for the state's trading arm (the State Trading Corporation).[13]

Mauritius has allocated important resources to develop its institutional capacity and to accommodate its ambitions for the arbitration industry. As such, the IAA enshrines the role of the Permanent Court of Arbitration (PCA), and, in April 2009, the PCA concluded a Host Country Agreement with Mauritius which provides for the posting of a PCA Legal Counsel in Mauritius. The collaboration was further strengthened in 2010 when the PCA established a physical presence, making Mauritius the first location – and currently the only one in Africa – in which the PCA has established such presence. The PCA Mauritius Office assists in discharging the Secretary-General's functions under the Mauritian IAA 2008 as well as with the promotion of Mauritius as a venue for international arbitration and PCA services throughout the region (PCA, 2010[15]).

The government has further supported the establishment of the Mauritius International Arbitration Centre (MIAC). Founded in 2011, MIAC initially operated as a joint venture with the London Court of International Arbitration (LCIA-MIAC) until it achieved operational independence in 2018. While MIAC oversees international arbitration cases, the Mediation and Arbitration Center – Mauritius (MARC) has provided the domestic business community with a variety of alternative dispute resolution services since 1996, when it was formed as an initiative of the Mauritius Chamber of Commerce and Industry (MCCI). Both MIAC and MARC utilise arbitration rules modelled after UNCITRAL standards, as each centre routinely draws on international best practices from other arbitration-friendly jurisdictions such as Hong Kong (China) or Singapore, or from reputable international arbitration institutions such as the International Chamber of Commerce. In 2016, Mauritius became the first African nation to host the Congress of the International Council for Commercial Arbitration, affirming the legislative and infrastructural strides it has taken to become the continent's jurisdiction of choice for arbitration.

4.5. Intellectual property rights

Mauritius strives to become a research, technology and innovation economy, where businesses are empowered to innovate – a vision that may only be achieved through a strong IP rights regime, as recognised by the Mauritius Research and Innovation Council (MRIC)'s Roadmap for 2023-2027 (MRIC, 2022[16]). Mauritius has come a long way in protecting IP rights since the first *Investment Policy Review* carried out by the OECD in 2014. Mauritius was then in the process of consolidating its legal framework for IP rights (mainly relating to trademarks, patents, industrial designs, geographical indications, and integrated circuits), in line with one of the main recommendations formulated in its first Intellectual Property Development Plan adopted in 2009 in cooperation with the World Intellectual Property Organization (WIPO) (OECD, 2014[7]). The consolidation of the legal framework only happened a decade later, with the adoption of the Industrial Property Act in 2019 which entered into force in 2022. The MRIC was also established in 2019 to advise the government on fostering high-quality research and innovation.

Mauritius' legal framework for IP rights is like that of an advanced economy. It offers strong protections for IP rights, covering patents, marks, copyrights, industrial designs, utility models, layout-designs of integrated circuits, plant varieties, trade names, and geographic indications. The IP framework is based on two main pieces of legislation:

- The Copyrights Act (2014), amended by the Copyright Amendments Act of 2017, and
- The Industrial Property Act (2019), which entered into force in 2022.The Act is complemented by the Protection Against Unfair Practices (Industrial Property Rights) Act (2002).

The Industrial Property Act (2019) was adopted following Mauritius' Intellectual Property Development Plan developed in collaboration with WIPO in 2017. The Act consolidated the legal regime applicable to patents, marks, industrial designs, geographical indications, and layout design of integrated circuits. The Act also introduced new protections for plant varieties and utility models, reflecting Mauritian ambitions to foster innovation in high-added value activities. While protections of plant varieties may effectively encourage high-level innovation into agriculture (Government of Mauritius/WIPO, 2017[17]), the added protections for utility models hold the potential to promote innovations at their early stages. Although the Industrial Property Act does not cover trade secrets, these may be protected through other legal means (e.g., contractual arrangements or antitrust instruments).

Stakeholders expressed diverging opinions during public consultations in 2016/2017 over the draft Industrial Property Bill relating to its proposal to apply the international exhaustion regime for trademarks. As adopted in 2019, the Act maintained the national exhaustion regime for trademarks, while it adopted an international exhaustion system in relation to rights conferred on patents, industrial designs, geographical indications and layout-design of integrated circuits. An impact assessment on the feasibility of adopting the international exhaustion regime for trademarks is currently being conducted under the auspices of the Commonwealth Secretariat.

Mauritius is also a party to the several international conventions for protecting IP rights, including the WTO's TRIPS Agreement, the Universal Copyright Convention, and other key WIPO-administered treaties, including the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Beijing Treaty on Audio-Visual Performances, and the Marrakesh VIP Treaty. The last two agreements have been signed but not yet ratified. Mauritius is not a member of the Nice Agreement, yet its trademark classification system is based on the agreement. The 2019 Industrial Property Act implemented additional key WIPO-administered treaties that were not previously enforceable in Mauritius: the Patent Cooperation Treaty (PCT) for the international registration of patents; the Hague Agreement for the international registration of industrial designs; and the Madrid Protocol to facilitate the registration of trademarks. The accession to these treaties is effective as of February 2023, and March 2023 for the PCT.

In 2020, Mauritius became a member of the African Regional Intellectual Property Organisation (ARIPO). Created in 1973, the intergovernmental organisation aims to pool resources between English-speaking African Union countries for IP related matters, with the common aim to achieve technological advancement and economic development. The organisation currently has 22 members, out of which 8 have not adhered to the WTO TRIPS Agreement. This gives the ARIPO arrangements particular relevance for IP rights holders in Mauritius to protect their rights in these economies (Cape Verde, Ghana, Liberia, Mozambique, Sao Tome and Principe, Somalia, Sudan, Zimbabwe).

The framework for innovation has been assessed so far as being relatively strong. It ranks 1st among 27 Sub-Saharan African economies and 6th among 36 other upper middle-income economies in the WIPO's *Global Innovation Index* (WIPO, 2022[18]). Firms operating in Mauritius have however often reported facing obstacles impeding their capacity to innovate (WEF, 2019[16]). Local firms have themselves often carried out their R&D activities abroad, such as in India or Hong Kong, China, due to concerns that their IP could be lost if developed locally (World Bank, 2021[19]). While recent amendments have increased the protection and enforcement of IP rights, the main challenge resides in offering investors an adequate IP ecosystem that further nurtures and drives innovation to achieve the goal of becoming a destination for high value-added activities (see Chapter 3).

Despite significant improvements in the IP legislative framework, the reported lack of awareness of rights over intangible assets implies that the IP framework is not sufficient to realise the country's ambitions (World Bank, 2021[2]). The landscape for IP rights is fragmented institutionally, involving multiple entities with varying degrees of responsibility, including government agencies, the judiciary, customs authorities, and law enforcement agencies. This has led to challenges in terms of institutional coordination, communication, and efficiency and, as a result, IP right holders may struggle to effectively enforce their rights (Kluwer IP Reporter, 2022[20]). Moreover, stakeholders have pinpointed several shared weaknesses across the various entities, such as the inadequate capacities of enforcement agencies, including inadequate staff, lack of training in the field of IP and scarce facilities. Another obstacle is the inaccessibility of IP data (e.g., no searchable publicly available online databases for protected IP such as trademarks) (World Bank, 2021[19]). The government could continue working on disseminating information on the framework for IP rights. The organised capacity-building programmes by different stakeholders to raise awareness are crucial to improve the perception of the IP framework, hence ensuring that effective protection of IP rights creates a conducive environment for innovative activities. The creation of the Intellectual Property Council, as provided for by the Industrial Property Act 2019, could also further improve the IP environment in Mauritius.

4.6. Competition policy

Local Mauritian companies – often vertically-integrated conglomerates– appear reluctant to venture into new activities. The first OECD *Investment Policy Review* noted the prevailing reluctance among the domestic business community to venture beyond the "established" sectors of sugar, tourism, financial services and real estate (OECD, 2014[7]). One element behind this might be the oligopolistic nature of these industries which favours the status quo. According to the World Bank, over two-thirds of sectors, including ICT, financial services, transport and tourism, can be considered as highly concentrated (World Bank, 2021[21]). Other studies in the past have also highlighted monopolistic tendencies in several sectors, although these do not reflect possible improvements since then (Overseas Development Institute, 2011[22]; African Peer Review Mechanism, 2010[23]). This concentration of ownership, together with high levels of cross-directorships, has implications for competition policy.

Effective competition is essential for a dynamic business environment in which firms are willing to take risks and invest. Extensive empirical evidence supports the idea that industries facing greater competition experience faster productivity growth, because competition allows more efficient firms to enter and gain

market share. Furthermore, a healthy competitive market is a pivotal element to incentivise innovation. An environment of productivity growth, innovation and business success – to which competition typically contributes – is one conducive to investor confidence and, therefore, investment (OECD, 2015[24])

Creating and maintaining a competitive market requires a well-structured competition law, an effective competition authority that enforces this law, and, more widely, economic policies that respect the principles of competition and avoid unnecessarily restricting it. Mauritius enacted its current Competition Law in 2007 which also established the Competition Commission of Mauritius (CCM). Research suggests that the Competition Act improved the enforcement and penalty in matters of uncompetitive behaviour and found a positive relationship between the competition law's scope and competition intensity (Coothoopermal and Chittoo, 2019[25]). A recent World Bank Country Economic Memorandum recommended however that the Competition Commission scale up its review of regulations and policies restricting entry or facilitating collusion, as well as greater efforts at advocacy (World Bank, 2021[2]). Some private sector associations lament the limited impact of either the Act or the CCM. The Commission does not currently engage in merger review and its remit does not fully cover network industries often dominated by SOEs, and while the Competition Act empowers the CCM to control merger situations, merger notification is not mandatory. Other issues include the level of fines for abuse and the process of settlement in cartel investigations.

According to the government, the Competition Commission has nevertheless created a department overseeing market studies, policy and advocacy which will enhance focus on such efforts and increase such reviews and initiatives. Several market studies have thereby been triggered.

This review does not provide an independent assessment of competition policy in Mauritius, and the CCM was not interviewed by the research team. Competition policy is one of the policy areas covered in the OECD *Policy Framework for Investment* and plays an important role in a healthy investment climate. Given the concerns raised in existing studies and the challenges faced by Mauritius in terms of structural transformation and innovation, the government could consider further collaboration with the OECD on a review of competition law and policy or a competition assessment of a specific sector, such as banking which is highly concentrated, with two banks controlling 70% of the market. Cognisant of the shortcoming of the current Competition Act, the CCM has embarked on a law review exercise with the assistance of a consultant and will soon engage in stakeholder consultations.

4.7. Land tenure, titling and administration

While the real estate sector has contributed importantly to the economy, the government wishes to foster more investments in agricultural activities (Government of Mauritius, 2023[26]). Recent international shocks and the resulting disruptions in global supply chains and rising energy prices shed light on the economy's reliance on imported goods and on the need to integrate agricultural production within its economic strategy. Secure rights for land tenure and an efficient, reliable system for land administration are indispensable for Mauritius to achieve this objective. Infrastructure developments also require a reliable land administration system to reap all development benefits. This involves a clear legal framework for acquiring, registering, and disposing of land rights, as well as proactive land use plans at all levels of government. The first OECD *Investment Policy Review* of Mauritius described the authorities' struggle to allocate and effectively manage land (OECD, 2014[7]), although Mauritius has significantly improved its land tenure, titling and administration systems since.

Access to land for foreigners remains restricted, as described earlier. Land is mainly administered by the Ministry of Housing and Land. The Ministry holds three divisions respectively: the Housing Division, the Survey Division and the Planning Division. A second subsidiary authority responsible for land administration is the Registrar-General's Department, a revenue-generating department operating under the aegis of the Ministry of Finance, Economic Planning and Development. Its main function includes land registry, registration of particulars of deeds, and valuation of immovable and mobile properties.

Mauritius significantly enhanced its land administration system in under a decade, formally registering all privately held land plots at the national level and fully digitising its land records by 2017. The project was launched in 2011, with the Registrar General Department's "eRegistry Project". A Land Administration, Valuation and Information Management System Project was also implemented after 2012 to computerise and streamline land administration and management procedures. Additional streamlining efforts in 2017 eased property registration processes (see Chapter 5). Lastly, in line with policy recommendations formulated in the 2014 OECD *Investment Policy Review*, Mauritius established a Land Division within its Supreme Court in 2020, with original jurisdiction over matters related to land ownership and property rights.

Efforts to enhance land titling and administration systems have been recognised by comparative surveys. Mauritius significantly increased its ranking in the World Bank Doing Business category of ease of registering property, going from 60th in 2013 to 23rd globally in 2020, making it a leading country in Sub-Saharan Africa. The average time for registration of property was reduced from 210 days to 17. The process was reportedly less costly as well, representing 0.6% of the total property value, well below the OECD high-income country average of 4.2%. This marks a significant improvement from 2013, when the average cost of registering property was at 10.6% of the property value.

4.8. Mauritius' investment treaty policy

Trade and investment agreements have been a key aspect of Mauritius' development and growth strategy in the last decades. Mauritius is the only African country to have a free trade agreement (FTA) with China, in addition to the following other bilateral and multilateral trade agreements: an interim Economic Partnership Agreement (EPA) with the EU, a Comprehensive Economic Cooperation and Partnership (CECPA) with India, a Preferential Trade Agreement (PTA) with Pakistan, a FTA with Türkiye, a Trade and Investment Framework Agreement with the United States, and an EPA with the United Kingdom. At the regional level, as a member of the African Union, Mauritius is a party to the Agreement establishing the African Continental Free Trade Area (AfCFTA). It is also a member of several regional economic communities, such as the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), including the SADC Protocol on Trade. More recently, it concluded a Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates in December 2023 and a final round of trade negotiations with Indonesia tentatively fixed for early 2024.

Along with trade agreements, Mauritius has taken on international obligations to grant foreign investors specific treatment in its international investment agreements (IIAs), whether through bilateral investment treaties (BITs), multilateral investment treaties or in PTAs containing investment-related chapters. These agreements grant protections to qualifying investors in addition to, and independently from, protections afforded by domestic law.

On substance, investment treaties typically guarantee covered investments *relative* treatment standards of non-discrimination – most prominently most-favoured nation (MFN) treatment and national treatment (NT) – as well as *absolute* standards such as protection against expropriation without compensation and fair and equitable treatment (FET). Furthermore, covered investors typically have access to investor-state dispute settlement mechanisms (ISDS) to directly seek damages in cases where they allege that the host state has infringed any of these rights.

The reasons why states have concluded such investment treaties since the late 1950s are debated as part of a broad reconsideration of these arrangements in some countries. It is generally held that one of the main reasons that motivated countries to conclude investment treaties was to attract foreign investment; capital exporting countries were thought to value these treaties as a way to provide additional protections to enterprises operating from their soil – assumptions that are increasingly questioned by a growing strand of empirical literature on the drivers of investment treaty proliferation. Despite many studies, it remains difficult to establish evidence of the effect of investment treaties on promoting FDI flows (Pohl, 2018[27]).

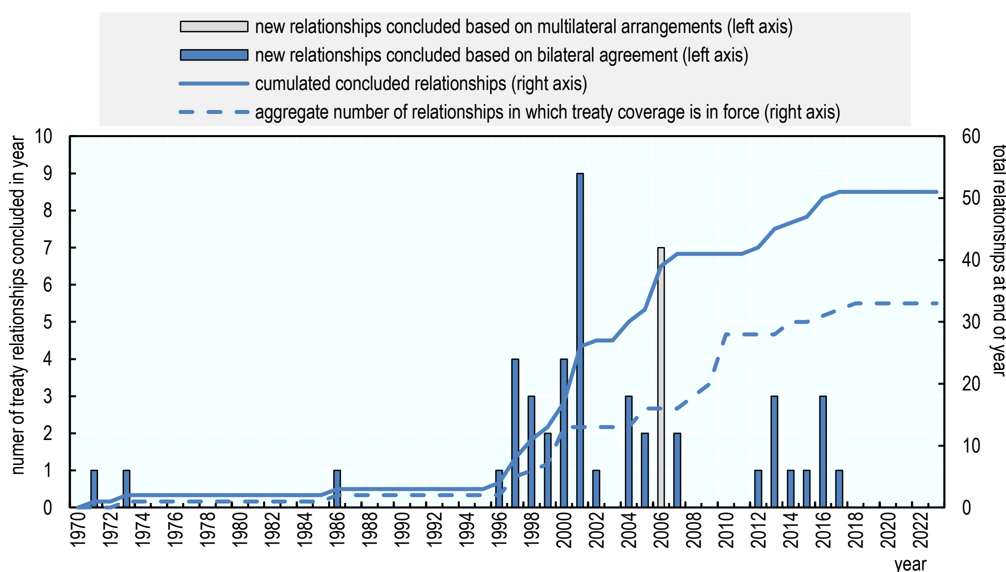
4.8.1. Brief history of Mauritius' investment treaty policy and current trends

Over the years, Mauritius has developed a strong investment treaty network. It began concluding investment treaties immediately following its independence in 1968: it signed the ICSID Convention in 1969, before concluding its first BITs in in the early 1970s with Germany and France but over the next two decades, the only other BIT concluded over this period was with the United Kingdom in 1986. This changed in the mid-1990s, after which 38 investment treaty relationships were concluded, mostly through bilateral agreements. At the multilateral level, Mauritius acceded to the SADC Protocol on Finance and Investment in 2006, contributing 7 additional jurisdictions to its treaty network. As of late-2023, Mauritius had concluded a total of 51 treaty relationships, 33 of which are in force. About a third of its concluded treaty relationships since the 1970s have thus not entered into force. Figure 4.4 shows the evolution of its treaty engagements concluded and in force between 1970 and 2023.

Its prolific investment treaty activity has brought a sizeable share of its inward and outward FDI stock under treaty cover, especially with the entry into force of the Mauritius-India BIT of 1998 and the Singapore-Mauritius BIT of 2000. Between 2000 and 2016, the estimated share of its outward FDI stock covered by investment treaties in force was nearly three times higher than that of its inward FDI stock. However, the outward FDI stock cover plummeted significantly in 2019, with the denunciation of the India-Mauritius BIT by the Indian government.[14] Since 2019, the shares of Mauritius' inward FDI stock and of its outward FDI stock under treaty cover have been more symmetrical, at about 30% respectively (Figure 4.5).

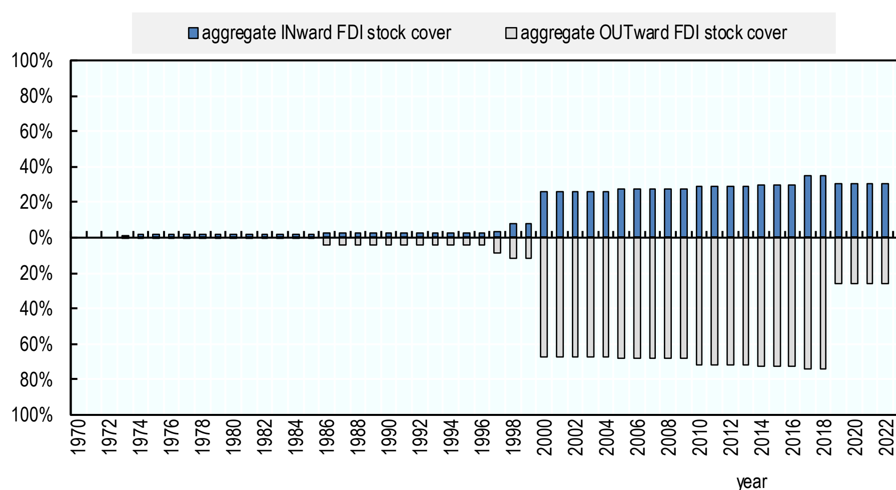
Mauritius has been relatively active in recent years in reviewing some of its investment treaties and has replaced its second oldest BIT with France. The new BIT signed in 2010 has not yet entered into force however as the agreement is still going through domestic ratification in France (Assemblée nationale, 2017[28]). The replacement treaty sought to address the previous BIT's weaknesses and to align the relationship with more recent investment treaty practices. The SADC Protocol, which entered into force in 2010, was also subsequently amended in 2016 to reflect more modern designs of investment treaty language. The amending agreement noted that some of the Protocol's initial provisions "fail[ed] to adequately balance investor protection and development policy space for host States". The latest investment treaty signed by Mauritius is the Mauritius-China Free Trade Agreement (FTA) in 2019, which contains a dedicated investment-chapter, replacing the previous BIT signed in 1996.

Figure 4.4. Evolution of Mauritius' investment treaty relationships (1970-2023)



Source: OECD calculations based on OECD investment treaty database.

Figure 4.5. Approximate share of Mauritius' FDI stock cover from investment treaties in force



Note: Inward and outward FDI stock data calculated for the entire period based on positions reported at end 2021 rather than historical values. Percentages are based on matching aggregate immediate bilateral FDI stock data and treaty relationships as of April 2023. For several reasons, reported FDI stock data is not a valid measure for assets that benefit from treaty protections (Pohl, 2018[27]) and available data does not allow to determine ultimate ownership of assets. The proportions of FDI stock data may nonetheless serve as a rough approximation of stocks held by immediate investing countries to illustrate features and outcomes of Mauritius' past investment treaty policies.
Source: OECD calculations based on OECD investment treaty database and FDI stock data from the OECD FDI statistics database and the IMF Coordinated Direct Investment Survey (CDIS).

Mauritius' current investment treaty policy priorities remain unclear. Its recent treaty partners suggests that it has focused more on concluding investment treaties with Africa, reflecting its strategy to position itself as the "gateway to Africa" (EDB, 2023[29]). At the same time, the future entry into force of the AfCFTA Protocol on Investment adopted by the Assembly of Head of States and Government of the African Union in February 2023 will terminate all intra-African BITs as an attempt to harmonise investment protection across the African Union (AUC/OECD, 2023[30]). The AfCFTA Protocol reflects the African approach to IIAs, focused on enhancing the contribution of investment to sustainable development.

Beyond its treaties with AU countries, Mauritius is currently reviewing its Model BIT provisions to guide future treaty negotiations. The revised model BIT explicitly mentions drawing from best practices elsewhere, especially in the SADC Model BIT, the COMESA Model BIT, the new Indian Model BIT, and the AfCFTA Protocol on Investment. While its recently concluded CEPA with the United Arab Emirates only contains an investment facilitation chapter, ongoing negotiations on a full Economic Partnership Agreement (EPA) with the European Union expect to cover investment protection.

4.8.2. Treaty use: ISDS claims under Mauritius' investment treaties

ISDS cases in which Mauritius is a respondent

Countries' experiences as respondents in investor-state dispute settlement (ISDS) cases may not only raise awareness of investment treaties' legal implications, but also cause governments to re-evaluate certain treaty practices (Gordon and Pohl, 2015[31]). Nearly all of Mauritius' IIAs provide for ISDS through arbitration, and 18 arbitration claims are known to have been subsequently lodged. Mauritius has been a respondent in four of these ISDS claims, one of which is still ongoing (*Patel Engineering Limited v. Republic of Mauritius*, PCA Case No. 2017-34 under the India-Mauritius BIT 1998). The four cases involved different sectors, including financial services, tourism, and land use. In the three concluded cases, the arbitral tribunals decided in favour of Mauritius, essentially on jurisdictional grounds.[15] Two of the ISDS cases filed

against Mauritius – *Dawood Rawat v. Republic of Mauritius,* PCA Case No. 2016-20 concluded in 2018, and *Christian Doutremepuich and Antoine Doutremepuich v. Republic of Mauritius*, PCA Case No. 2018-37, concluded in 2019 – raised questions relating to the scope of the MFN clause in the France-Mauritius BIT of 1973 (see below for a discussion on MFN clauses in Mauritian investment treaties). Its model BIT revision explicitly draws from its experience as a respondent in treaty-based arbitrations.

ISDS cases by Mauritian nationals against foreign states

Fourteen ISDS cases are known to have been brought by Mauritian nationals under investment treaties to which the country is a party. India was the respondent state in eight of the fourteen cases filed by Mauritian investors. Many of the disputes involved the revocation of licences and permits for satellite and other telecommunications-related services.

4.8.3. Main features of Mauritius' international investment agreements

Many of Mauritius' investment treaties reflect features often associated with older-style investment treaties concluded in great numbers in the 1990s and early 2000s. Such treaties are generally characterised by a lack of specificity of the meaning of key provisions and extensive protections for covered investors. Most of Mauritius' older BITs remain in force alongside newer agreements. This scenario may expose Mauritius to a range of unintended consequences, especially given the potential scope for ISDS claims under older investment treaties.

This section examines three key aspects of possible reform of frequently invoked substantive protections, namely the FET and MFN standards and protections against indirect expropriation.

Fair and equitable treatment clauses

Investment treaties concluded since the early 1960s almost universally contain a reference to fair and equitable treatment. Over the past two decades, FET provisions in investment treaties have become the principal ground of alleged liability in many – if not most – investment treaty claims. Most FET provisions in investment treaties do not provide specific guidance on the scope of obligations under this standard. Arbitral tribunals in ISDS cases under investment treaties have taken different approaches to interpreting such unspecified FET provisions, creating considerable uncertainty and high litigation costs for governments and investors.

Most of Mauritius' investment treaties contain FET clauses which do not specify how they relate to protections afforded to investors under customary international law or delineate the scope of obligations under the standard. Such FET clauses reflect designs of early-generation investment treaties, which contrasts with more recent approaches that have emerged since the early 2000s and are now almost universally used by many jurisdictions to reframe the notion of FET or include language that provides interpretative guidance intended to specify and limit the obligations under the clause (Box 4.2).

Box 4.2. Approaches to FET clauses in recent investment treaty designs

Since the early 2000s, three primary approaches have been observed in treaty designs with regards to FET clauses intended to specify and limit the obligations under the clauses:

- **The limitation of FET to the 'minimum standard of treatment' under customary international law**. This approach was first featured in the Joint interpretation related to NAFTA that the contracting parties adopted on 31 July 2001, but can be traced back to the 1962 version of the OECD *Draft Convention on the Protection of Foreign Property*. This approach is the

earliest to have emerged and is by far still the most frequently used to clarify the scope of FET obligations in recent treaties.

- **The specification of the scope of FET through a closed list**. The approach was first observed in 2009 in the ASEAN-China Investment Agreement (2009) and emerged in additional treaties beginning in 2016. The lists have different length and the items in the list are framed differently, although they usually include protections against denial of justice.
- **The non-inclusion of an obligation to accord FET among post-establishment protection standards**. The approach saw increased popularity beginning in 2015 in treaties concluded by Brazil that did not contain FET clauses. Some of these recent treaties also explicitly state that the obligation to afford FET is not provided for under the investment treaty.

Source: Adapted from OECD (2023[32]), "*'Fair' and 'equitable' treatment provisions in investment treaties: a large-sample survey of treaty provisions*", to be published on https://oe.cd/foit.

The Egypt-Mauritius BIT 2014 and the investment chapter of the China-Mauritius FTA (2019) appear to be the only treaties which provide some specification of the scope of obligations under their FET clauses, each specifying that the FET standard does not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment of aliens. The FTA further international law minimum standard of treatment of aliens. The article provides an explicit inclusion of the "obligation not to deny justice in criminal, civil, or administrative adjudicatory proceedings in accordance with due process of law" within the FET clause, for greater certainty. Beyond these treaties, unspecified FET clauses remain prevalent in Mauritius' treaty cohort. Such provisions have been subject to expansive interpretations by arbitrators in ISDS cases, which has led to inconsistent outcomes and uncertainty with regards to obligations under the standard.

More specific approaches to FET provisions could improve predictability for the government, investors and arbitrators alike. They could also potentially contribute to preserving the government's right to regulate in the context of investment treaties (Gaukrodger, 2017[33]). Given the centrality of FET to many investor claims and the uncertainty of its meaning when not clearly defined, renegotiation or amendment of existing treaties with unspecified FET clauses could improve predictability for the government and investors alike. Such concerns were also reflected in the SADC Model BIT 2012, to which Mauritius contributed. The drafting Committee recommended against including FET provisions in future BITs and rather suggested a narrower "fair administrative treatment" standard as an alternative to FET clauses (SADC, 2012[34]). The new model BIT of Mauritius appears to follow a broadly similar approach to specifying FET clauses.

Most favoured nation clauses

Investment treaties concluded since the late 1950s almost universally include language that affords investors of the nationality of one contracting state MFN treatment, that is, treatment that is no less favourable than that accorded by the treaty party to foreign investors from third states. Recent investment treaty policies and debates over MFN have centred on potential for treaty shopping, understood broadly as the power of an investor to choose between investment treaties or between provisions of different investment treaties.

Treaties have occasionally been interpreted in a way that allowed claimants to use MFN provisions to import substantive or procedural provisions – such as dispute settlement arrangements – from investment treaties concluded with other states when the claimants consider them more favourable than the provision in the treaty under which their case is filed ("base treaty"). Such discussions were central in two of the four known ISDS cases against Mauritius (*Rawat* and *Doutremepuich*). In both cases, the claimants sought to import the dispute settlement arrangements under the Finland-Mauritius BIT 2007 through the France-Mauritius (1973) BIT's MFN clause.

Since 2004, the share of new treaties that provide for an explicit exclusion of dispute settlement arrangements from the scope of MFN has grown steadily. While this feature is now almost universally and consistently used in recent investment treaties, the recent practice surrounding the "import" of substantive content through MFN clauses appears to be less consistent (Box 4.3).

Box 4.3. Specifications of MFN clauses in recent treaty designs

The exclusion of dispute settlement arrangements from the scope of MFN clauses

Although few treaties throughout the 1990s explicitly provided that dispute settlement arrangements could be imported through MFN clauses, the large majority of treaties concluded until the early 1990s remained silent on the issue. In the absence of clearly delineated MFN clauses, claimants in investment treaty disputes have argued for the import of dispute settlement arrangements of third-party treaties through MFN clauses when such clauses did not initially specify whether and to what extent such arrangements could be included within their scope.

In response to an arbitral decision (*Emilio Agustín Maffezini v. The Kingdom of Spain*, ICSID Case No. ARB/97/7, Decision of the Tribunal on Objections to Jurisdiction, 25 January 2000), some governments began considering an explicit exclusion of dispute settlement arrangements from MFN clauses as early as 2003. Since 2004, the share of new treaties that provide for such an explicit exclusion of dispute settlement arrangements from the scope of MFN has grown steadily. Such a feature has become quasi-universal in treaties concluded since the early 2000s.

This lack of clarification creates uncertainty and unpredictability about the legal obligations of treaty parties. It potentially levels differentiated arrangements for dispute settlement arrangements (Pohl, Mashigo and Nohen, 2012[35])and may effectively be construed as providing access to such dispute settlement arrangements in instances where treaty parties had not intended to make them available.

The limitation of substantive content "import" through MFN clauses

While the exclusion of procedural matters – and dispute settlement arrangements – have been a quasi-universal feature in treaties concluded since the early 2000s, the practice on substantive content import through MFN clauses does not appear as consistent. Most investment treaties contain no specification of the obligations that arise from the MFN clause. This design is still observed in many recent treaties. Only a few jurisdictions have developed distinct policy preferences on how MFN clauses design the interaction with other treaties that they have or might conclude.

Since 2014, some treaties explicitly state that the MFN clause does not allow the "import" of substantive content from third-party treaties. This is either achieved through a specification of the notion of "treatment" or an explicit delimitation of the scope and function of the MFN clause in the basic treaty. These designs are observed more frequently in recent years and make up just over a quarter of new treaties concluded between 2019 and 2022.

Source: Adapted from OECD (2023[36]), *The interaction between most-favoured-nation clauses and dispute settlement arrangements in investment treaties,* OECD secretariat research note, https://oe.cd/foit-mfn and OECD (forthcoming), *Interaction among investment treaties based on most-favoured-nation treatment provisions*, OECD secretariat research note, to be made available at: https://oe.cd/foit.

The explicit exclusion of procedural arrangements within the scope of MFN clauses is only present in four of more recent IIAs signed after 2010, notably the BITs with Turkey (2013), Egypt (2014), and the UAE (2015) and the China-Mauritius FTA (2019). Mauritius' most recent BIT with Cabo Verde, which was signed in 2017 and entered into force the following year, is silent on the specific scope of its MFN clause. At the same time, the SADC Model BIT Drafting Committee to which Mauritius participated explicitly recognised

the “unexpected” interpretation of the MFN provision in arbitrations and warned against “unintended multilateralisation” from MFN clauses. A clarification of the scope of obligations under the MFN clauses in Mauritius’ IIAs would likely allow the treaties to better reflect government intent and create more predictability. While the exclusion of dispute settlement arrangements from the scope of MFN clauses appears to be adequately reflected in the ongoing review of the model BIT, the government could also consider specifying the scope of these clauses with regards to substantive content in third-party treaties.

Protection against indirect expropriation

As investment treaties typically require that losses caused by indirect expropriation must be compensated, many regulatory acts taken by the state can potentially entail pay-outs if found to constitute indirect expropriation, even if the measures are non-discriminatory and taken in the public interest. The construct of indirect expropriation may thus make a given regulatory action onerous or, in extreme cases, almost unaffordable when it adversely affects the value of treaty-protected investments. The notion of what constitutes an indirect expropriation and the extent to which a given treaty grants protection through compensation are key parameters for the conditions and ‘price’ on governments’ ability to regulate in the public interest. Recent treaty designs have specified under which conditions a regulatory measure constitutes an indirect expropriation and how their presence is to be determined by adjudicators (Box 4.4). Such language has become standard practice in newly concluded investment treaties since 2003 and is now consistently used by many jurisdictions.

Box 4.4. Specifications on indirect expropriation in recent investment treaty language

Efforts to specify the notion of indirect expropriation or to guide arbitral tribunals in their findings on whether a specific measure constitutes an indirect expropriation can be traced back to the Exchange of Letters on Expropriation to the Singapore-United States FTA (2003), which served as a template for many later treaties. To specify the notion of indirect expropriation, countries have recently used four textual elements in their recent international investment agreements:

- They identify the **assets that can be subject to an indirect expropriation** from among items covered by the definition of investment in the treaty. As such, indirect expropriation provisions are usually confined to tangible or intangible property rights or property interests in an investment, thereby excluding some elements that may be covered by the definitions of investment in treaties (such as goodwill, customer base, market share or licences, permits and other government authorisations).
- They establish a **positive description of what constitutes an indirect expropriation**. Most treaties with specific language in this area have defined it as an “action or series of actions adopted by a Party that has an effect equivalent to direct expropriation without formal transfer of title or outright seizure” or as measures “tantamount to direct expropriation”. Some treaties have also specified the conditions to appreciate the “equivalent effect” of a measure.
- They set out **criteria to be considered when determining whether a measure constitutes an indirect expropriation**. The most common cited criteria concern the *economic impact* of the measure, the *character* of the measure, the extent to which the government action interferes with distinct, reasonable investment-backed expectations, the *objective* or *purpose* of the measure, or even the *context* of the measure.
- They specify **under which conditions a measure does not or typically does not constitute an indirect expropriation**. This fourth element is almost universally employed to specify the notion of indirect expropriation. Most treaties that employ this fourth combine two primary criteria to disqualify a measure: (1) the measure must be *non-discriminatory*; and (2) the measure must

serve or intend to serve a specific purpose, most often the pursuit of a legitimate public welfare objective. A third explicit criterion has emerged more recently, related to the measure's *severity* or its *disproportionate effects*.

Source: Adapted from OECD (2021[37]) *The notion of 'indirect expropriation' in investment treaties concluded by 88 jurisdictions: a large sample survey of treaty provisions,* https://www.oecd.org/investment/investment-policy/oecd-future-investment-treaties-indirect-expropriation-meeting-background.pdf

While the majority of Mauritius' IIAs refer explicitly to indirect expropriation measures within their expropriation clauses, they do not usually contain specifications for how indirect expropriation may be assessed in the context of disputes. A few IIAs only contain illustrative lists of measures that could be considered as being tantamount to expropriation. The Mauritius-UAE BIT 2015 for instance states that "freezing or levying excessive tax" could be considered as having equivalent effect to expropriation. Simultaneously the 2015 BIT specifies elements disqualifying a measure as expropriation. The Kuwait - Mauritius BIT 2013 on the other hand provides some guidance as to the assessment of an indirect expropriation measure. The expropriation clause includes any measure that deprives the investor from "ownership, control or substantial benefits over his investment or which may result in loss or damage to the economic value of the investment", such as levying excessive taxes and compulsory sale.

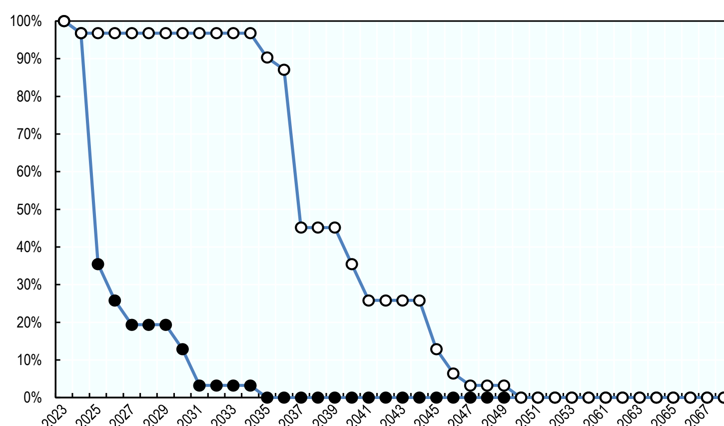
4.8.4. Policy options: voice and exit

Mauritius' current investment treaties in force cover a sizeable share of its inward FDI stock, a metric that could increase if the remainder of its treaties were to enter into force and if additional treaties are concluded. This scenario entails exposure to potential claims, especially given that the bulk of the treaty-protected stock is covered by early generation treaties that follow outdated design features with unspecified clauses. Many provisions in Mauritius' IIAs – beyond those discussed in some greater detail above – lack specific language to delineate the scope of protection and reflect government intent.

Although the model BIT revision is a welcome step in clarifying treaty language in future agreements, Mauritius could also consider clarifying language in its existing agreements. States have several options to influence the use and interpretation of their investment treaties (Gordon and Pohl, 2015[31]). Given that Mauritian IIAs often reflect features of early-generation treaties with vague framings of obligations, the government might wish to consider reviewing or renegotiating its existing agreements to ensure that they reflect government intent and current practices emerging in recent treaty policy ('voice'). Joint interpretations can be a simpler and faster device than renegotiation to address some aspects of treaty policy, provided that the existing treaty text allows sufficient scope to do so (Gaukrodger, 2016[38]).

As a last resort, treaty termination ('exit') may be considered, although this option is not available at all times. Investment treaties often place limits on exit, depending on the design of clauses on their temporal validity (Pohl, 2013[39]). The majority of Mauritian IIAs in force (65%) appear to be out of their initial validity periods and could be denounced in the two following years. In such a scenario, IIAs would continue producing their effects beyond denunciation for significant survival periods, of often 10-15 years (as set in "sunset clauses"). Based on the hypothetical scenario of a unilateral denunciation of all treaties at the earliest possible occasion, Mauritian IIAs would stop producing their effects only in 2050 (Figure 4.6).

Figure 4.6. Projection of the temporal validity of Mauritius' international investment agreements



Note: Black dots represent the share of treaties in force in a given year, based on treaties in force as of mid-2023. White dots represent the share of treaties that will continue producing their effects in a given year based on the hypothetical scenario of unilateral denunciation of all treaties at the earliest possible occasion.
Source: OECD calculations based on OECD investment treaty database.

More specific language in investment protection provisions would lead to increased predictability and thereby benefit both investors and governments. The specifications reflect policy choices and play a crucial role in the quest for balance between investor protection and governments' right to regulate. In some cases, the specifications may affect the degree of protection for covered foreign investors. Policymakers need to carefully consider the costs and benefits of these choices, and their potential impact on foreign investors and domestic investors, as well as on legitimate regulatory interests and exposure to investment claims.

Notes

[1] Non-Citizens (Property Restriction) Act, 22, 1975.

[2] Securities (Investment by Foreigners) Rules, 2013.

[3] Independent Broadcasting Authority Act, 2000.

[4] Construction Industry Development Board Act, 35, 2008.

[5] Securities Act, 22, 2005.

[6] Insurance Act, 21, 2005.

[7] WTO (2022[40]).

[8] Application Guide, Issue of Letter of Approval by the Ministry of Tourism for projects with respect to the Accommodation Sector, 2017; Policy on Investment and management by a non-citizen in a new or existing of a stand-alone (not within IRS/RES/PDS) guesthouse/tourist residence, 2019; Criteria for Investment by Non-Citizens in Tour Operator Activities.

[9] Construction Industry Development Board Act, 35, 2008.

[10] Section 17 of the Public Procurement Act 2006.

[11] Section 132 of the Companies Act, 2001.

[12] The legislation was based on the Singapore Companies Act 1967 (as revised in 1970 and 1975), itself modelled after the Australian Uniform Companies Act of 1961, which was substantially based on the UK Companies Act 1948.

[13] Judgment of the Judicial Committee of the Privy Council, *Betamax Ltd (Appellant) v State Trading Corporation (Respondent) (Mauritius)*, [2021] UKPC 14, 14 June 2021; available at: https://www.jcpc.uk/cases/docs/jcpc-2019-0109-judgment.pdf.

[14] According to the Mauritian authorities, there is currently no consensus between the parties about the exact date of denunciation of the India-Mauritius BIT. The graph represents data considering the position of the Mauritian authorities for practical purposes without intending to take any position on the divergent views.

[15] In a December 30, 2023 company disclosure to the Bombay Stock Exchange, Patel Engineering Limited revealed that the arbitration tribunal had issued its Partial Award, holding Mauritius liable for the "wrongful termination and expropriation of the lease of land to its subsidiary in Mauritius" (IAReporter, 2024[41]).

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Annex 4.A. Exceptions to National Treatment under the Declaration on International Investment and Multinational Enterprises

A. Exceptions at the national level

I. Investment by established foreign-controlled enterprises

Immovable property: A non-citizen wishing to hold leasehold rights over a freehold immovable property for a period not less than 20 years in Mauritius needs an authorisation from the Economic Development Board after approval has been obtained from the Minister to whom responsibility for internal affairs is assigned (typically the Prime Minister's Office).

Authority: Non-Citizens (Property Restriction Act No. 22, 1975)

Agriculture: No foreign investor shall, without the prior written consent of the Financial Services Commission, acquire shares in a listed Mauritian sugar company if, as a result, 15% or more of the voting capital is held by foreign investors.

Authority: Securities (Investment by Foreigners) Rules, 2013

Media: Foreign ownership is limited to 49.9% in radio and television broadcasting companies.

Authority: Independent Broadcasting Authority Act, 2000

Construction, engineering and architectural services: Foreign-owned construction consultancies or contractors are not allowed to provide consultancy services or carry out construction works without a local partner. Exceptions apply where there is an agreement with a foreign state, a foreign financial institution or an international financial organisation or where no local consultant has the necessary experience or expertise in a field of specialisation.

Authority: Construction Industry Development Board Act, No. 35, 2008

Tourism: Foreign investors wishing to establish tour operators must be locally-incorporated, maintain a bank guarantee of MUR 20 million and demonstrate how the project will benefit the local community. Hotel projects by foreign investors must bring added value and meet quality tourism criteria, while restaurant projects must provide innovative offerings and quality standards. Hotels and accommodation also face discriminatory capital requirements. Foreign investment in diving centres and existing and new/innovative pleasure craft projects is limited to 30% foreign equity. For existing pleasure craft projects, the foreign investment threshold should be MUR 20 million. New or innovative pleasure craft projects will be examined by the sea-based panel of the Ministry of Tourism on its own merit, irrespective of the quantum of investment.

Authority: Application Guide, Issue of Letter of Approval by the Ministry of Tourism for projects with respect to the Accommodation Sector, 2017; Policy on Investment and management by a non-citizen in a new or existing of a stand-alone (not within IRS/RES/PDS) guesthouse/tourist residence, 2019; Criteria for Investment by Non-Citizens in Tour Operator Activities.

Air transport: Foreign ownership of national carriers is restricted to 49% of shares. Only a "qualified" company, duly incorporated in Mauritius, with at least 51% shares controlled by the Mauritian nationals,

may be granted an Air Operator Certificate. Foreign companies are generally not allowed to provide cabotage services in Mauritius.

Authority: Mauritius Civil Aviation Regulations, 2007

II. Official aids and subsidies

None.

III. Tax obligations

None.

IV. Government purchasing

Preferential treatment in public procurement of works is accorded to locally-incorporated SMEs and companies. Public procurement of works with investment not exceeding Rs. 300 million is reserved to local contractors.

Authority: Construction Industry Development Board Act, No. 35, 2008

V. Access to local finance

None.

B. Exceptions by Territorial Subdivisions

None.

I. Investment by established foreign-controlled enterprises

None.

II. Official aids and subsidies

None.

III. Tax obligations

None.

IV. Government purchasing

None.

V. Access to local finance

None.

Annex 4.B. Measures reported for transparency in the meaning of the Investment Declaration

A. Measures Reported for Transparency at the Level of National Government

I. Measures based on public order and essential security considerations

a. Investment by established foreign-controlled enterprises

None.

b. Corporate organisation

None.

c. Government purchasing

None.

d. Official aids and subsidies

None.

II. Other measures reported for transparency

a. Investment by established foreign-controlled enterprises

None.

b. Corporate organisation

One director of a firm incorporated in Mauritius needs to be ordinarily resident in Mauritius.

Authority: Section 132 of the Companies Act, 2001.

More than half of the directors of a radio and television broadcasting company must be Mauritian nationals.

Authority: Independent Broadcasting Authority Act, 2000

c. Government purchasing

None.

d. Official aids and subsidies

None.

B. Measures Reported for Transparency at the Level of Territorial Subdivisions

None.

C. Activities Covered by Public, Private, Mixed Monopolies or Concessions

At the level of national government

I. Public monopolies

- Distribution of electricity
- Importation of mogas, diesel, petroleum gas, jet fuel, potatoes & onions
- Supply of potable water (excluding supply of bottled water)
- Operations of airport
- Securities exchange
- Light rail
- Postal services

II. Mixed monopolies

- None

III. Concessions

- Construction and operation of airports
- Port operations and container handling

At the level of territorial subdivisions

I. Public monopolies

- None

II. Private monopolies

- None

III. Concessions

- None

5 Investment promotion and facilitation in Mauritius

This chapter examines the investment promotion and facilitation policies implemented in Mauritius, assessing the institutional framework with a focus on the Economic Development Board (EDB), the apex investment promotion agency (IPA). Drawing insights from global IPA experiences, it examines the EDB's role and activities, highlighting the government's overall initiatives to attract foreign investment and enhancing the business environment for incoming investors. The chapter offers recommendations to enhance the effectiveness of the government's strategy to promote and facilitate investment.

5.1. Introduction and summary

Mauritius stands out as one of the most business-friendly nations in sub-Saharan Africa due to a combination of political stability, relatively effective governance, and a commitment to fostering a conducive business environment. It has strategically positioned itself as a hub for channelling investment into Asia and Africa, earning a reputation as a reliable international services and global business platform. The transformation of the business environment is evident in the continuous implementation of successful reforms over time, significantly reducing the time and cost associated with starting a business.

At the forefront of these efforts is the Economic Development Board (EDB), Mauritius' apex investment promotion agency (IPA). The result of a merger of three public institutions in 2017, the EDB plays a pivotal role in promoting Mauritius as an investment and business hub, an export platform, and an international financial centre. Despite the involvement of various entities under the Ministry of Finance, Economic Planning and Development (MOFEPD) in investment-related activities, the EDB stands out as the primary investment agency in charge of co-ordinating efforts. The EDB manages a comprehensive set of 13 diverse mandates, a much stronger integration of responsibilities than in other IPAs globally.

Where most OECD IPAs tend either to be part of policymaking ministries or solely implementation agencies, the EDB assumes a dual role. The EDB carries out an extensive array of image building, investment generation, investment facilitation and policy advocacy activities, albeit often on an ad hoc basis. It responds to investors on a case-by-case basis, offering information on long-term collaboration with local suppliers and partners when requested, but the absence of systematic implementation, especially in the realm of matchmaking and linkage programmes, can be a concern. Aftercare services such as dispute resolution and business linkage programmes are available but not formalised, which can create perceived challenges for investors regarding the reliability and availability of these services. Unlike other IPAs that typically employ systematic tools to match foreign investors with domestic suppliers, the EDB engages in these activities informally, often geared towards export promotion services. More structured efforts by the agency to institutionalise services, improve co-ordination with relevant ministries, and leverage existing databases for effective matchmaking can not only address concerns about service reliability for investors but also contribute to the overall growth and development of domestic value chains.

Mauritius actively engages in formal public-private dialogue mechanisms, considering it a fundamental element of its conducive business environment. Initiatives such as the Public-Private Joint Committee established under the Finance Act of 2021 highlights this commitment, serving as a platform for quarterly discussions between public and private stakeholders, facilitating the exchange of views and collaborative efforts to tackle challenges faced by investors. Expanding on the success of integrating stakeholder feedback through the Joint Committee, Maurice Stratégie, a research-based think tank incorporated under the EDB, was established to play a pivotal role in collecting data and feedback from the business community. To reinforce these initiatives and enable investors to voice their challenges effectively, the government is in the process of introducing the Business Obstacle Alert Mechanism (BOAM), allowing the private sector to report obstacles encountered in investment activities and seeking resolution from competent authorities. This will not only help informed decision-making but also establish an up-to-date database of challenges faced by economic operators.

Although the EDB developed a strategic plan for 2021-24, aiming to "contribute towards shaping the future of Mauritius by designing and delivering better, stronger, and more sustained economic growth through higher levels of investment and exports," there is room for improvement in harmonising the overall initiatives of the EDB. An investment strategy should result from broad consultations across government to ensure consistency and coherence with broader government objectives. It should include a technical, comprehensive and operational action plan that not only outlines the objectives, but also puts forward a reform plan to foster those investment goals. Such a strategy should have an adequate system for monitoring and a subsequent design for implementation.

The existing gap in setting clear strategic objectives and orientation of the EDB's investment promotion activities poses challenges to the effectiveness of its initiatives, making it difficult to prioritise activities, allocate resources efficiently, and measure the impact of its efforts. Implementing a promotional strategy with clear objectives would provide a roadmap for aligning these activities with overarching goals, enhancing the agency's focus and impact. The EDB is currently in the process of preparing a new strategic plan for implementation in 2025, presenting an important opportunity to address the shortcomings in objective setting and monitoring of the prior strategy. For example, the absence of a robust system for tracking key performance indicators (KPIs) further compounds these challenges. The role of prioritisation and monitoring and evaluation (M&E) are fundamental in guiding and ensuring effective outcomes, providing agencies with essential tools to set objectives, define KPIs, and systematically assess performance for strategic decision-making. The EDB, in its M&E efforts, revises targets quarterly and publishes annual activity and financial reports for transparency, but it does not systematically collect data on various indicators to enhance meaningful reporting and evaluation, aligning with comprehensive practices observed in other IPAs. By introducing a comprehensive KPI tracking mechanism, it can systematically monitor and evaluate the outcomes of its investment promotion activities, helping to identify successful strategies while also facilitating informed decision-making and adaptive management.

Clear and well-defined output and outcome indicators are essential for IPAs to ensure they fulfil their strategic goals and support economic and sustainable development objectives. While output indicators focus on internal agency metrics like project numbers and client satisfaction, the EDB tracks only two, highlighting a potential gap in evaluating client interactions. In terms of outcome indicators, the EDB's tracking differs from common IPA practices. Crucial outcome indicators related to jobs, innovation, exports, wages, and sustainability are not formally tracked, affecting the agency's ability to effectively assess a) its impact and progress as an agency and b) the impact of the attracted investment on fulfilling national objectives. Moreover, the EDB's customer relationship management (CRM) system, though established for efficient communication and reporting, tracks only about 30% of the agency's activities, below the average indicators followed by other agencies, revealing a gap in data collection and harmonisation. Streamlining CRM systems and mandating reporting on ongoing activities can enhance the EDB's evaluation capabilities. The establishment of an ESG Framework in Mauritius and collaborative initiatives with institutions like the African Development Bank reflect a commitment to sustainability and offer the opportunity to incorporate sustainability KPIs into the evaluation framework.

5.1.1. The missing elements of successful investment promotion and facilitation in Mauritius

Mauritius has made substantial efforts to improve the investment climate over time, and these efforts described in this chapter have paid off in international rankings such as Doing Business. Mauritius deserves praise for being able to address challenges in this area, but as other top performers such as Georgia and Rwanda have found, high rankings on the ease of doing business are not sufficient by themselves to draw in investment, as evidenced by the mixed record of Mauritius in attracting FDI described in Chapter 2. Nor will improvements to the regulation of the business environment be enough to address the productivity and competitiveness challenges facing Mauritius and the need to diversify and upscale the economy.

Instead of a clearly articulated investment strategy embedded within a broader national sustainable development plan, Mauritius offers ad hoc approaches, responding to issues as they arise but lacking an overall vision beyond that elaborated in the EDB's internal investment strategy document. In other countries, this vision is sometimes embodied in an Investment Law, outlining the country's expectations from investment, where foreign investment is not welcome or subject to conditions, and a list of which sectors are targeted for promotion, with reference to a national development plan. An Investment Law is

not a necessary component of a good investment climate, but it can promote coherence within government and send a strong message to investors.

An alternative is a comprehensive Investment Strategy. The EDB does engage is some prioritisation but tends to support both new investors in new sectors as well as many domestic firms requesting assistance. (The issue of investment incentives is discussed in Chapter 6.) This scattershot approach is not only expensive in terms of forgone revenue but also not likely to be sufficiently effective in attracting the types of investment likely to help overcome the challenges faced by Mauritius. An investment strategy for Mauritius should focus on prioritising and supporting high-impact sectors and investors, focusing resources on attracting and supporting investments that offer the greatest potential for economic growth and development, thereby enhancing effectiveness and reducing unnecessary expenditure.

The development success of Mauritius can partly be explained by the reactivity of the government and the EDB (and previously the BOI) in addressing problems as they arose, but sometimes in an ad hoc and uncoordinated way, resulting in a plethora of initiatives by different ministries and agencies. Support for existing industries and the use of migrant labour, for example, designed to perpetuate the successes of earlier decades may serve more to maintain the status quo than to chart a new development path.

In the area of public-private dialogue where Mauritius has some institutionalised mechanisms, the government receives feedback from the principal employers' organisations such as Business Mauritius which helps to ensure that obstacles to doing business are addressed. At the same time, a close relationship with the existing private sector should not come at the expense of leadership from the government based on a broad agenda which creates opportunities for new businesses, including foreign-owned ones, and which considers broader issues of inclusiveness and sustainability.

Policy recommendations

- **Consider thoroughly examining and potentially restructuring the digital infrastructure for business registration, introducing clear and predetermined criteria to ensure greater predictability and efficiency in business procedures.** While Mauritius has commendably simplified and digitalised its business environment, the EDB and other relevant agencies such as the Corporate Business Registration Department and the Financial Services Commission could further streamline the complex network of existing online platforms. Despite numerous reforms, clarity is needed on which platform serves specific investor types for which business procedures. A review of the digital infrastructure could introduce clear and predetermined criteria to ensure greater predictability and efficiency in business procedures, including defining customer categories and specifying which entities fall under the purview of different platforms to eliminate confusion and enhance user experience.
- **Continue to participate actively in the discussions that follow the conclusion of the text Agreement on Investment Facilitation for Development** negotiated at the WTO, including on implementation of the agreement.
- **Strengthen the EDB's business matchmaking programme to foster linkages between foreign affiliates and domestic firms in the context of its aftercare services**. While the EDB has seen success with its virtual expo, an online platform showcasing Mauritian suppliers and products, it is at an early stage of development and will need to expand the number of suppliers and sectors included. Greater co-ordination with similar initiatives across other ministries and private institutions would avoid overlaps and reinforce the implementation and monitoring of linkage programmes.

- **Adopt a strategic approach to investment promotion within the EDB, including by systematically expanding the monitoring scope to include a broader set of output and outcome indicators than are currently being monitored to better ensure consistency between the set targets and the desired outcomes**. Typical output indicators, such as the number of assisted firms, query responses, and costs, are crucial for conducting meaningful impact evaluations. Beyond the two output indicators currently tracked, EDB should consider incorporating measures such as the number of investment projects, participating firms, and client satisfaction. By incorporating these fundamental data points, the EDB can gain insights into its role, assess service effectiveness, and make informed resource allocation decisions.
- **Proactively integrate sustainability KPIs into EDB's M&E system, encompassing metrics aligned with various SDGs and other outcome indicators.** This will allow a better evaluation of the economic impact of investment projects and also of their environmental, social, and governance aspects, allowing the EDB to comprehensively gauge the impact of its investment promotion strategies on sustainability outcomes. Recognising that such indicators often require project and firm-specific data, the EDB should establish a collaborative framework with investors that actively involves them in the data collection process to ensure accuracy and relevance in sustainability metrics.
- **Continue enhancing data tracking and reporting to optimise EDB's current CRM system**, particularly in ongoing policy advocacy activities where extensive investor and business data are collected. The CRM system should continue to be expanded to encompass a broader range of indicators, including socio-economic factors, for a more comprehensive assessment. CRM systems should be streamlined across EDB offices to promote information-sharing and harmonised monitoring, improving the accuracy of evaluation data and overall efficiency, enhancing ongoing efforts to link it with the Enterprise Resource Planning and National Electronic Licensing System platforms. Recognising the pivotal role M&E plays in shaping EDB strategies, developing a dedicated evaluation strategy should be prioritised to effectively assess the agency's impact and identify bottlenecks through relevant indicators mentioned above. The EDB may also consider establishing a dedicated evaluation team focusing on impact evaluations within the existing Strategic Planning Unit, to help guide prioritisation, resource allocation, and overall strategy.

5.2. Institutional framework for investment promotion and facilitation

Institutional frameworks for investment promotion and facilitation vary globally, shaped by overall policy objectives and the emphasis placed on attracting investment. While nearly all countries have an investment promotion agency, the authority, responsibilities, structure, and objectives of these agencies differ significantly, influenced by institutional contexts and political environments (OECD, 2018[1]).

Mauritius' organisational strategy for investment aligns with its broader institutional evolution. The Ministry of Finance, Economic Planning and Development (MOFEPD)[1] consolidated economic planning and financial structures to pursue a cohesive effort in achieving the overall policy agenda. It plays a crucial role in formulating policies, managing government economic affairs, and ensuring financial soundness. The expanded ministry led to several parastatal agencies inheriting various responsibilities. For investment and export matters, these responsibilities were divided among three agencies: the Board of Investment for investment promotion, Enterprise Mauritius for export promotion and enterprise development, and the Financial Services Promotion Agency for developing Mauritius as an international finance centre.

In a strategic move to continue enhancing coherence and aligning policy objectives, these three entities were merged into a single agency in 2017, the Economic Development Board. Its overarching objective is

to ensure effective policy implementation and chart a path for economic development towards achieving high-income status through sustainable and inclusive growth. As a central institution for investment promotion and facilitation, the EDB is involved in country branding, facilitates both inward and outward investment, and helps to create a conducive business environment. Serving as an apex statutory body, the EDB collaborates across ministries and with private stakeholders to carry out economic research and implement initiatives. In addition to its main tasks, it also addresses challenges such as educational and labour mismatches, the impact of an ageing population on the economy, technology adoption, infrastructural development, and economic openness, all with the aim of strengthening economic resilience and becoming a high-income economy.

The establishment of the EDB went beyond a mere merger of existing institutions. Instead of focusing on short-term individual political strategies, as was done by the preceding institutions, the EDB was charged with producing comprehensive economic planning and forward-thinking initiatives. It plays a distinctive role in formulating strategies and overseeing the execution of decisions and measures that resonate with the vision of transforming Mauritius into a modern and innovation-driven economy.

According to the EDB, it has sufficient staff and resources to carry out its mandates. The budget has experienced a consistent rise in allocations from the MOFEPD every year, except for 2020 due to the impact of the COVID-19 pandemic. From 2019 to 2023, EDB's budget increased by approximately EUR 4.2 million, reaching a total of around EUR 25.7 million in 2023. This upward trend suggests a growing recognition of the EDB's pivotal role in investment promotion and facilitation, accompanied by an acknowledgment that additional financial resources are essential to carry out the agency's extensive mandate effectively. Highlighting this commitment, the Minister of Finance's Budget Speech for 2023-2024, a crucial instrument for developing regulations and amending primary legislation with financial implications, increased the EDB's promotion and marketing budget by MUR 100 million (EUR 2.1 million). Despite the strategic investment in bolstering EDB's capabilities to fulfil its objectives and increase its financial capacities, external reports note that the agency does not possess adequate staff to deliver on its heavy and broad mandate (World Bank, 2021[2]). To address these shortcomings, EDB recruited 68 officers to reinforce its capacity and is in the process of recruiting additional staff.

As is often the case, several other institutions, primarily those working under the MOFEPD, assist the EDB in carrying out investment and export related responsibilities:

- **Corporate Business Registration Department (CBRD):** responsible for incorporation, registration and closure of companies, compliance with legal requirements and the provision of company information to the public. It aims to facilitate business growth, ensure that procedures are in place for compliance related to money laundering, terrorism financing and proliferation financing, ensures adherence to regulatory requirements and assists businesses to improve compliance.
- **Financial Services Commission (FSC)**: responsible for the regulation, supervision and inspection of all financial services other than banking institutions and general businesses that fall under the purview of the Ministry of Financial Services and Good Governance. It plays a predominant role in promoting the development, fairness, efficiency and transparency of financial institutions and capital markets, specifically for investors interested in financial services.
- **Mauritius Revenue Authority (MRA)**: beyond tax administration, it plays a large role in creating and disseminating schemes and incentives for investors and businesses, as well as their monitoring and implementation.
- **Maurice Stratégie**: a private limited company incorporated under the EDB to contribute to public action through research and analysis, stakeholder engagement and business intelligence, as well as forecasting and modelling. It serves as a platform for public-private consultations and carries out technical research to facilitate discussions and enable informed decisions from policymakers.

A handful of additional public authorities and private entities are involved in investment and business-related matters outside of MOFEPD's purview:

- The **Ministry of Foreign Affairs, Regional Integration and International Trade**, in addition to its role of carrying out foreign policy and diplomatic relations, plays a role in the investment strategy through its economic diplomacy agenda. It also leads negotiations of international trade, investment and other agreements, in co-operation with the MOFEPD.
- The **Ministry of Financial Services and Good Governance** established in December 2014 to develop the financial services sector.
- **Local authorities** are key to the investment climate, aiding in the promotion of local investment that contributes to regional development. Local authorities also often co-operate with the CBRD and the EDB on its operation of the One-Stop Shop, a unified licensing system for businesses, and the issuing of relevant business permits.
- **Private sector representatives** such as the Mauritius Chamber of Commerce and Industry (MCCI) and the Mauritius Export Association (MEXA), relay feedback to policymakers on business environment challenges.

The EDB plays a pivotal co-ordinating role among these various institutions and stakeholders. Therefore, examining the EDB's strategy in investment promotion and facilitation, especially when compared with its international counterparts, offers insights into organisational dynamics and its approach to fulfilling its mandate. To facilitate this understanding, Mauritius recently participated in a survey for IPAs conducted by the OECD (Box 5.1). The findings support the comparative analysis undertaken in this chapter, benchmarking the EDB against its peers from the OECD and other regions. This comparative exercise provides valuable insights into the EDB's performance and sheds light on potential areas for enhancement in line with international best practices.

5.2.1. Institutional and resource implications of an expansive mandate

The EDB's mission encompasses diverse goals to drive overall economic development. It focuses on providing institutional support for strategic economic planning and enhancing policy formulation effectiveness. The EDB strives to position Mauritius as an appealing investment and business centre, a competitive export platform and an international financial hub. It serves as the primary institution for country branding, facilitates both inward and outward investment, and promotes a business-friendly environment. In doing so, the EDB reports carrying out 13 of 18 mandates listed in the OECD-IDB survey, including:

- Inward foreign investment promotion
- Outward investment promotion
- Domestic investment promotion
- Screening/prior approval of investment projects with foreign participation or investor registration
- Negotiating international trade, investment or other agreements
- Export promotion
- Trade facilitation
- Innovation Promotion
- Managing free trade or special economic zones or industrial parks
- Granting fiscal incentives
- Granting financial incentives
- Granting other incentives
- Promoting regional development

Box 5.1. The OECD-IDB survey of investment promotion agencies

The OECD and the Inter-American Development Bank (IDB) have partnered to design a comprehensive survey of IPAs. The questionnaire provides detailed data that reflect rich and comparable information on the work of national agencies in different countries. The survey was displayed in the form of an online questionnaire and divided into the following parts:

- Basic profile
- Budget and personnel
- Offices (home and abroad)
- Activities
- Prioritisation
- Monitoring and evaluation
- Institutional interactions
- IPA perceptions on FDI.

In 2017-2018, the survey was shared with IPA representatives from 32 OECD and 19 Latin America and Caribbean countries. In 2018, 10 national agencies from the Middle East and North Africa participated in the same survey and 10 additional countries from Eastern Europe, Southern Caucasus and Central Asia joined the same exercise the following year.

The results of the survey are presented in comprehensive IPA mapping reports, which provide a full and comparative picture of IPAs in selected regions. The reports benchmark agencies against each other as well as the average IPA in a region against other regions.

The EDB took part in the Survey in 2023 as part of the *Investment Policy Review* and the answers have been verified with the agency. The results have been used to analyse and benchmark the EDB's institutional characteristics and the work it carries out against other agencies around the world.

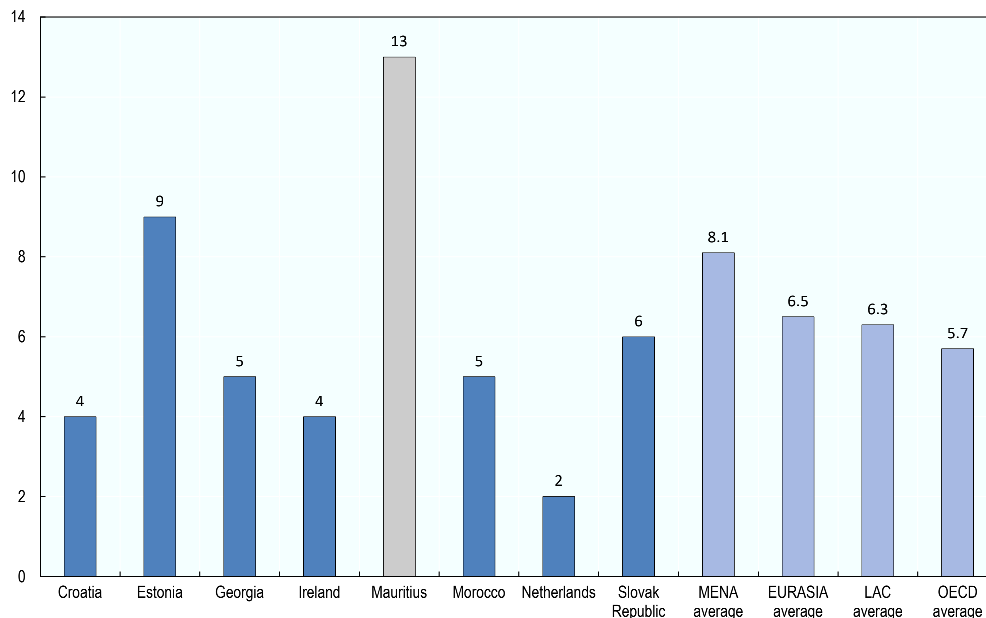
Source: OECD's Investment Promotion and Facilitation initiative, https://www.oecd.org/investment/investment-promotion-and-facilitation.htm

The EDB's mix of mandates reflects a comprehensive approach to economic development, catering to diverse needs and opportunities in its institutional environment. It has many more mandates than in OECD, LAC, and Eurasia regions, highlighting the agency's high level of integration of diverse responsibilities (Figure 5.1). While IPAs that undertake several disciplines sometimes do so because they are operational arms of ministries and in charge of implementing policies instead of designing them, the EDB acts as policymaker, leading the design of investment strategies and taking part in decision-making activities that are relatively uncommon mandates for IPAs in OECD countries, but more common elsewhere. These include participating in negotiations of international trade, investment or other agreements, screening and prior approval of investment projects with foreign participation or investor registration and granting of financial, fiscal and other incentives, all of which are typically carried out by ministries. Most OECD IPAs have a clearer separation between the policymaking ministry and the implementing agency.

Investment promotion and export promotion are distinct facets of economic development focusing on fundamentally different clients. They require unique skillsets and different approaches in the services they deliver to firms. Investment promotion activities primarily focus on attracting FDI to stimulate economic growth, create jobs, and foster innovation within the country. IPAs often tailor their strategies to showcase an investment-friendly climate and present strong value propositions, emphasising factors such as infrastructure, regulatory frameworks, and financial incentives. It requires solid market intelligence capacities and a deep knowledge of MNEs' internationalisation strategies. Meanwhile, export promotion

activities aim to enhance the competitiveness of local industries, navigate international trade regulations, and identify market opportunities abroad. When IPAs handle both activities, strategies need to be tailored to each discipline while keeping common objectives in mind (Box 5.2).

Figure 5.1. Number of mandates of EDB and selected other national IPAs



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Some IPAs, like the Swiss, Japanese, and Korean agencies, were initially established as trade promotion agencies and later incorporated investment promotion into their functions. In contrast, certain countries, such as Ireland, the Netherlands, and Austria, have been at the forefront of establishing dedicated IPAs focused solely on investment promotion right from their inception. A significant proportion of IPAs (81%) have undergone recent organisational restructuring at least once, with a quarter of them undergoing three or more reforms. The latest IPA reforms often involve incorporating new mandates, such as trade promotion, innovation promotion, and tourism promotion, into the agencies' functions. This is the case of the EDB, where promotional activities in all three areas fall within the agency's mandate. Promotional functions, when harmonised, present an opportunity for resource optimisation and strategic deployment, ensuring a more prudent use of public funds and efficient utilisation of valuable resources. A unified approach, as in Mauritius, can enhance credibility with foreign investors. The EDB staff, if well-versed in both investment and export potential, can convincingly illustrate the advantages of manufacturing projects for export. Additionally, EDB trade missions serve a dual purpose by not only promoting exports but also elevating Mauritius as an attractive destination for inward investments.

Success in promoting investment and exports necessitates careful consideration of resource efficiency and organisational alignment within the government. A staff well-versed in both activities encourages the development of strong sectoral knowledge within the agency. The EDB's unique organisational structure whereby staff are divided by sector rather than function has allowed personnel to develop sectoral expertise, which can be showcased when approaching investors. While merging trade and investment promotion functions allows staff to master the entire value chain of a sector, equipping them to facilitate both investors and trade initiatives, investment and export promotion techniques still requires specific capacities regardless of sector. The EDB's inclination towards synergising these two crucial aspects may

inadvertently hinder its ability to fully capitalise on the economic potential offered by targeted sectors and thus may warrant a reconsideration of the integrated approach.

Box 5.2. Integration of trade and Investment policies within various institutional structures

An integrated strategy for trade and investment promotion requires the synchronised efforts of diverse stakeholders and strategies. It involves tactically harmonising the targeted sectors, coordinating mechanisms, cross-sectoral and institutional strategies, as well as implementing robust monitoring and evaluation mechanisms to assess policy effectiveness. Synergies between these aspects are crucial for any integrated trade and investment promotion strategies, yet their manifestations can vary based on the institutional framework of the relevant agencies:

Malaysia's comprehensive trade and investment promotion approach is guided by the National Investment Aspiration Targets, emphasising increased economic complexity, high-value job creation, extended domestic linkages, economic cluster development, improved inclusivity, and enhanced ESG practices. The Malaysian Ministry of International Trade and Industry (MITI) spearheads this initiative by formulating, evaluating, and coordinating policies and incentives for the manufacturing and service sectors, with a specific emphasis on trade facilitation. The Malaysian Investment Development Authority (MIDA), a sub-agency of the MITI actively executes integrated policies, promoting and coordinating foreign and local investments in selected sectors, positioning Malaysia as a prime destination for quality investment and fostering the expansion of domestic value chains. Monitoring and evaluating their efforts, both MITI and MIDA employ a robust system using both output and outcome indicators for each program within their initiatives.

The United Kingdom has a longstanding tradition of integrated trade and investment policies since the release of the United Kingdom Trade and Investment's (UKTI) growth strategy in 2003, outlining a comprehensive, intergovernmental effort to boost exports and allure inward investment. The Minister of State for Trade and Investment, under which UKTI operated as a department, supervised the execution of detailed action plans addressing policy barriers to trade and investment, as well as the removal of obstacles to specific investment projects. Collaborating closely with the Department for Business, Innovation and Skills (BIS), UKTI capitalised on the UK’s strengths in sectors like advanced manufacturing, professional and business services, and life sciences. A delivery partnership was established with BIS and the Export Credits Guarantee Department to support small and medium-sized enterprises while cross-government partnerships were fostered to assist UK businesses in seizing global opportunities and attracting inward investment. These missions were relayed to the superseding institutions and since UKTI, including the newly organised Department for Business and Trade established in 2023, which has placed strong emphasis on monitoring and evaluation through comprehensive key performance indicators of both investment and trade activities.

In contrast, the responsibilities for trade and investment in Ireland are managed by separate agencies: Enterprise Ireland and the Investment Development Agency of Ireland. The nation has adopted an integrated approach to policy and strategy, recognising the interconnected nature of these functions. Ireland's "Trade and Investment Strategy 2022-2026: Value for Ireland, Values for the World" established a robust framework for trade and investment, fostering sustainable growth, diversifying export markets, improving living standards, and boosting the economy. The strategy outlines seven key objectives that intertwine trade and investment priorities, including enhancing Ireland's economic ecosystems, optimising global value and supply chain positioning, and leveraging EU Free Trade Agreements. The Department of Enterprise, Trade and Employment coordinates these efforts, collaborating with IDA Ireland and Enterprise Ireland. The Trade and Investment Council, established

in 2020, further ensures cohesive coordination across various ministries, trade and investment promotion agencies, and private organisations to implement the strategy effectively.

Source: MITI (2023[3]); MIDA (2023[4]); UKTI (2011[5]); DBT (2023[6]); DETE (2022[7])

Similarly, embracing innovation promotion alongside investment attraction can be pragmatic, especially if it aligns with the broader strategy of attracting high-tech and research-driven MNEs capable of investing in high value-added activities. The EDB also shares this role, in line with the majority of OECD IPAs (56%) that take on both investment and innovation promotion activities. Crucial determinants for locating high-technology industries involve the presence of an innovation network encompassing top-tier scientific infrastructure, skilled labour, technology clusters, and public knowledge centres. By amalgamating FDI and innovation promotion, synergies can be harnessed to attract innovation-oriented MNEs, contingent on the IPA's strategy effectively distinguishing between the necessary approaches (OECD, 2018[1]).

5.2.2. Both the public and private sector are well-represented within the EDB's governance

The structure and governance of an IPA, often shaped by its institutional context and broader political decisions, play a crucial role in defining how it is directed, supervised, and managed. This governance framework, encompassing legal status, reporting channels and managerial arrangements, significantly influences the level of autonomy the IPA enjoys within the government, particularly in managing financial and human resources. IPAs typically adopt various legal forms: a governmental body within a ministry, an autonomous public agency, a joint public-private entity, or a fully privately-owned organisation.

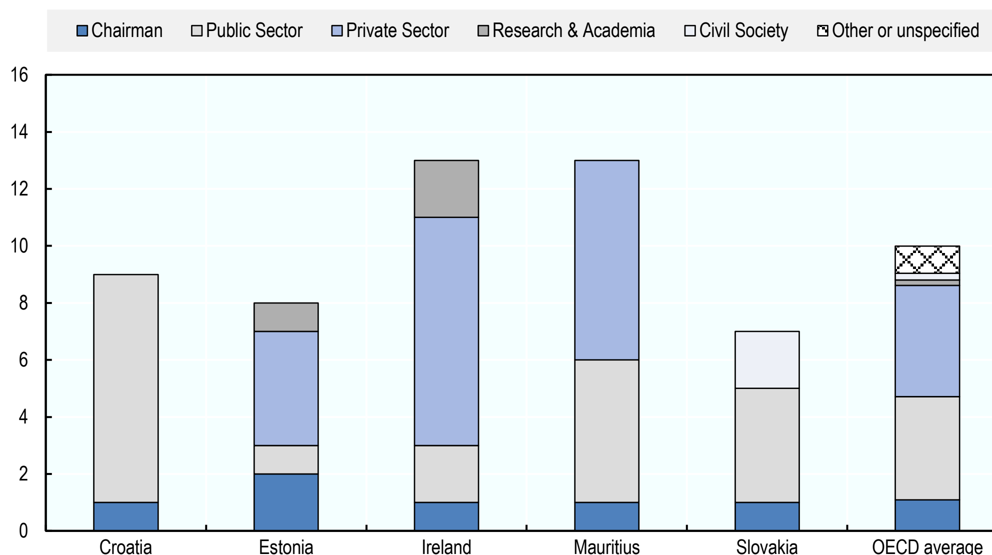
The EDB functions as an autonomous public agency with a governance structure overseen by a Board of Directors. Legally, the agency reports to its Board of Directors, which, in turn, reports to the MOFEPD. The Board operates in a supervisory capacity, consisting of 13 members, similar to the number of board members in OECD countries. The Board includes a chairman appointed by the President, who, based on the Prime Minister's advice after consulting with the Leader of the Opposition, oversees the appointment of the EDB's Director General. This structure ensures a clear delineation of roles within the EDB's governance, emphasising a balance between public and private sector representation.

The composition of board members maintains a balanced, with 5-7 members from the private sector (appointed by the Prime Minister) and five from the public sector (appointed by the MOFEPD). This balance is crucial for aligning the interests and needs of the private sector with the overall economic and development goals of the government, especially concerning challenges in the business environment. Some IPAs include other representatives from research and academic backgrounds and civil society, albeit rarely (Figure 5.2). The EDB might consider doing so as broader representation can ensure diverse expertise on industry trends and innovation, which can help the agency understand the latest developments in research and technology that can shape strategies to align with emerging opportunities. Moreover, civil society representatives can advocate for social and environmental considerations in the decision-making process and ensure that the agency considers the broader impact of investment activities on local communities and the environment.

IPA boards and the government, typically represented by the line ministry, oversee IPA planning and reporting tools. Governments commonly approve IPA strategy and targets, while boards are more frequently involved in approving financial reports, activity reports, and business plans. IPA boards, especially in agencies like the EDB, are actively engaged in overseeing resources allocation and guiding strategic orientations. The EDB engages in consistent annual reviews of its strategy, activity and financial reports, with quarterly assessments of IPA targets, but the current gap in systematic data collection within the EDB (discussed below) hampers an informed and evidence-based reorientation of strategies and

targets. Addressing this gap will be imperative to enhance the efficacy of monitoring and evaluation processes and ensure that the strategic orientation of the EDB reflects the outcome of past performance.

Figure 5.2. EDB and selected IPA board compositions



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

5.3. Business climate reforms and initiatives to facilitate investment

5.3.1. The business climate meets international standards and exceeds regional norms

Mauritius is considered one of the most business-friendly locations in sub-Saharan Africa because of its political stability, successive reform-minded governments, effective governance and a fully independent judiciary (Bertelsmann Transformation Index, 2022[8]). Despite its challenging geographical location far from major markets, Mauritius has a well-deserved reputation as a reliable international services and global business hub. It has proven successful in positioning itself as a centre to channel investment flows into the burgeoning markets of Asia and Africa. A major driving force behind this success is Mauritius' consistent commitment to fostering a business-friendly environment, designing and implementing new reforms to make it easier for investors to establish, operate and expand. Consequently, it has secured high rankings in global business environment indices, often claiming the top position in Africa (Table 5.1).

Mauritius has methodically transformed its business environment through a series of reforms. The amendments to the Business Facilitation (Miscellaneous Provisions) Act in 2017 and 2019 marked significant turning points in making the investment process more accessible and efficient, representing 26 amended laws in 2017 and a further 28 amended laws, 25 amended regulations and three new regulations in 2019. These amendments, involving numerous legislative changes, encompassed pivotal reforms such as streamlining trade fee payments, reviewing construction permit procedures, ensuring safety compliance, simplifying business licensing processes, and introducing various trade facilitation measures. The unification of business registration under the CBRD further streamlined procedures.

Through these reforms, nearly all aspects evaluated by the World Bank's former Doing Business assessment have been addressed within the past decade. For instance, in the domain of property registration, where Doing Business tracked seven separate reforms from 2005 to 2020, the time required to complete property registration has seen a remarkable reduction, decreasing more than twelvefold (World

Bank, 2020[9]). Mauritius has also made significant strides in the process of starting a business. Since 2005, it has undertaken five reforms related to commencing business operations, with four of these reforms specifically aimed at speeding up the incorporation of a business.

Table 5.1. Select global index rankings of Mauritius

Organisation	Index	Year	Rank (Global)	Rank (Africa)
World Bank	Doing Business Report	2020	13/190	1st
World Economic Forum	Global Competitiveness Report	2019	52/141	1st
Fraser Institute	Economic Freedom of the World Index	2020	11/165	1st
Wall Street Journal and Heritage Foundation	Economic Freedom Index	2023	26/177	1st
Forbes	Best Country for Business Index	2019	39/161	1st
Bertelsmann Stiftung	Bertelsmann Transformation Index	2022	Status: 12/137 Governance: 11/137	1st in both

Source: (Bertelsmann Stiftung, 2023[10]); (World Bank, 2020[9]); (Forbes, 2019[11]); (Fraser Institute, 2020[12]); (WEF, 2020[13]) (WSJ, 2023[14])

Owing to these four reforms, the time required for company incorporation was reduced almost tenfold. Starting a business now takes a mere 4.5 days, a striking contrast both to the protracted 21.5 days in Sub-Saharan Africa and to the 9.2 days in OECD high-income economies. Equally notable is the reduced cost associated with setting up a new business, dropping from 0.9% to 0.8% of GNI per capita in 2020 (World Bank, 2020[9]). These improvements are a direct result of new policies and systems put in place to streamline business registration and licensing procedures, specifically digital solutions discussed later.

5.3.2. Investment facilitation

National reform efforts in this area are complemented by participation in international initiatives. The WTO has been a driving force behind an international consensus on investment facilitation measures through the Joint Initiative on Investment Facilitation for Development (IFD) (Box 5.3). Mauritius joined the initiative in June 2020 and participated in negotiations to conclude the official text Agreement in July 2023. Through several governing bodies including the International Trade Division of the Ministry of Foreign Affairs, Regional Integration and International Trade, the Ministry of Industrial Development, SMEs and Cooperatives, MOFEPD, the EDB and its Mission in Geneva, Mauritius played an active role in negotiations, tabling proposals on Risk Management Techniques, Silence is Consent and a Business Obstacles Alert Mechanism. The initiative is a development-oriented effort to encourage national investment climate reforms and to build confidence in the international trade and investment system. Mauritius is encouraged to continue its active participation in the preparation of the Agreement's implementation, demonstrating its willingness to continue placing FDI at the centre of its foreign economic policy, continuously driving reforms in its investment climate, and encouraging reforms in countries where Mauritius operates as a foreign investor.

Box 5.3. WTO Structured Discussions on Investment Facilitation for Development

Initiated in 2017 by a consortium of developing and least-developed members of the World Trade Organization (WTO), the Joint Initiative on Investment Facilitation for Development (IFD) seeks to establish a global agreement that enhances the investment and business climate, simplifying processes for investors across all sectors. After years of discussions, formal negotiations began in September 2020. In July 2023, participating members announced the successful conclusion of the Agreement's text. The focus is on increasing the involvement of developing and least-developed countries in global investment flows. With 112 members, the IFD is member-driven, transparent, and inclusive.

The Agreement includes the following topics:

- improving the transparency and predictability of investment measures
- simplifying and speeding up investment-related administrative procedures
- strengthening the dialogue between governments and investors, and promoting the uptake of responsible business conduct practices by firms, including to prevent and fight corruption; and
- ensuring special and differential treatment, technical assistance and capacity building for developing and least-developed countries.

The IFD Agreement aims to establish consistent global standards, reduce regulatory uncertainties, and create a favourable environment for investment. It will support domestic reforms based on shared commitments, sending a positive signal to potential investors. Developing and least-developed countries will receive the necessary support to implement and benefit from the agreement, promoting inclusive participation and sustainable development. The initiative does not cover market access, investment protection, or dispute settlement.

Source: www.wto.org

5.3.3. Investment climate reforms target many parts of the business environment

The government has undertaken continued efforts to position and reinforce Mauritius as a business-friendly destination, gearing initiatives around four key projects based on regulatory reviews and assessments as well as the digitalisation and automation of business processes, discussed in the next section:

- Guaranteeing the implementation of the National Electronic Licensing System (NELS) which provides a single point of entry for all business licences.
- Carrying out a Business Process Re-engineering exercise to examine all licences and permits prior to being automated.
- Ensuring implementation of a Regulatory Impact Assessment Framework to track the effectiveness of regulatory reforms (see Chapter 1 for more information on RIA reforms).
- A Regulatory Review exercise of four sectors to examine opportunities for liberalisation: International trade and logistics, financial services/healthcare, tourism, as well as planning, development and construction services (see Chapter 4 for more information on market access).

Institutional reforms played a crucial role in supporting the overarching reform agenda. The establishment of an Inter-Ministerial Committee chaired by the Prime Minister provided strategic guidance and political support for the programme of work. The EDB Act of 2017 which created the EDB in 2018, initially under the Prime Minister's Office and later moved under the MOFEPD in 2019, aimed to enhance institutional support for economic planning, ensuring coherence and effectiveness in economic policy formulation.

Amendments to the Economic Development Board Act in 2020 focused on increasing transparency and empowering the EDB to act as a policy advocate. These changes allowed companies to report challenges in obtaining licences, permits, authorisations, or clearances, with the reported obstacles and subsequent actions taken published for transparency, reflecting a commitment to addressing issues proactively and ensuring a transparent and responsive regulatory environment. The establishment of a Business Support Facility at the EDB in 2021 similarly underscores a continuous commitment to extending services to both domestic and foreign investors, with a specific emphasis on enhancing investment facilitation.

5.3.4. Rapid digitalisation of public services has made business procedures more accessible but with some overlap

Mauritius takes a proactive approach in identifying and addressing regulatory deficiencies within its business environment. The government has undertaken impact assessments across diverse agencies and sectors, involving institutions such as the International Finance Centre, the Pay Bureau Research Centre, and the EDB. Over several years, these agencies have conducted evaluations to scrutinise the existing business environment and identify shortcomings. The assessments prompted the recognition of the urgent need for reforms and modernisation in the public sector to enhance efficiency and citizen-centric services. In response, the government launched a comprehensive multifaceted effort to replace outdated, manual, and paper-intensive processes with digitally-enabled alternatives.

The restructuring and digitalisation of licensing and registration processes in Mauritius follow a comprehensive and strategic approach. The introduction of the *Smart Process Framework* marked a pivotal moment, focusing on efficiency, innovation, waste reduction, and increased productivity. Aligned with the *Digital Government Transformation Strategy 2018-2022*, it emphasised integrating e-business strategies across ministries and departments, crucial for uninterrupted business operations, especially during crises like the COVID-19 pandemic. This transformation can be seen through the Business Process Re-Engineering project by the EDB, simplifying the complex system of 165 business-related licences managed by 14 ministries and public sector agencies. The restructuring efforts were formalised through the amended Business Facilitation (Misc. Provisions) Act of 2019. Strong inter-institutional co-operation facilitated a smooth transition to online services. Consequently, both the CBRD and the Financial Services Commission (FSC), under the MOFEPD, now host multiple investor service platforms (Table 5.2).

Further reforms have centralised business-related information. The 2020 amendment of the Business Registration Act positioned the CBRD as the central repository for business licences and information. The e-Registry System provides public access to a national register of real estate properties, providing transparency and streamlined information sharing between government agencies. Moreover, the NELS, initiated under the Economic Development Board Act, serves as a centralised hub for processing various permits and licences required for business operations. Its role in expediting processes, such as obtaining a building permit within just 14 days, showcases tangible benefits of digitalisation. The consolidation of digitalised licensing systems under CBRD oversight further exemplifies a co-ordinated approach.

The financial sector was individually targeted for transformation to continue promoting the industry as part of its prioritisation strategy. Recommendations from a 2016 report by the Mauritius IFC led to the creation of user-friendly processes for financial institutions, resulting in the establishment of the FSC Single Window and FSC One Platform. These platforms offer investors in the financial services sector streamlined processes, eliminating the need for multiple appointments, enhancing connectivity, and reducing processing times. The FSC Single Window eliminates the need for multiple appointments, enhances connectivity and reduces document processing time by allowing investors to meet with experts from the FSC, CBRD, and EDB all at once. The FSC One Platform uses digital tools as an advanced online licensing portal that sets the stage for a seamless and optimised approach to filing and oversight of FSC licensees. The platform has the added benefit of collecting data that is consolidated and disseminated back to insurance companies, directly affecting the premiums companies pay.

Table 5.2. Business registration and licensing systems operated under the Ministry of Finance

	Description	Cooperating institutions	Entities served
Economic Development Board (EDB)			
National E-licensing System (NELS)	Responsible for the electronic issuance of various permits and payment of fees online	Economic Development Board Local Authorities Mauritius Qualifications Authority Mauritius Revenue Authority Ministry of Environment, Solid Waste Management and Climate Change Ministry of Housing & Land Use Planning Development & Training Passport and Immigration Office	Any business General public
Corporate and Business Registration Department (CBRD)			
Corporate and Business Registration Integrated System (CBRIS)	Electronic submission of applications for incorporation of companies and application for the Business Registration Number	Mauritius Revenue Authority Ministry of Social Security	Any business General public
Financial Services Commission (FSC)			
	Description	**Cooperating institutions**	**Entities served**
FSC Single Window	Physical meeting with the FSC to meet relevant experts	Financial Services Commission (Licensing requirements) Economic Development Board (Occupational permit requirements and other related investment needs) CBRD (Incorporation needs)	High net-worth individuals Financial service partners
FSC One Platform	Online licensing portal that tracks the authorisation process	Financial Services Commission CBRD Bank of Mauritius	High net-worth individuals Financial service partners

Source: Compilation based on respective websites

The Business Facilitation One-Stop Shop, focused on enterprises undertaking projects exceeding MUR 20 million, represents a targeted and threshold-based facilitation approach. Administered by the EDB's CEO, it plays a crucial role in expediting the processing of applications for registrations, permits, licences, authorisations, or clearances essential for referred enterprises. It serves as an intermediary between the enterprise and relevant public sector agencies, receiving applications from promoters and transmitting them to the appropriate authorities, thereby contributing to a responsive and efficient facilitation process.

Despite the many reforms in this area, a complex network of online platforms and systems has emerged, inadvertently complicating the process. Some aspects of these systems lack clarity, including guidelines specifying which type of investor should use which system for which business procedures. For example, the FSC's Single Window extends its services to high-net-worth individuals, but the classification of this customer category lacks a clear definition, creating confusion as to whether or not specific investors would be categorised under this group and go through the FSC or instead through the EDB for licensing and registration procedures. This calls for a thorough examination and potential streamlining of the digital infrastructure as well as clear and predetermined criteria to ensure greater predictability and efficiency in business procedures.

Mauritius is actively addressing information barriers and information asymmetries through the implementation of the Info-highway initiative. Spearheaded by the government, this initiative establishes a robust infrastructure that facilitates the seamless sharing of data among different government departments, following a publisher-subscriber model. Currently, the Info-highway boasts an extensive network with over 169 connections linking various ministries, departments, and parastatal institutions. Moreover, it supports

a wide array of 585 e-Services, emphasising the comprehensive nature of the information exchange platform. By fostering connectivity and data-sharing capabilities across the government spectrum, it contributes to breaking down silos, improving transparency, and promoting efficient communication within the public sector. The establishment of a High-Level Management Team, chaired by the Ministry of Technology, Communication, and Innovation and comprising representatives from key entities also underscores the commitment to effective data sharing and strong governance. This team plays a crucial role in evaluating and approving new requests for data sharing, ensuring a structured and secure approach to information exchange. The overall strategic system aligns with Mauritius' commitment to overcoming information disparities, ensuring that relevant data are accessible and shared seamlessly among government entities, thereby enhancing overall governance and service delivery.

5.3.5. Active private sector participation in public-private dialogue

Mauritius has a longstanding tradition of fostering inclusive dialogue on economic matters through the National Productivity and Competitiveness Council (NPPC), which since 2000 has brought together representatives from the government, employers, and trade unions. Dedicated to promoting productivity and instilling a culture of quality consciousness, the NPPC aims to raise national output and promote both sustained growth, and international competitiveness. These are particularly crucial objectives, as capital productivity remains weak and export competitiveness continues to decline in Mauritius (see Chapter 3). At its core, the council serves as a dynamic forum for constructive dialogue and consensus-building, particularly addressing issues related to productivity, quality, and competitiveness. Beyond facilitating dialogue, the NPPC acts in an advisory role for the government, in formulating national policies and strategies. It also actively monitors and co-ordinates a spectrum of programmes and activities.

Several agencies co-ordinate the management of formalised consultation platforms, digital and in-person, to collect feedback from the private sector. One such initiative is the Public-Private Joint Committee established in 2021 and operated by the EDB in co-operation with the MOFEPD until 2023 when it was moved under the auspices of Maurice Strategie. The Committee allows public and private stakeholders to exchange views, enabling the government and private sector to work together to find suitable policy responses to business environment challenges of investors. The forum is held on a quarterly basis, to ensure rolling input on up-to-date issues businesses are facing and employs private sector entities to lead its four Economic Commissions: export development (goods); export development (services); competitiveness, productivity and capacity building; and sectoral development (Government of Mauritius, 2021[15]). For instance, the CEO of the Mauritius Bankers Association co-chairs the Economic Commission on Export of Services, which includes financial services, tourism, healthcare, real estate and education sub-sectors, highlighting the value placed on private sector expertise in policymaking. Through these working sessions, the government has been able to focus on pressing concerns of the business community, notably increasing production costs, high inflation, volatile exchange rates and labour shortages and has shown promising results. More than 30 proposals from the Economic Commissions and Working Groups were retained in the budget for 2022-2023 and led to outcomes such as launching the Carbon Neutral Industrial Sector Renewable Energy Scheme to enable eligible industrial customers to produce their own electricity requirements while benefitting from the reliability of the CEB grid.

Recognising the importance of building on the successful integration of stakeholder feedback into policies and bringing business challenges to the attention of policymakers through the Joint Committee, the government commissioned Maurice Stratégie, an economic research-based think-tank on Mauritius' business environment, to collect data from the private sector and investors. Among its wide-ranging activities, Maurice Stratégie provides data-driven publications to support evidence-based policymaking. It plays a large role in collecting information, feedback and data from the business community, primarily through two mechanisms: 1) dialogues with the private sector, public sector and civil society to identify opportunities and address challenges through economic commissions to gather public opinion on the digital and green transition, Africa and regionalisation, as well as re-industrialisation and export

development and 2) to promote a more inclusive and participatory approach to shaping policies that affect the investment climate, Mauritius is actively encouraging discussions on socio-economic matters involving all interested counterparts digitally. To facilitate this engagement, Mauritius established VoX Mauritius in 2023, an online platform designed to foster a participative approach to policy advocacy.

To enhance feedback from the business sector, a Business Obstacle Alert Mechanism (BOAM) is currently under development. It will allow any investor or business to report obstacles encountered during investment activities for resolution by the competent authority, in line with the IFD's focal point provision, which encourages interactions between investors and local administrations through the establishment of focal points and stakeholder consultations. Modelled after the Trade Obstacle Alert Mechanism (TOAM) established by the Ministry of Foreign Affairs, Regional Integration, and International Trade and the International Trade Centre in 2022, the BOAM offers a unified channel for companies to address business and investor-related issues beyond trade. It ensures confidentiality for reporting parties while maintaining transparency by anonymously publishing all complaints, statistics on reported challenges, and updates from relevant institutions online. The BOAM is poised to contribute significantly to policymaking activities, providing government agencies and trade support institutions with an updated database of obstacles faced by economic operators. This data-driven approach allows for informed decision-making to address emerging challenges in the business environment.

5.4. EDB's investment promotion and facilitation strategy

5.4.1. EDB's resource allocation reveals overlaps in investment and export promotion

Within their main investment promotion and facilitation mandate, IPAs are usually major players in the implementation of four core functions:

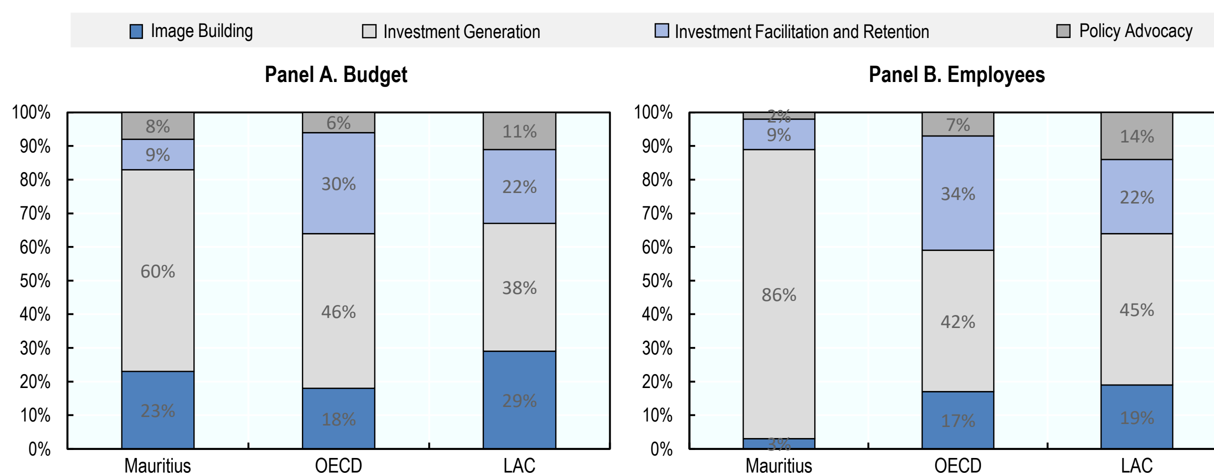
- *image building* consists of fostering the positive image of the host country and branding it as a profitable investment destination.
- *investment generation* deals with direct marketing techniques targeting specific sectors, markets, projects, activities and investors, in line with national priorities.
- *investment facilitation and aftercare* is about providing support to investors to facilitate their establishment phase as well as retaining existing ones and encouraging reinvestments by responding to their needs and challenges.
- *policy advocacy* includes identifying bottlenecks in the investment climate and providing recommendations to government to address them.

While the first two functions primarily pertain to investment promotion, focusing on attracting new investments to support national development goals, the latter two are more aligned with investment facilitation, emphasising the ease of establishing, operating, and expanding investments. Investment promotion aims to draw potential investors who have yet to select a destination, while facilitation begins at the pre-establishment phase when an investor expresses interest in a particular location. Consequently, investment promotion and attraction constitute the core responsibilities of IPAs, while facilitation often necessitates a comprehensive, whole-of-government approach.

According to the OECD-IDB survey of IPAs, the EDB dedicates a significantly larger portion of its workforce to investment generation, accounting for almost 60% of the budget and 86% of staff, compared to other investment activities. This substantial distinction is evident in the allocation of financial resources, with image-building trailing behind by approximately 27 percentage points. The emphasis aligns with the EDB's mandate, which focuses on promotional activities related to investment, exports, and innovation. Conversely, investment facilitation and retention, the subsequent priority after investment generation in staff allocations, receive only 9% of the workforce (Table 5.3). While most IPAs, particularly those in OECD

and Latin America and Caribbean (LAC) countries, also engage in investment generation, the contrast is less pronounced, averaging around 40% of financial and human resources in both regions. The emphasis of the EDB's resource allocation on investment generation can be attributed to the overlap between investment and export promotion activities. Clarifying the distinction between these mandates within the EDB has the potential to enhance resource efficiency, enabling the EDB to allocate human and financial resources in a way that caters to the unique requirements and challenges associated with each objective. A clearer demarcation can also facilitate a more focused and cohesive strategy in engaging with investors and exporters.

Figure 5.3. Estimated distribution of budget and staff resources among the four core functions of the EDB and selected regional averages



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Certain activities are naturally more costly, such as investment generation, involving market intelligence, overseas missions, and participation in fairs. Notably, the significant distinctions in resource allocation within the EDB can be attributed to its unique institutional setup and the broader context. Policy advocacy, for example, receives limited resources in both budget and staff allocations, as it falls under the purview of various agencies, including other departments funded by the MOFEPD, the source of EDB's funding. Additionally, the EDB's Strategy Planning Team, consisting of 2-3 staff, handles policy advocacy activities and collaborates with relevant organisations on the topic.

Furthermore, numerous business environment and facilitation reforms have recently been implemented by various institutions, meaning that EDB is required to devote fewer resources. Significant asymmetries persist in the EDB's staff and budget allocations, particularly for investment promotion activities. In contrast to IPAs in the OECD, LAC, and Middle East and North Africa (MENA) regions, where budgets and staff are typically distributed more evenly, with a few percentage points of difference, the EDB's investment generation staff distribution exceeds its budget by over 25 percentage points. While perfect alignment is not always feasible or necessary, a relatively even distribution of staff and budget within an IPA contributes to operational efficiency, adaptability and collaborative effectiveness, ultimately enhancing the EDB's ability to achieve its investment promotion goals. A balanced allocation optimises operational efficiency by preventing bottlenecks and ensuring essential tasks receive adequate attention. It can also allow the EDB to respond more flexibly to changing priorities and emerging opportunities while fostering a collaborative and integrated approach that enables different departments or units organised by sectors to work cohesively on promotion and facilitation activities.

5.4.2. Prioritisation strategies are inclusive but lack a fixed methodology and consistent application

The EDB effectively balances sustainability and economic interests in sector prioritisation but could provide a more systematically inclusive strategy

To harness the benefits of FDI, an IPA needs to do more than simply implement measures facilitating incoming investments and retaining existing ones. A comprehensive approach involves formulating a clear and well-defined investment promotion strategy, providing strategic guidance to IPAs with specific targets and actionable means to achieve these objectives. An action plan that complements the investment strategy ensures its effectiveness and impact. It provides a detailed roadmap for achieving defined goals, ensures accountability, helps allocate resources efficiently, facilitates monitoring and evaluation, and helps coordinate efforts across different stakeholders. These comprehensive strategies serve as crucial tools to ensure that attraction efforts are precisely targeted and aligned with broader national development goals. Grounded in national economic development strategies, investment promotion strategies are focused on delineating the additional contribution that FDI can bring compared to domestic investment, emphasising how MNEs can actively support national development objectives. The strategies include the identification of sectors, countries, projects, and investors deemed pivotal for promotion. The prioritisation process should adhere to well-defined criteria aligned with economic, social, and environmental aspirations, ensuring a strategic approach to FDI promotion.

FDI prioritisation constitutes a prevalent strategy among IPAs globally, with the majority adopting a methodical selection process targeting specific sectors, investors, or projects, or a combination of these elements. In line with 84% of OECD IPAs, Mauritius, through the EDB, in collaboration with the MOFEPD, prioritises sectors for investment promotion. This approach ensures synchronisation with the government's overarching political agenda, including achieving high-income status under the National 2030 Strategy. The formulation of this strategy involves extensive consultations with diverse external stakeholders, including domestic companies, international investors, experts, research institutions, and specialised entities. The collaborative effort aims to establish coherence with the needs and capacities of a broad spectrum of participants.

Mauritius prioritises well-established sectors with a history of economic success and a competitive advantage, including real estate (accounting for 54.6% of gross direct investment inflows), education (13.4%), and accommodation and food service activities (13.4%), which collectively account for over three-quarters of FDI inflows (Bank of Mauritius, 2023[16]). The prioritisation extends to sectors with proven success in attracting investments and those where Mauritius holds a competitive edge due to factors like infrastructure or location, such as financial services and ICT, reflecting the strategic focus of the EDB. The government has opened its prioritisation strategy to further develop infrastructure (by targeting renewable energy and freeports and logistics), industry and innovation (agro-industry, blue economy, life sciences and creative industries) as well as services and specialised sectors (healthcare, pharmaceuticals and the sports economy). While investment in Mauritius' real estate sector has largely supported the economy and acted at a catalyst for sectoral investment in the past, the EDB has begun working to diversify investment directly through the promotion of smart cities. These cities offer substantial opportunities for local and international businesses to establish operations across various sectors, including ICT, seafood and logistics, knowledge services, light manufacturing, high-tech medical services, financial services and land-based oceanic industry.

Mauritius could more consistently align its criteria with sustainability goals. Despite the government's commitment to sectors like the blue economy, education, and renewable energy, reflecting environmental responsibility and long-term well-being priorities, the criteria employed for determining priority sectors are predominantly rooted in economically focused market studies. Some IPAs enhance their promotion and prioritisation strategy by incorporating sustainability criteria that consider indicators like environmental

impact, climate change, green investment, and an investor's track record on responsible business conduct (see Chapter 7 on Responsible Business Conduct). These sustainability criteria are not currently integrated into the selection methodology used by Mauritius in determining its priority sectors for investment promotion unlike other IPAs in peer countries (Table 5.3). The balance between economic productivity and environmental and inclusiveness goals highlights a nuanced challenge in the prioritisation process. Nevertheless, in an effort to systematically advertise such opportunities, the EDB, in partnership with the United Nations Development Programme (UNDP), has established the Mauritius SDGs Investor Map, a market intelligence platform aimed at channelling private investment towards emerging markets that align with government policies and SDGs. The SDG Investor Map currently targets 17 investment opportunities spanning 6 of Mauritius' priority sectors: Renewable Resources and Alternative Energy, Infrastructure, Services, Education, Healthcare and Food and Beverage.

Table 5.3. Criteria used for selection of priority sectors in Mauritius and select countries

	Mauritius	Croatia	Estonia	Georgia	Ireland	Morocco	Netherlands	Slovak Republic	OECD avg.
Strong Domestic Capacity	■	■	■	■	■	■	■	■	64%
Competitive Position vis-a-vis Other Countries	■	■	■	■	■	■	■	■	58%
Potential to Diversify the Economy	■	■	■	■	■	■	■	■	58%
Impact on Employment and/or Working Conditions	■	■	■	■	■	■	■	■	55%
Strong Global Demand	■	■		■		■	■	■	48%
Importance to Regional Development/Agglomeration Effects		■	■		■	■			48%
Importance/Strong Links to the Rest of the Economy		■		■		■			48%
Green Investment		■		■		■			27%
Impact on Environment or Climate Change		■	■			■	■	■	21%
Existence of Market Failure		■				■			21%

Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Country and investor-based prioritisation strategies are carried out on a fairly ad hoc basis

IPAs often formulate their strategies beyond sectors, with a significant number of OECD IPAs prioritising countries (59%) and projects (78%). In contrast, Mauritius lacks a systematic prioritisation approach for countries or investors. The absence of a strategy that considers country-specific factors may impede the agency's ability to fully optimise its targeting impact. Certain partner countries may be more receptive to investment generation efforts by an IPA and hold the potential for higher levels of investment, capable of yielding more substantial economic benefits due to a combination of factors such as market size and growth, technological maturity, cultural affinities, or the aim of establishing value chains beyond their domestic borders. IPAs should continuously adapt priority markets in response to ever-evolving global trends and unforeseen disruptions, as exemplified by the recent impact of the pandemic.

In this context, specific forms of country partnerships emerge as invaluable opportunities for Mauritius to leverage its connections with investors from select nations. A prime example is Mauritius' strategic trade partnership forged with the UK in April 2023 to bolster trade and investment across various sectors. This partnership encompasses a wide array of industries, including financial and professional services, waste management and the green economy, education, cyber technologies, pharmaceuticals and biotechnology,

and agriculture. Such collaborations enable Mauritius to tap into the potential of these markets and foster mutually beneficial economic relationships. Regional partnerships also play an important role for Mauritius, which is positioned as a hub for cross-border investment into Africa. In this vein, the EDB executes its Africa Strategy to bolster engagement with the continent by enhancing ties with established markets in Africa such as South Africa, Kenya, and Madagascar, alongside strategic partners in Western and Northern Africa. To achieve this goal, the EDB orchestrates targeted investment promotion events, uniting the financial services ecosystem in key African nations. As part of its endeavor to showcase Mauritius as an important investment destination for Africa, the EDB hosted the Africa Partnership Conference in September 2023. This event attracted global players from the financial services industry and investment promotion agencies across Africa showcasing viable projects from their respective countries.

While the prioritisation of sectors and countries remains a critical framework for shaping the focus of IPAs, a significant majority of these agencies (90%) also rely on curated lists of priority investors. Interestingly, the EDB does not currently utilise such a list of priority investors, raising questions about the extent of formal data collection mechanisms in place to identify rational criteria for designating priority investors. In Mauritius, the approach to accommodating priority investors is multifaceted and somewhat ad hoc, offering a range of options with varying degrees of applicability. Unlike several OECD IPAs that centralise their processes and decision-making through a unified institution, Mauritius offers different levels of service, such as personalised guidance and fast-tracked licensing, based on which specific agency's scheme an investor qualifies for. This diversity hinges on various criteria, such as the size of the investment, sectoral interests, or the investor's net worth.

For instance, the Financial Services Commission Single Window extends expedited services and closer engagement with regulatory authorities to financial institutions and high net worth individuals, aiding them in navigating licensing, registration, and other business procedures. In contrast, investors committing a minimum of Rs 500 million in Mauritius and companies engaged in pharmaceutical and medical device manufacturing are eligible for a Premium Investor Certificate issued by a technical committee, based on the approval of the Minister of Finance and with guidance from the EDB. The absence of a systematic and streamlined method for designating priority investors could potentially impede the efficiency of targeted promotional activities and lead generation efforts, thus jeopardising the optimisation of available resources.

The identification of both key countries and investors holds the potential to significantly enhance the effectiveness and efficiency of promotional activities. A well-defined list of priority investors not only streamlines promotional efforts but also provides a means to tailor benefits and treatment, thereby enticing new investors to explore opportunities and encouraging existing investors to fortify their commitments and expand their operations. Mauritius' overall investment strategy would benefit from focusing resources on prioritising high-impact investors and sectors, leading to a higher likelihood of attracting investments that align with the country's strategic economic goals.

5.4.3. Enhancing aftercare services can include linkage programmes specifically for SMEs

Aftercare plays a vital role in the investment landscape by strategically nurturing and expanding investor relationships within a host economy. Beyond the initial investment phase, companies derive significant benefits from aftercare services, which address emerging challenges, facilitate problem-solving, and provide continuous support. This proactive engagement fosters a deeper understanding of the local context, enabling foreign investors to navigate complexities more effectively. Additionally, aftercare initiatives contribute to a symbiotic relationship between investors and the local economy. By assisting foreign investors in overcoming operational hurdles and integrating more comprehensively into the community, aftercare enhances positive spill-over effects of FDI, including support for research and development, knowledge transfer, and the establishment of resilient local supply chains (OECD, 2022[17]). The strategic importance of aftercare is evident in its capacity not only to retain existing investors but also

to amplify their contributions, ultimately fostering sustainable economic growth and strengthening the overall business ecosystem.

A systematic approach to matchmaking and linkage programmes by IPAs is crucial for providing consistent, accurate and well-coordinated support to investors as well as for fostering long-term collaborations with local suppliers and partners. It allows both investors and suppliers to be aware of opportunities on a regular basis and helps raise awareness about each of their needs to facilitate well-matched partnerships. Research indicates that foreign investors, especially those with a longstanding presence in a region, tend to favour local suppliers, highlighting the potential role of aftercare in cultivating strong local economic connections (Winkler and Farole, 2014[18]). By assisting foreign investors in gaining a deeper understanding of the local context, aftercare initiatives aim to anchor them more firmly in the community, fostering positive spill-over effects. The significance of aftercare becomes particularly apparent in the realm of FDI, as evidence underscores that many of the new jobs and investments by MNEs originate from affiliates already established within a community (Crescenzi and Harmon, 2022[19]).

The institutionalisation of certain services, particularly matchmaking and linkage programmes, not currently conducted systematically, would yield significant benefits for both investors and the local economy. Among the services provided to foreign investors, matchmaking with local suppliers and customers is the most prevalent, offered by 65% of surveyed OECD IPAs. While many IPAs utilise systematic tools for business linkages, providing matchmaking services and leveraging local supplier databases to connect MNE affiliates with relevant domestic suppliers, the EDB lacks a dedicated database for local suppliers explicitly designed for linkages (Table 5.4). Its involvement in capacity-building support and investor-domestic business matchmaking is less structured, mainly occurring informally with a focus on export promotion services for exporters and manufacturing industries.

Table 5.4. Matchmaking, Linkages and Other Business Support Programmes of select IPAs

	Mauritius	Georgia	Morocco	Croatia	Estonia	Ireland	Netherlands	Slovak Republic
				Linkage Programmes				
Database of Local Suppliers								
Capacity-building Support for Local Firms								
Matchmaking Service Between Investors and Local Firms								
Cluster Programmes								
				Personnel Recruitment Programmes				
Assistance in Recruiting Local Staff								
Information on Local Suppliers/Clients								
Training or Educational Programmes for Local Staff								
Other								

Notes: The EDB's export suppliers database is currently under establishment and is not yet fully operational.
Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Cluster initiatives, capacity-building for local businesses, and recruitment and training programmes for local staff are less commonly conducted, with 48% or fewer OECD IPAs engaging in such activities. Collaboration among the IPA, the SME agency, private sector associations, MNEs, and other stakeholders can play a pivotal role in integrating SMEs into global value chains. IPAs typically employ targeted supplier development programmes, matchmaking services, and high-quality supplier databases, disseminating information on linkage opportunities, creating product databases, forming SME consortia, implementing supplier development initiatives, and supporting responsible business conduct by SMEs and MNEs.

Additionally, assistance for SMEs in participating in special economic zones and optimising resources from diaspora investors contributes to fostering SME participation in global value chains.

Under the 2021-22 budget, the EDB embarked on the establishment of an online platform aimed at enhancing the visibility of Mauritian exporters on the global stage. Presently focusing on countries with established trade agreements, this platform facilitates direct engagement between importers and Mauritian suppliers. However, as of April 2024, the directory is still in the early stages of development and is equipped with a very limited number of suppliers in a handful of sectors. Upon full implementation, it will furnish comprehensive profiles of Mauritian exporters, comprising detailed company descriptions, contact information, product portfolios, and market access conditions.

While the EDB's mostly ad hoc approach to linkage services diverges from the systematic tools and programmes commonly observed in other IPAs, other government entities have well-developed programmes that can be beneficial to the Board's activities and complement the upcoming suppliers database. The Ministry of Industrial Development, SMEs and Cooperatives (SME Division) runs an SMEs e-Directory of over 8 500 local SMEs in 36 specific sectors, which are also searchable by district. Each entry provides contact details of the company, as well as product or service details of the business' output (Government of Mauritius, 2023[20]). Ensuring co-operation between the EDB and the Ministry's SME Division is necessary to guarantee the maximum impact of investor expansion and growth of domestic value chains on SME development. The EDB could further raise awareness of the database with investors and businesses that are looking for small-scale partners corresponding to their needs once it is operational and sufficiently stocked with suppliers. Staff may also familiarise themselves with the types of businesses available through the directory and offer tailored partner options to specific clients, simplifying the search process for investors (Box 5.4).

Furnishing its early-stage database of larger-capacity suppliers that surpass the capabilities of SMEs will help simplify and formalise the matchmaking process when working with exporters and manufacturing firms. The EDB is exploring additional avenues for connecting investors and domestic suppliers. In July 2023, it inaugurated the Virtual Exhibition Platform, a permanent virtual venue aimed at reshaping the landscape for exporting enterprises. Drawing participation from over 175 exhibitors spanning diverse manufacturing sectors, the platform swiftly gained traction, attracting over 2000 visitors from 56 countries and facilitating the initiation of two investment leads and 21 trade deals. The endeavour not only signifies a transformative shift in marketing strategies but also assures tangible benefits, including increased global visibility, seamless accessibility, cost-effectiveness, and real-time interactivity. Encouraged by this achievement, the EDB is actively strategising the platform's subsequent phase, encompassing the integration of a wider array of products and services, intensified promotional campaigns, strategic partnerships, and organised online events.

In 2017, the government set up SME Mauritius, a private company to develop entrepreneurship at the national level and implement advisory and support programmes to improve the competitiveness and resilience of SMEs. It conducts training programmes to improve the skills and capabilities of entrepreneurs and small businesses and provides support such as market readiness, technology and innovation, and greening support schemes that prepare SMEs for wider opportunities. SME training schemes are also available through the Mauritius Chamber of Commerce and Industry, as well as through a handful of schemes via the Ministry of Industrial Development, SMEs and Cooperatives (SME Division). While these activities are conducted by other agencies, advertising the existence of these programmes publicly can ensure awareness in the SME community and showcase the increasing capacity levels of SMEs to interested investors. The EDB should also play an enhanced role in the co-ordination of investor needs and the training programmes offered by SME Mauritius and the MCCI, to ensure that SMEs are endowed with the skills and capacities sought by investors and businesses.

5.4.4. A systematic monitoring and evaluation strategy is absent

Box 5.4. BOI Thailand's Unit for Industrial Linkage Development

The Thailand Board of Investment established the Industrial Linkage Development (BUILD) unit, focusing on supporting business linkages and the utilisation of locally manufactured industrial parts. BUILD facilitates this through several initiatives.

Vendors Meet Customers: Acting as an intermediary, BUILD introduced the Vendors Meet Customers Program, bringing together vendors/parts manufacturers and customers/buyers. This initiative involves parts manufacturers visiting selected buyers' plants, providing them with insights into the overall processes. This interaction facilitates the initiation of business relationships, allowing parts manufacturers to supply components to buyers. Simultaneously, buyers gain valuable information about potential new suppliers, contributing to sourcing suitable parts locally and benefiting from reduced difficulties, cost savings, and time efficiency in the procurement process.

Marketplace: BUILD created a marketplace to serve as a comprehensive sourcing centre, connecting buyers and parts manufacturers. In this platform, buyers showcase sample parts, present their procurement policies, and outline parts requirements. The marketplace streamlines the sourcing process for buyers seeking localised parts and components, resulting in easier procurement, cost reduction, and time savings.

Sourcing Service: BUILD offers a sourcing service to aid both Thai and foreign buyers in locating parts and components in Thailand. Upon receiving inquiries, BUILD identifies potential suppliers based on buyers' requirements. The supplier information is then submitted to buyers for screening and approval. Additionally, one-on-one meetings can be arranged for buyers to individually discuss their needs with potential suppliers, enhancing the efficiency of the sourcing process.

Source: https://build.boi.go.th.

Governments rely on monitoring and evaluation (M&E) to ensure the efficiency of public action and that activities achieve their objectives in terms of quality and time. Investment promotion is no exception. Given that most IPAs mostly fund their activities with public resources, ensuring value-for-money is paramount. Particularly during economic downturns or following government changes, public resource use and the need for an IPA may be questioned, underscoring the importance of reliable evidence its impact.

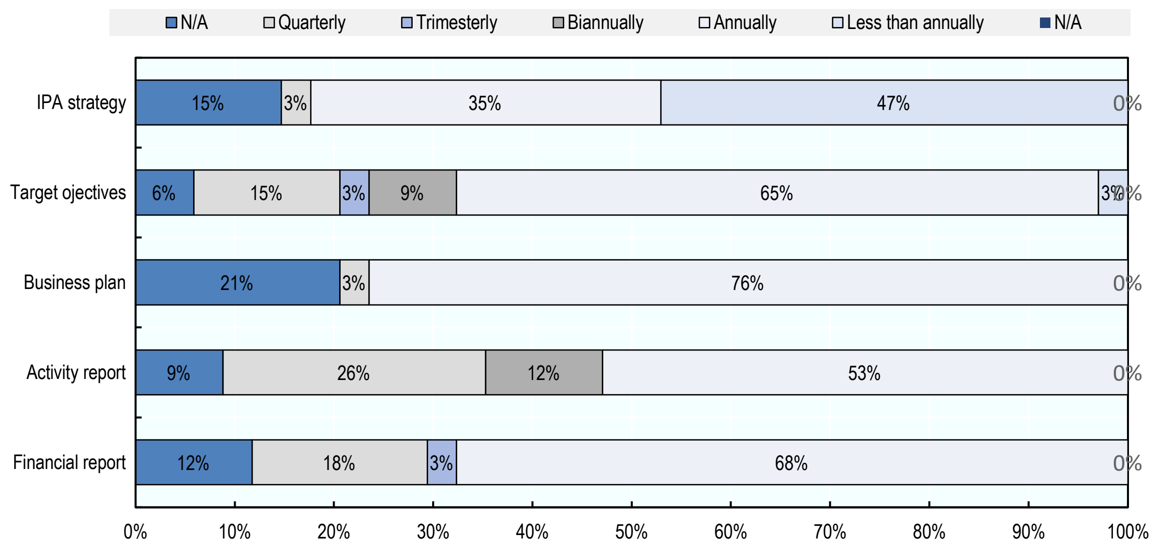
Managers in IPAs thus need to establish objectives, define key performance indicators (KPIs), and monitor employee and activity performance to enhance effectiveness systematically. M&E systems facilitate strategic decision-making, allowing an assessment of the most effective activities based on gathered evidence. Subsequently, they can reallocate staff and resources or adjust products and services.

Organisational dimensions and reporting processes of M&E require more data collection

M&E of investment promotion involves various organisational dimensions and reporting processes as these systems contribute to increased transparency and accountability. Most IPAs in OECD countries produce annual or quarterly financial and activity reports, submitting them to the board or the government (Figure 5.4). Just under half of IPAs publicly share activity reports, and 53% share financial reports, often accessible on their websites. The EDB conducts quarterly revisions of agency targets and submits them to the board of directors, and annual activity and financial reports are published on the EDB website, ensuring transparency and accessibility. Yet, there is a lack of systematic data collection of many indicators that remain crucial for meaningful reporting and evaluating, affecting the direction of targeting and prioritisation activities.

A crucial aspect of a complete M&E system involves generating and utilising feedback, informing management about identified issues and proposing corrective actions, such as adjusting strategic objectives or reallocating resources. This feedback process contributes to institutional knowledge by formalising information about performance, enabling learning curves and fostering corrective actions. The OECD-IDB survey indicates that most IPAs in the OECD (71%) not only act when their own targets are unmet but also when they suspect irresponsible or problematic behaviour by investors. The corrective measures taken by IPAs in response to unmet objectives vary, including revising strategies, reviewing internal operations, establishing improvement plans, and, in some cases, facing financial consequences or government intervention. These IPAs rely on much greater data collection than the EDB, making it possible to effectively identify and address challenges.

Figure 5.4. Frequency of planning, objective-setting and report documents by OECD IPAs



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

IPAs can also decide to create a dedicated internal evaluation unit, as in the case of 63% of OECD agencies, typically consisting of one or two staff members. In the surveyed IPAs, 58% of evaluation units report directly to the IPA's head or board, while 37% report more broadly to the IPA's management. The EDB does not have an evaluation unit and lacks a dedicated methodology for assessing collected data. As with most OECD IPAs with dedicated evaluation units, the EDB could enhance its evaluation capabilities by establishing a similar unit reporting to the CEO, board, or management. These units employ diverse approaches, including client satisfaction surveys, stakeholder consultations, benchmark exercises, case studies, and, to a lesser extent, econometric analysis for assessing intervention effectiveness.

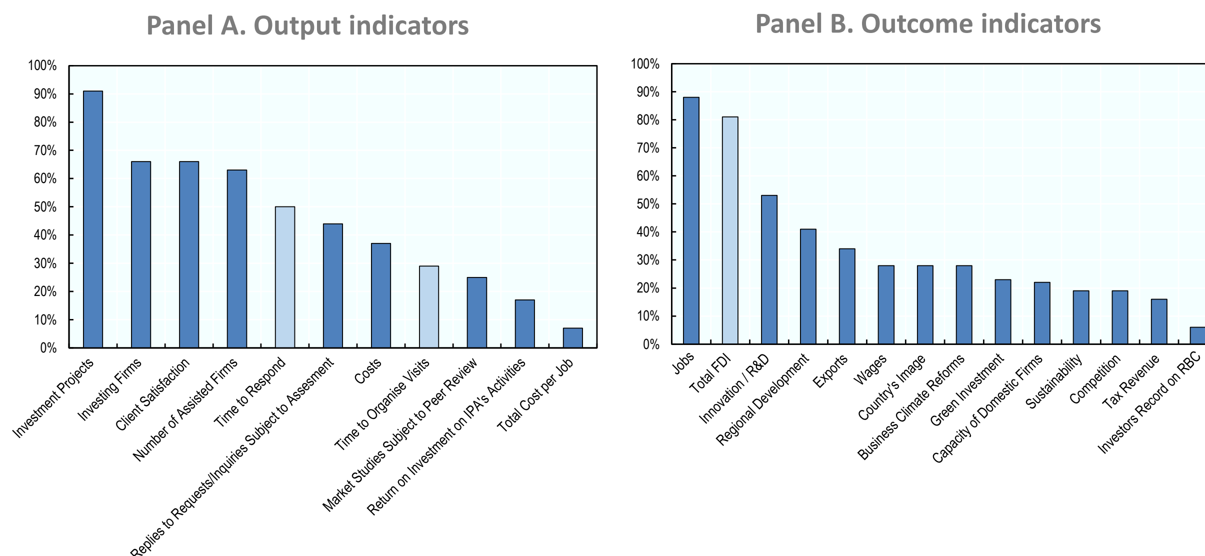
Strong tracking of key performance indicators helps tailor prioritisation strategies and ensure informed decision-making

IPA performance indicators can be divided into two sets following their two broad monitoring and evaluation objectives, namely output and outcome indicators. Output indicators predominantly revolve around internal agency metrics, encompassing aspects like the number of investment projects, participating firms, client satisfaction, and the number of assisted firms. These indicators function as measures of effectiveness and efficiency, assessing the agency's performance at various levels, from inputs and processes to tangible results. On average, OECD IPAs employ approximately 4.9 surveyed output indicators, most notably data on investment projects, investing firms and client satisfaction. The EDB tracks only two output indicators,

focusing primarily on response times and time taken to organise visits, a comparatively low number of markers (Figure 5.5). Without enough data on the functions and activities carried out by an IPA, it can be difficult to properly evaluate the efficacy of client interactions and identify bottlenecks in IPA services.

Figure 5.5. Output and Outcome Indicators used by OECD IPAs and the EDB

Indicators used by the EDB highlighted



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Conversely, outcome indicators shift the focus towards the broader policy objectives of investment promotion, concentrating on the economic benefits generated by IPA actions. Among OECD IPAs, outcome indicators are largely concentrated on job-related metrics (preferred by 88% of IPAs) and FDI inflows (used by 81% of IPAs), using on average 4.8 surveyed outcome indicators. When it comes to these indicators, the EDB only monitors the total value of FDI, but does not employ the tracking of other common outcome data collected by surveyed IPAs, including job-related metrics, as well as indicators on innovation and R&D (used by 53% of agencies) and regional development (41%). IPAs rely primarily on data provided by firms for many socio-economic related outcome indicators, making strong co-operation between the IPA and businesses essential for data collection. The EDB does not formally request data from companies on any output indicators, presenting a notable challenge in evaluating impact due to lack of information.

The use of outcome indicators varies, especially those related to innovation, exports, wages, regional development, sustainability, and responsible business conduct, compared to their reported significance in prioritisation. While standard FDI metrics like jobs and total FDI indicators are widely adopted, more intricate indicators, such as innovation and R&D, are applied in only 53% of IPAs, despite being commonly emphasised in agency mandates and prioritisation considerations. This is also the case in Mauritius, where innovation and R&D are prioritised within developmental strategies, but the relevant metrics are not tracked, making it difficult to assess progress in these areas and how the EDB could bolster efforts to attract and retain these types of investment (Box 5.5). Moreover, the EDB systematically monitors and evaluates materialisation of projects, through the Economy Policy and Business Policy sub-committees of the Board of the EDB, whose mandate is to monitor the impact of schemes, incentives and business strategies and to regularly evaluate their effectiveness.

Box 5.5. IDA Ireland's targeted data collection and evaluation tools for an informed prioritisation strategy

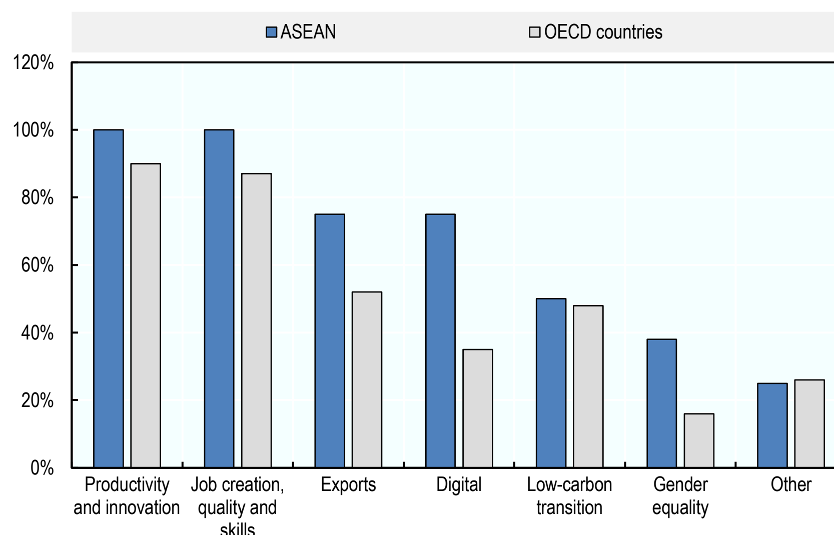
IDA Ireland employs a comprehensive data collection strategy for monitoring and evaluation, with a specific focus on innovation, export, and regional development indicators. It relies significantly on project data to address challenges related to data availability, calculating metrics such as R&D expenditures in the investment projects it facilitates. Furthermore, the agency keeps track of the number and scale of investment projects in various regions. These indicators undergo monitoring through surveys conducted by IDA Ireland's parent ministry, enabling a holistic assessment that considers both short-term direct effects and long-term indirect effects of FDI. While ensuring a thorough evaluation, there exists a potential risk of emphasising short-term, direct effects at the expense of fully capturing long-term and indirect impacts.

IDA Ireland has explicitly identified increased productivity and innovation support as a strategic priority. The agency utilises R&D expenditure as a key metric in determining the prioritisation of specific investment projects. By amalgamating industry-level FDI and R&D expenditures per unit of value added into a single indicator, IDA Ireland assesses whether sectors receiving larger FDI shares exhibit higher or lower R&D intensity. This metric serves a dual purpose by not only informing prioritisation decisions but also functioning as a tool to retrospectively evaluate the effectiveness of the prioritisation strategy and overall work of the agency. The systematic recording of these applications in the CRM system over time provides a comprehensive view of the IPA's impact on Ireland's overall investment promotion and facilitation strategy, aligning with broader economic development goals.

Source: Sztajerowska and Volpe Martincus (2021[21])

Addressing this bottleneck requires a comprehensive look at EDB's KPIs to assess whether and how investment promotion strategies attract and facilitate sustainable investments. IPAs must also rely on specific and consistent indicators to ensure the attraction of appropriate investments yielding sustainability outcomes. In this context, IPAs can enhance their KPIs by incorporating metrics associated with various SDG categories. This is the case for several agencies such as the Philippines, which employs indicators that prioritise investment projects contributing to nature conservation and coastal protection, and Indonesia, which uses an indicator focusing on the geographical distribution of FDI, assessing the value of investments realised outside Java (OECD, 2023[22]) (Figure 5.6). A collaborative initiative with the African Development Bank is underway to establish a legal framework for ESG investment in Mauritius that includes a comprehensive set of guidelines and principles to evaluate an organisation's sustainability practices. The project intends to incorporate sustainability KPIs, fostering a comprehensive monitoring and evaluation system to track trends and impacts effectively (see also Chapter 7).

Figure 5.6. Types of sustainability KPIs used for FDI prioritisation by ASEAN and OECD agencies

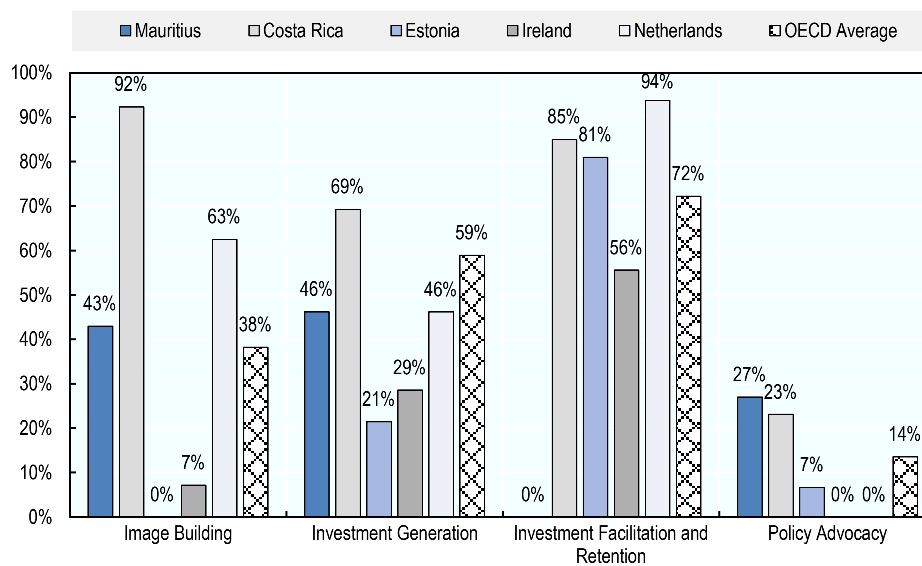


Source: OECD survey on IPA Monitoring & Evaluation and Prioritisation

To enhance M&E efforts, the EDB established its CRM shortly after its creation to log and manage various activities, projects, missions, conferences, events, and follow-ups for efficient communication and reporting. However, the CRM currently only tracks about 30% of the EDB's extensive activities, significantly below the average number of indicators followed by OECD IPAs (Figure 5.7). This represents a notable gap in EDB's data collection, making comprehensive evaluation challenging. To address these data gaps and take into account an expanded mandate, internal restructuring, and a dynamic business landscape, the EDB is revamping its CRM system to enhance operational efficiency through standardised and streamlined business processes, which is expected to be fully operational by July 2024 A dedicated working group has been established to validate processes aligning with business rules and contribute to achieving ESG linked KPIs. To ensure the adoption of best practices and the right implementation methodology and frameworks, the EDB has signed a strategic partnership with Business France for the revamped CRM implementation. CRM systems are invaluable tools for systematically monitoring these KPIs but the tracking process is not universally standardised, evidenced by gaps in CRM tracking for certain sustainability- and inclusiveness-related KPIs in OECD countries. Notably, not all M&E of IPAs find their way into the CRM, with specific shortfalls observed in sustainability and inclusiveness metrics.

Moreover, EDB offices worldwide use different CRM systems. For example, EDB France uses Salesforce, while EDB headquarters does not. Although tailored to each institution’s specific requirements, the varying CRM systems can create challenges in information sharing and harmonised monitoring. Through the ongoing CRM revamp, the EDB aims to capture all interactions and touchpoints at the EDB level and seamlessly link APIs with other systems for a unified dashboard for management oversight worldwide. The EDB is also exploring the use of artificial intelligence to capture normal business operations and integrate data feeds, enhancing data collection capabilities and process standardisation. The CRM system will integrate with widely used reporting software, ensuring accurate information availability for relevant parties and facilitating ease of monitoring and evaluation. The EDB should continue building on its existing management system by mandating reporting on numerous ongoing activities, especially in policy advocacy, where extensive data on investor and business needs are already collected.

Figure 5.7. Activities performed that are tracked in the IPA's CRM



Source: OECD-IDB Survey of Investment Promotion Agencies (most recent years available)

Box 5.6. CINDE Costa Rica's comprehensive CRM system

Costa Rica's CINDE boasts a highly developed system that contains comprehensive information on all the assistance it has provided since 2000, encompassing details on the types and costs of services rendered, among other features. CINDE's extensive database collects approximately 80 data points, enabling it to conduct detailed impact evaluations of its activities.

- Firm-specific information: data on parent firm, home country, sector of activity, size of project, starting year for the foreign affiliates established in the country, labour costs, etc.
- Initiator: the direction of the initial contact between the IPA and the firms.
- Investor location: firms in free trade zones.
- Resources: costs incurred by the organisation.
- Policy assistance: services provided to investors post investment.

By leveraging the extensive dataset accumulated over time, CINDE identified that their website serves as the most potent source of leads and adapted the user experience and the type of information presented to potential investors based on these findings. This understanding has allowed CINDE to tailor their digital advertising strategies, automate workflows to target various scenarios and deliver advertising messages customised to specific companies.

Moreover, CINDE is developing a predictive analytics model using a wide range of data, including project types, sizes, company details, geographical information, and timelines, to compare and analyse different scenarios. The aim is to identify the most promising future leads, drawing insights from over a decade.

Source: Reichel, Whyte and Heilbron (2022[23]) and OCO Global and WAIPA (2023[24]).

Notes

[1] The merger of the Ministry of Planning and Economic Development (MOFED) with the Ministry of Finance was announced in December 2003, efforts at an effective merger of the two cadres started in 2006 to set up the Ministry of Finance and Economic Development, which was later renamed as Ministry of Finance, Economic Planning and Development to incorporate the economic planning function.

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6 Towards a smarter use of investment tax incentives

Mauritius uses tax incentives to attract investment across sectors and to promote selected policy goals, including supporting a green economic transition, skills development, employment, and job creation. This chapter examines the landscape of tax incentives in Mauritius and delves into details on tax incentive design. It analyses how corporate income tax incentives promote their stated policy goals, offering suggested areas of reform. The chapter also underscores the importance of transparency, monitoring and evaluation of incentive policy to promote a more effective use of incentives. Mauritius could strive for a smarter use of investment tax incentives to create more fiscal space to support its trajectory towards a high-income economy.

6.1. Introduction and summary

Robust evidence as to the effectiveness of incentives in attracting investment is limited, yet, many governments feel compelled to provide generous tax incentives due to global competition with other countries. If governments decide to provide incentives, it is crucial to assess scope, policy goals and costs of incentives, as enhancing their design can help to reduce redundancies and support positive spillover effects (Celani, Dressler and Wermelinger, 2022[1]). Focusing on certain design mechanisms, as explored in the chapter, while limiting the generosity of some incentives can be an important step to foster a smart use of investment tax incentives.

Mauritius has a long history of tax incentives and low corporate taxation. In the 1970s, the government introduced the Export Processing Zone (EPZ) scheme, seeking to diversify the economy beyond sugar production. It provided tax holidays, duty exemptions, and other incentives to companies engaged in manufacturing for export (Cling and Letilly, 2001[2]). In subsequent years, many additional incentive programmes followed until the government decided to simplify the tax system in 2006, by introducing a flat tax of 15% for corporate and personal income taxes, while in parallel repealing most investment incentives (OECD, 2014[3]). Since then, several incentive schemes have re-emerged, due to Mauritius' objective to boost investment and economic growth that create job opportunities, partly due to global competition with other countries that offer generous tax benefits - even though the low tax burden under Mauritius' standard tax treatment without incentives can compete with preferential regimes of other economies (Republic of Mauritius, 2017[4]; Celani, Dressler and Hanappi, 2022[5]).

Mauritius offers investors a range of tax and non-tax incentives. Among the main incentives for investors are corporate income tax (CIT) incentives that are introduced by annual Finance Acts and consolidated into the main tax law (the Income Tax Act 1995). They take the form of full and partial CIT exemptions, reduced CIT rates, a tax credit and tax allowances. Although not covered by this analysis, Mauritius also offers many additional benefits, including other types of tax benefits (e.g. exemptions from value added tax, customs and import duties), financial and in-kind incentives (e.g. refunds of selected business expenses, provision of building facilities or land) and regulatory benefits (e.g. regulatory sandbox scheme).

Mauritius has taken steps to enhance transparency of investment incentives and follows many good practices in this respect: tax-incentive granting legislation is consolidated in the main tax law (the Income Tax Act 1995), the scope of CIT incentives is clearly determined in the law, and an up-to-date investor guide maintained on a government homepage provides clear information on available benefits. Consultations with the private sector suggest that some of the numerous incentives seem to be granted on an ad hoc basis rather than based on an overarching strategy, potentially impeding the most effective use of incentives as well as regulatory predictability.

CIT incentives are designed to support the growth of domestic and foreign private sector investment as well as social and economic development objectives, including job creation, skills development, social inclusion and supporting a green transition. CIT incentives support these goals mostly by targeting certain qualifying expenditure (e.g., costs for solar panels, training or wages) and outcome conditions (e.g. requiring a minimum number of jobs created). While setting adequate outcome conditions and accurately evaluating them can be challenging, requirements such as employment creation can promote development objectives, but they require careful monitoring to ensure that the outcome has been met. This necessitates resources, administrative capacity, and close coordination with other government agencies. Mauritius also implemented additional policy measures to complement its development efforts.

Mauritius could consider re-evaluating the design of its CIT incentives to streamline income-based incentives in favour of expenditure-based ones. Most of its CIT incentives use income-based tax instruments (CIT exemptions or reduced CIT rates) that often apply for multiple years and lower effective tax rates significantly (by up to 55% for some industries). Expenditure-based incentives (tax allowances or credits) could enable better targeting of incentives towards reducing specific business costs, thereby

encouraging spending that might not occur without the incentive (IMF, OECD, UN, World Bank, 2015[6]). Furthermore, expenditure-based incentives are expected to be less affected by the new international tax agreement establishing a Global Minimum Tax (GMT) for large MNEs (OECD, 2022[7]). Under these rules, jurisdictions that tax large multinational enterprises' (MNEs) income below 15% risk forgoing potential tax revenues as other jurisdictions are allowed to impose top-up taxes on such MNEs. These new rules are likely to have significant implications for Mauritius' tax incentives.

An effective use of investment incentives necessitates monitoring and regularly evaluating the costs and benefits of incentives, including vis-à-vis public revenue mobilisation, investment attraction, and the respective policy objective. Mauritius monitors the costs of incentives and provides annual tax expenditure reporting but could track further datapoints as to the beneficiaries of incentives and investment outcomes (e.g. new jobs created, minimum share of exports or value addition). Such data could provide a solid foundation for policy evaluations, crucial for assessing if incentives are best designed to support their intended policy goals. Mauritius does not yet evaluate its incentive measures in this respect but would benefit from doing so to understand the effectiveness of measures in place.

A county's tax system is only one out of many aspects pivotal for investment decisions and often not the most important one. Many investors consider other elements of the investment climate as more important when deciding on a project location (OECD, 2015[8]). Many of these elements are already well developed in Mauritius (e.g. political stability, quick administrative procedures), and the government implemented measures to advance certain aspects (e.g. supporting education by offering free education until graduation) (Ministry of Finance, Economic Planning and Development, 2023[9]). Mauritius could consider further addressing factors challenging its investment climate with measures, other than tax incentives, that may be more suitable to do so.

Policy recommendations

- **Design investment incentives based on an overarching strategy.** Mauritius offers a broad range of investment incentives, some of which appear to be the outcome of ad hoc decisions influenced by sectorial lobbying, at times benefiting existing firms in well-established industries with no need of additional benefits. Following an overarching strategy when designing incentives could enhance regulatory predictability and a more effective use of investment incentives.
- **Re-evaluate the design of CIT incentives to streamline income-based incentives in favour of expenditure-based ones.** Expenditure-based instruments (tax allowances and credits) target specific costs of a new investment and are more likely to create *additional* investment. They will also be less affected by the GMT and could be designed as a more cost-effective alternative to current generous income-based CIT exemptions and reduced rates. Incentives should be used to complement, not replace, wider efforts to improve the investment climate. While tax and non-tax incentives can help promote certain investor behaviour, other policies might be more appropriate.
- **Implement monitoring practices and a regular evaluation mechanism to assess if incentives support their intended policy objectives and at what cost.** Mauritius already monitors the cost of incentives through annual tax expenditure reports but could consider collecting further data on beneficiaries and project outcomes as a basis for evaluations. Implementing a periodical evaluation process would be crucial to identify the most effective, as well as redundant, incentives and could help to inform policy decisions.
- **Phase out redundant tax incentives to create fiscal space for needed reforms.** The government may want to consider streamlining the wide offering of investment tax incentives,

phasing out less efficient ones and adjusting excessive benefits where possible, enabling greater fiscal space for measures strengthening the investment climate and needed reforms.

6.2. Tax revenues can support diversification efforts and structural reforms

Mauritius aims to return to high income status and strives to build economic resilience through diversification and investment attraction. Tax revenues are a crucial source of income to support its ambition to diversify, as they can finance much needed reforms to address challenges like skills and infrastructure gaps, limited innovation capacity and under-developed value chains (AfDB, 2022[10]).

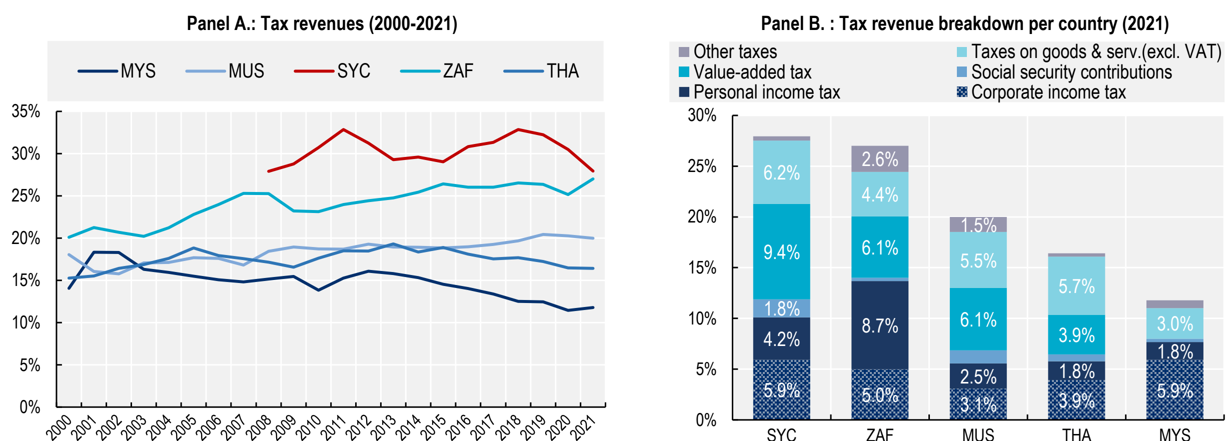
Mauritius' tax-to-GDP ratio has been rising steadily over recent decades, peaking at pre-pandemic levels in 2019 at 20.4% (Figure 6.1, Panel A). At 20% in 2021, the ratio is lower than South Africa and the Seychelles, but higher than in Thailand and Malaysia.[1] Developing countries typically tax between 10-20% of GDP, compared to a 40% average for high income economies (Besley and Persson, 2014[11]). Mauritius' tax-to-GDP ratio exceeds the average for Africa (15.6%) and Asia-Pacific (19.8%) but remains below the OECD average (34.1%) (OECD, 2023[12]).

The main tax revenue sources are consumption taxes, amounting to 11.7% of GDP (or 58% of total tax revenues), out of which value-added taxes amount to 6.2% of GDP and other taxes from goods and services to 5.5% of GDP (Figure 6.1, Panel B). The reliance on consumption taxes is commonly observed across developing and emerging economies with limited fiscal capacity as they can be broad-based and are relatively easy to administer, despite being typically a regressive tax instrument (OECD, 2022[13]).

When average income levels rise, direct tax revenues (e.g. personal income and corporate income tax) tend to increase (Benedek, Benitez and Vellutini, 2022[14]). This is also the case in Mauritius, where direct tax revenues have increased in recent years, but its income tax revenues, relative to GDP are, at 5.6%, much lower than in peer countries (Figure 6.1, Panel B). The peer countries selected for this analysis collect between 7.7% and 13.7% of national GDP (Malaysia and South Africa, respectively), with only Thailand (5.8%) showing a similar level to Mauritius.

Figure 6.1. Mauritius' tax revenues have been rising, with direct tax revenues growing slowly

(% of GDP)



Source: OECD (2023[12]), OECD Global Revenues Statistics, https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL.

CIT accounts for more than half (55%) of Mauritian direct tax revenues, making it a relatively important source of revenue. Throughout the last decade, CIT revenues grew at a fairly slow pace, reaching around 3% of GDP. The last change of the statutory CIT rate was in 2006 when it was lowered from 25% to 15% in parallel with the removal of some incentive schemes, resulting in a subsequent rise of revenues. While CIT revenues have been stable over the last years, they remain relatively low compared to peers (Figure 6.1, Panel B). With 3.1% of GDP for 2021, Mauritius falls behind all peers that collected CIT revenues ranging from 3.9% (Thailand) to 5.6% (Seychelles and Malaysia).

Box 6.1. Mauritius' 2006 tax reform enhanced transparency and tax revenues

Mauritius adopted a sweeping tax reform in 2006 (Table 6.1). A major component was the introduction of a single flat tax rate on CIT and PIT. Prior to the reform, companies that benefited from incentives enjoyed a preferential 15% rate, while non-incentive companies were subject to a 25% statutory CIT rate. While PIT was progressive before the amendment, the lowest exemption threshold was significantly increased, decreasing the tax burden for low-income earners. Additionally, the National Resident Property Tax (NRPT) for high-income earners contributed to maintaining a certain progressivity of the tax system but was abolished in 2010 (IMF, 2008[15]).

The base-broadening reform enhanced tax revenues from personal and corporate taxes and lowered estimated tax expenditures to 1.5% of GDP (compared to 3% before). It also lowered the administrative burden for taxpayers, improved compliance and transparency of the tax system as it simplified various tax rates, exemptions and other reliefs (IMF, 2008[15]).

Table 6.1. Key elements of the tax reform

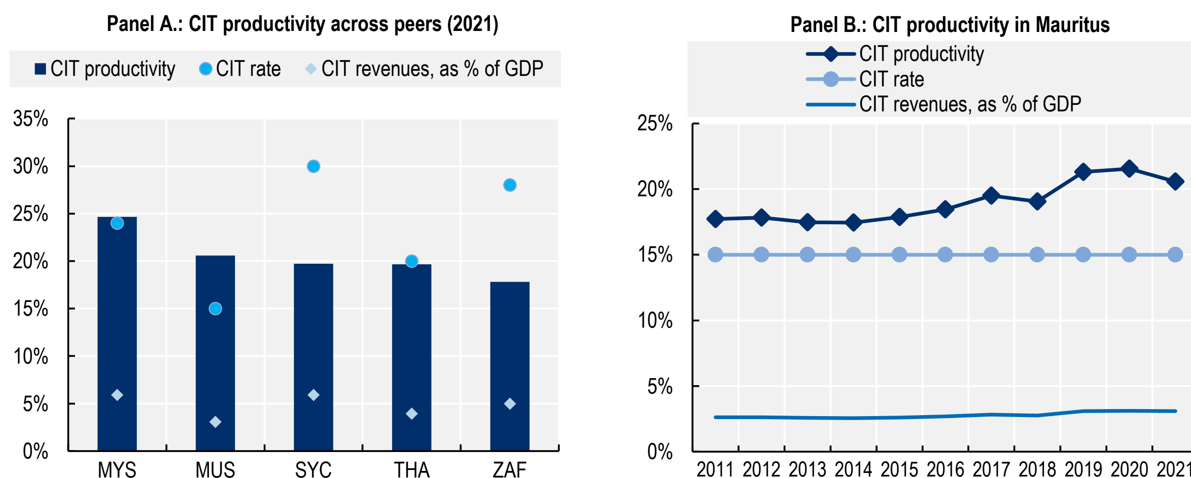
	Before	After
Personal income tax	- four rates (10, 20, 25, 30%) - lowest exemption threshold MUR 8 000	- one flat rate (15%) - lowest exemption threshold MUR 215 000
Corporate income tax	- two rates (25% statutory CIT rate, 15% preferential rate for tax incentive companies) [1]	- one flat rate (15%)[2]
Withholding tax deduction at source	none	Tax deduction at source for payments subject to withholding tax, including interest, royalties, rent, etc., at various rates (0.75, 3, 5, 10 and 15%)
Taxes on residential property	none	- NRPT: MUR 30 per square foot, to max. of 5% of total income - Incomes below MUR 385 000 exempt
Value added tax	Threshold: MUR 3 million	- Threshold: MUR 2 million - the base was broadened by 22% during FY 2006/07
Taxes on imports	8 tariffs: unweighted average tariff rate 29%	4 tariffs: unweighted average tariff rate 13%
Revenue administration	Ministry of Finance and several other state agencies	Mauritius Revenue Authority (MRA) as single revenues authority for all taxpayer queries and payments[3]

Note: (1) The statutory rate was lowered to 22.5% in 2005, effective as of and only during FY 2006/2007. (2) For corporate income tax purposes, the 15% rate came into effect in July 2007. (3) The MRA was established under the MRA Act in 2004 and became operational in July 2006.
Source: Income Tax Act 1995 (consolidated up to Finance Act 2023), https://www.mra.mu/download/ITAConsolidated.pdf and IMF (2008[15]), https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Mauritius-2008-Article-IV-Consultation-Staff-Report-Staff-Statement-Public-Information-22189

Nevertheless, a high CIT productivity indicator suggests the Mauritian CIT system is quite efficient. CIT productivity reflects how much one percentage point of the statutory rate can generate in CIT revenue relative to GDP (IMF, 2023[16]). Mauritian CIT productivity has been rising in recent years and is higher

than in most selected peer countries (Figure 6.2). A recent World Bank Enterprise Survey noted that only 2% of participating companies mentioned having had tax administration issues (World Bank, 2020[17]). This suggests that the low level of tax revenues is likely not to be caused by tax administration or enforcement issues but rather by its narrow corporate tax base, fragmented by many incentives and a low CIT rate.

Figure 6.2. Mauritius' CIT productivity is higher than in peer countries



Note: CIT productivity reflects CIT revenue, as percentage of GDP, divided by the statutory CIT rate.
Source: based on author's calculations and OECD (2023[12]), OECD Global revenue statistics (database), https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL

6.2.1. Mauritius has a long history of incentives and low corporate taxation

Mauritius has historically implemented various incentive regimes to stimulate private investment inflows. To attract export-oriented foreign investors and create jobs, the government introduced an EPZ scheme two years after independence – a period marking the beginning of its remarkable economic progress. The agrarian economy still heavily depended on sugar export revenues (contributing to 93% of annual exports) and import substitution policies (Christian and Schulze, 1999[18]; Woldekidan, 1993[19]). The EPZ accelerated economic growth, making Mauritius one of the few global success stories on their economic zone experience during that period (see Chapters 2 and 3 for more information). A key to its economic success was the reinvestment of profits by the sugar industry in the domestic economy through the EPZ (Rodrik, 1999[20]). Around 50% of capital in the zones stemmed from domestic sources, commonly from sugar families (Cling and Letilly, 2001[2]).

The Export Processing Act at the time provided numerous fiscal incentives for exporters, including CIT exemptions for up to 20 years, exemptions on tariffs on imported inputs and for distributed dividends, and many other benefits (e.g., eased labour market standards, subsidised electricity tariffs) (Alter, 1991[21]). The act also introduced administrative assistance to ease bureaucratic red tape, created by the trade protection measures that were in place (Woldekidan, 1993[19]). Economic zone regimes typically provide incentives to support investors at the start of their business operations although incentives should slowly be phased out once new industries have started. As most other emerging economies, Mauritius struggled to remove costly incentive measures after its EPZ success and instead kept existing ones and added new measures to further spur industrialisation.

In the 1990s, a second generation of incentives emerged. The Freeport regime (see Chapter 2 for a more detailed description), which still exists today, was designed to promote international trade, warehousing and transhipment activities by providing tax exemptions and incentives for logistics and trading companies

(Christian and Schulze, 1999[18]; Economic Development Board Mauritius, 2023[22]). Incentives for hotel investors and operators supported a rapid rise of up-scale hotels (UNCTAD, 2001[23]). In an aspiration to become an international financial centre, the government passed the Offshore Business Activities Act 1992 allowing trusts and offshore corporations to carry out a range of offshore business activities, such as offshore banking, insurance, and funds management, international financial and consultancy services and international trading and assets management. The regime has been modernised through the Financial Services Act 2007, and companies holding a Global Business Licence (GBL) can now benefit from an 80% tax exemption for certain types of income (e.g. income derived from financial services, such as asset management, and interest income) (KPMG, 2021[24]).

By the late 1990s, Mauritius offered a wide range of incentive schemes that applied to 22 categories of investors, including export and export service enterprises, pioneer enterprises, investments in agriculture, fishing, tourism, financial services, ICT and for many other sectors (OECD, 2014[3]). EPZ incentives continued to exist and were consolidated in the Industrial Expansion Act 1993, which was introduced to level the playing field by providing additional fiscal incentives for non-EPZ firms (accounting for 47% of manufacturing output) (Bank of Mauritius, 1993[25]). The act also consolidated incentives of several other schemes for manufacturers that had been introduced by then, such as industrial building or pioneer status enterprises (engaged in “high technology activities”).[2] While the act’s objective was to support diversification into higher value-added production, incentives were available for a broad range of sectors, including non-sugar agriculture and hotel services. An Investment Policy Review by UNCTAD concluded that the choice of benefiting sectors seemed to be based on ad hoc requests from respective industries rather than a strategy, a practice that may still pose challenges to Mauritius when designing incentives today (UNCTAD, 2001[23]). The World Bank argues that “Tax holidays often reflect top-down initiatives with limited strategic underpinning” (World Bank, 2021[26]).

Mauritius shifted from a complex investment system with numerous incentive packages to a simplified low-tax framework only in the early 2000s. The government commissioned a “Review of Fiscal Incentives for Investment” that notably recommended to rationalise existing incentives. While total tax revenues reached 21% of GDP in 2003, corporate tax revenues only reached 1-2% of GDP (Lucknauth, 2004[27]; OECD, 2014[3]). Additionally, the WTO agreement on Subsidies and Countervailing Measures placed restrictions on the use of export subsidies to reduce trade distortions, including through the EPZ (Torres, 2007[28]). In Mauritius, EPZ exporters and firms benefiting from various other incentives schemes were subject to a permanently reduced 15% CIT rate (Cling and Letilly, 2001[2]). To create a level playing field for taxpayers and facilitate tax administration, the tax system was simplified with a flat tax rate of 15% for both corporate and personal income taxes. Alongside this reform, the Business Facilitation Act 2006 streamlined business procedures and repealed most investment incentives, except for the Freeport Scheme, Integrated Resort Scheme, and the subsequent introduction of the Real Estate Scheme (OECD, 2014[3]).

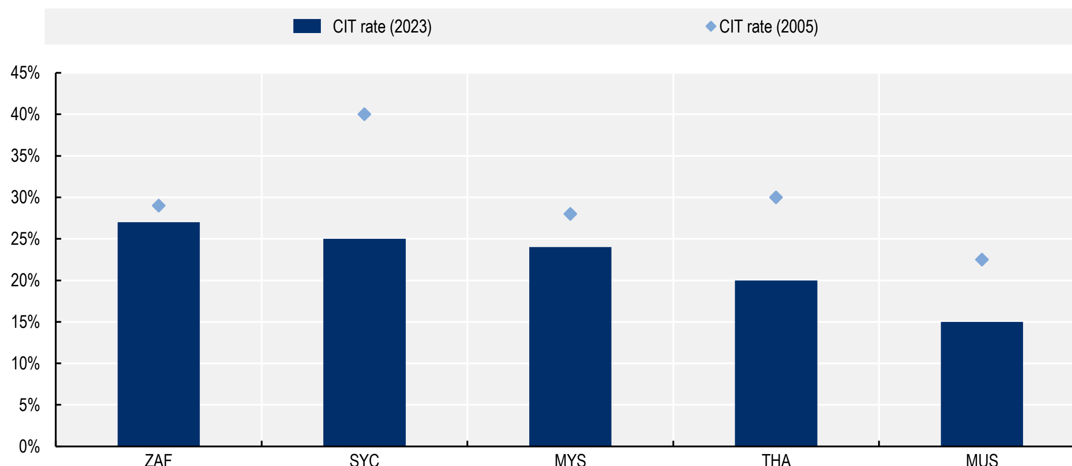
Incentives have since re-emerged as Mauritius currently offers a broad range of tax and non-tax incentives under multiple schemes (Economic Development Board Mauritius, 2023[29]). Beyond the main CIT incentives that will be discussed in more detail throughout this chapter, Mauritius also offers a mix of other incentives under various schemes. Other tax incentives provide relief from value added tax, customs and import duties and income from financial services, interest and dividends. Financial incentives are available for SMEs and large investors and provide refunds for selected business expenses (e.g., refund of export credit insurance premium for SMEs), suggesting a focus on increasing international trade. In-kind incentives provide facilities in relation to buildings or land, e.g., for projects under the Premium Investor Scheme (see Chapter 5). Lastly, Mauritius also operates several regulatory incentives, such as a regulatory sandbox schemes and other eased procedures (e.g., relating to resident permits or residence permits for investors).

The statutory CIT rate has stayed at 15%, lower than in most other countries, including all of the economies selected as comparators for this analysis (Figure 6.3). The rate is also significantly lower than in most other

African economies, which averaged to 28.0% in 2022 (Tax Foundation, 2022[30]).[3] Amongst African countries, only Tunisia matches the 15% rate since 2021, lowering its rate more than a decade after Mauritius (OECD, 2023[31]).

Figure 6.3. Mauritius statutory CIT rate is lower than in most countries

As % of statutory tax rate



Note: Prior to 2005, companies benefiting from incentives in Mauritius were subject to a preferential CIT rate of 15% CIT rate, while other companies were taxed 25%. The statutory CIT rate was lowered to 22.5% in 2005 and has remained at 15% since 2006. The 15% rate was introduced with the Finance Act 2006 and was effective for companies as of 1 July 2007.
Source: OECD (2023[12]), OECD Global revenue statistics (database), https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL

Increasing global competition from countries that offer generous tax benefits and Mauritius' objectives to remain an attractive investment destination and to stimulate the growth of certain sectors have caused the recent incentive rise. Incentives only partly determine whether a country's tax system is competitive and Mauritius' low statutory CIT rate as well as its well-functioning tax administration may be equally or more compelling to investors. OECD analysis on selected industries reveals that even without applying incentives, the tax burden under Mauritius' standard tax treatment is as low as the tax burden in other Sub-Saharan African countries under preferential treatment (taking into account the effect of incentives) (see Figure 6.5 and Celani, Dressler and Hanappi (2022[5]) for more details). These results raise the question as to the necessity of multiple incentive regimes on top off an already low CIT rate in Mauritius. Moreover, the tax system is only one of many, and often not the most important, factors considered by investors when choosing their investment destination. Macroeconomic and business conditions, labour force, and the legal and regulatory framework are often more relevant for investors than tax considerations) (OECD, 2015[8]).

6.3. Designing corporate income tax incentives to support development goals

Many governments recognise the potential drawbacks associated with offering incentives, yet they are under pressure to provide generous tax relief. This pressure stems from the competition with other locations for investment opportunities and is influenced by corporate lobbying for advantages. If governments decide to implement incentives, it becomes crucial to scrutinise their scope, policy goals and generosity, as enhancing their design can help to mitigate redundancies and foster positive spillover effects (Celani, Dressler and Wermelinger, 2022[1]). Focusing on certain design mechanisms, as explored in this chapter, while limiting the generosity of some incentives, can be an important step in this regard. The

OECD Investment Tax Incentives Database (ITID) contains information on incentive design across countries and informs the analysis of this chapter (Box 6.2). Box 6.3 lists tax incentives that inform the analysis of this chapter.

Box 6.2. OECD Investment Tax Incentives Database

To better understand how tax incentives are used across countries, the OECD Investment Tax Incentives Database (ITID) systematically compiles and classifies quantitative and qualitative information on the design and targeting of CIT incentives, using a consistent data collection methodology. For each tax incentive, it includes information along three dimensions:

- instrument-specific design features;
- eligibility conditions; and
- legal basis.

This allows for cross-country comparisons on how countries design their tax incentives and on the types of business and project characteristics. As of December 2023, the database covers 58 developing and emerging economies in Eurasia, the Middle East and North Africa, Southeast Asia, Sub-Saharan Africa and Latin America. Celani, Dressler and Wermelinger (2022[1]) present the methodology and key classifications underlying the OECD ITID as well as its scope.

Source: Celani, Dressler and Wermelinger (2022[1])

Empirical evidence on the effectiveness of tax incentives is limited but underscores that, aside from the country context, jurisdictional and macroeconomic framework conditions, the design of incentives plays a critical role in determining their success (OECD, 2022[7]; James, 2013[32]; IMF, OECD, UN, World Bank, 2015[6]). Tax incentive design encompasses various aspects, including how the incentive reduces taxation (such as the instrument used, the qualifying income or expenditures it applies to, generosity, and duration; see Box 6.3), eligibility conditions (defining which investors and projects qualify for the incentive), and the governance structure (detailing how the incentive is awarded to investors) (Celani, Dressler and Wermelinger, 2022[1]). These elements affect investor behavior and incentives uptake, making them essential for evaluating whether incentives contribute to stated policy objectives and at what cost.

Box 6.3. Common tax incentive instruments

Investment tax incentives provide favourable deviations from the standard tax treatment for a specific group of corporate taxpayers, based on sector, activity, location or other investor- or project-related characteristics. The most commonly observed CIT incentives are often categorised as **income-based tax incentives** (CIT exemptions and reduced CIT rates), which relate to the income generated by a firm, and **expenditure-based tax incentives** (tax allowances and tax credits), which relate to the capital or current expenditure of firms.

- **Tax exemptions** provide a full (100%) or partial (less than 100%) exemption of qualifying taxable income, which may refer to all of a business' income or income from particular sources (e.g., export income).
- **Reduced rates** are CIT rates set below the standard rate for qualifying taxable income and apply on a temporary or permanent basis.
- **Tax allowances** are deductions from taxable income (i.e., income subject to taxes) and may target current or capital expenditures. Qualifying capital expenditures are generally asset

specific (e.g., machinery, buildings, equipment). Qualifying current expenditures tend to be activity specific (e.g., spending on training, R&D, exporting). Tax allowances as defined for this work cover a variety of instruments that allow for a faster write-off of capital expenditure compared to the standard depreciation schedule. Tax allowances can *accelerate* the rate of deducting capital costs (up to 100% of incurred costs) or *enhance* deductions beyond 100% of the acquisition cost. The latter includes allowances that apply in addition to standard depreciation resulting in deductions that effectively exceed the initial capital cost, for example, allowing firms to deduct 150% of the value of a new machine. Tax allowances for current expenditure are typically enhancing.

- **Tax credits** are deductions from the amount of taxes due (i.e., tax liability) that may relate to capital expenditures or current expenditures.

Note: Additional information on how the key design features affect tax relief is discussed in Celani, Dressler and Hanappi (2022[5]).
Source: Celani, Dressler and Wermelinger (2022[1]) and Celani, Dressler and Hanappi (2022[5]).

Mauritius provides a broad range of investment tax incentives, mainly in the form of CIT exemptions and tax allowances (Figure 6.4). Investors can benefit from a panoply of income-based tax incentives (CIT exemptions and reduced CIT rates) that apply to almost any industry. Many CIT exemptions apply temporarily for eight years (except for a five-year exemption for foreign investors, a permanent measure for cooperative societies operating in agriculture and a partial exemption for selected incomes). While setting a maximum incentive duration is a positive design feature to mitigate extensive revenue loss, most CIT exemptions in Mauritius provide full tax relief throughout the whole period, likely to cause high amounts of revenues forgone. Permanent 80% exemptions for certain types of income (e.g. profits attributable to permanent establishments in foreign countries, income from financial services and e-commerce), provided the taxpayer meets the conditions outlined in the Income Tax Regulations 1998, and reduced CIT rates of 3% (compared to the statutory rate of 15%) further exacerbate revenues forgone.[4]

Most tax allowances are accessible for companies of all sizes and apply across sectors, although some are available exclusively to enterprises operating in manufacturing or businesses set up on the island of Rodrigues. Tax allowances in Mauritius are designed to either accelerate the depreciation of assets, allowing for a quicker cost recovery (e.g., immediate depreciation of new plant and machinery), or to enhance the amount deductible from the taxable base (Box 6.3). The latter enables a deduction that exceeds the actual expenditure undertaken by the company, for example, a 200% deduction of a manufacturing company's expenditure incurred for R&D and product development or a 125% deduction of costs from products manufactured locally by SMEs for large manufactures (turnover above MUR 100 million). Qualifying costs of enhanced tax allowances in Mauritius relate to both current (e.g., wages for disabled employees, training costs, R&D expenditure) and capital expenditure (e.g., acquisition of a water desalination plan, fast chargers for electric cars).

Mauritius also offers a tax credit for manufacturing businesses (except for the alcoholic beverages and tobacco industry) and enables beneficiaries to deduct 15% of qualifying expenditures from taxes due, distributed over three years (i.e., 5% in the year of acquisition and in the two subsequent income years). The credit can be carried forward for up to 10 years. Qualifying costs relate to expenditure for new plant and machinery (except motor cars) incurred between 1 July 2020 and 30 June 2026, potentially encouraging businesses to modernise assets and pivot into new production techniques. The use of a so-called "sunset provision" is a positive design feature, as time limits can accelerate a company's incentive to invest and facilitate revisions and phase-outs of the measure for policy makers, for example, if an incentive appears to be too costly or not to be reaching its policy goal (Celani, Dressler and Wermelinger, 2022[1]). Mauritius could consider adding sunset clauses to other incentives too.

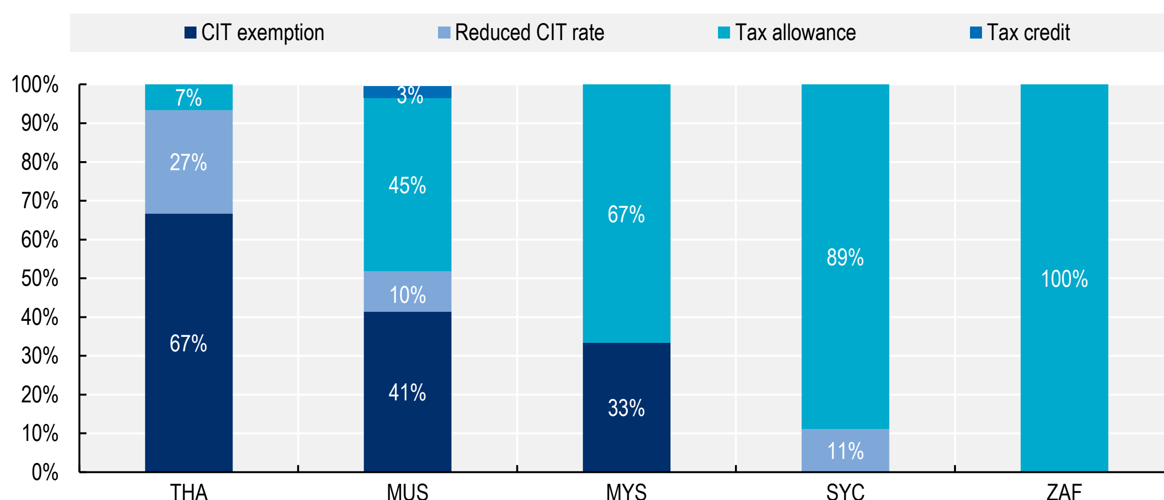
6.3.1. Expenditure-based incentives should further be prioritised

Income-based incentives (CIT exemptions and reduced CIT rates) can cause economic distortions and involve substantial costs in terms of revenue forgone, significantly lowering effective tax rates in Mauritius (Box 6.4). At the same time, it is unclear to what extent incentives are effective at attracting additional investment. In many cases, it seems income-based incentives are used primarily because of global tax competition with other economies, making it difficult for countries to unilaterally remove such benefits (Klemm and Van Parys, 2012[33]). Mauritius had already phased out incentive schemes in the early 2000s when introducing its flat tax rate of 15% but incentives re-emerged, due to tax competition with other countries, the country's objective to stimulate the growth of certain sectors and to boost the economy after global economic crises (e.g., the financial crisis 2008).

Many governments use income-based incentives to attract investment, including most comparator countries selected for this analysis (Figure 6.4). The CIT incentive mix in Mauritius contains a higher share of income-based incentives than in Malaysia, the Seychelles, and South Africa but a lower share than in Thailand. On the other hand, all comparator countries selected for this analysis use expenditure-based instruments in their CIT incentives mix. South Africa phased out its reduced CIT rate of 15% for special economic zones in May 2020 and only features expenditure-based incentives in the form of tax allowances.

Figure 6.4. More than half of Mauritius' CIT incentives use income-based instruments

Instruments used, as % of incentives per country registered in the ITID



Note: Incentives in the form of CIT exemptions, followed by a reduced CIT rate, are registered as a single entry in form of a CIT exemption.
Source: Author's calculations based on OECD ITID, accessed December 2023.

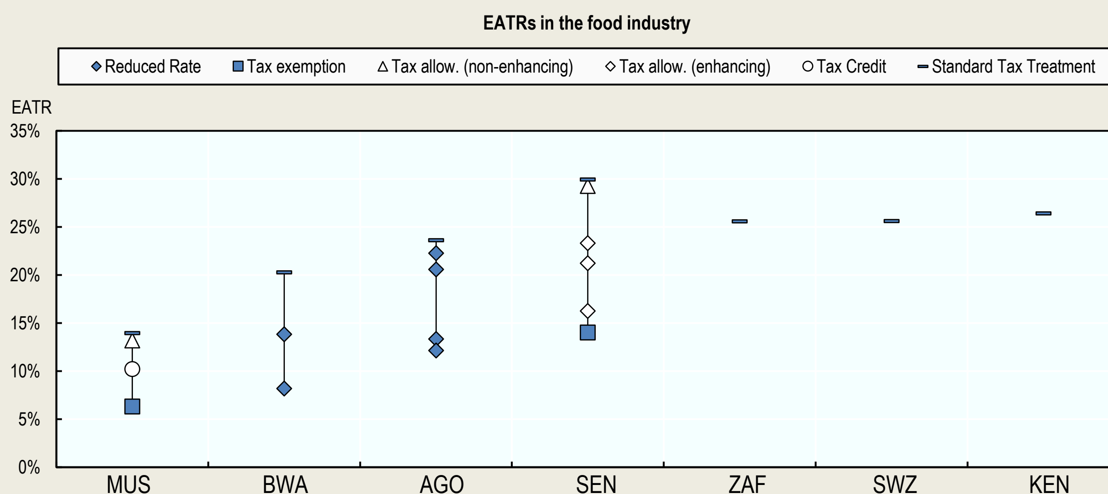
Expenditure-based incentives (tax allowances and credits) relate to qualifying expenditures. The tax benefit depends on the share of the current or capital expenditures deductible from taxable income (i.e., tax allowance rate) or from taxes due (i.e., credit rate). Expenditure-based incentives enable targeting towards reducing specific costs of investors, including costs for capital assets (e.g., machinery and equipment), certain activities (R&D, training of employees) or job creation (Celani, Dressler and Wermelinger, 2022[1]). Most CIT incentives in place are generous exemptions and reduced CIT rates that apply either for multiple years (e.g., CIT exemptions for freeport operators) or permanently (e.g., 3% reduced rates for export income or the pharmaceutical sector). Such generous CIT exemptions and strongly reduced rates significantly reduce effective tax rates (ETRs) in Mauritius (Box 6.4).

Box 6.4. Effective tax rates under investment tax incentives

Forward-looking corporate effective tax rates (ETRs) are a way of measuring the extent to which tax incentives affect tax costs and influence business investment and location decisions. ETRs are a useful indicator to compare the impact of tax incentives on effective taxation. The composite Effective Average Tax Rate (EATR) is constructed as a weighted average across finance- and asset-specific EATRs. It is a synthetic tax policy indicator reflecting the average tax contribution a firm makes on an investment project earning above-zero economic profits over its lifetime. The EATR is a useful indicator to compare the generosity of distinct types of preferential tax treatment relative to the standard tax treatment and to assess tax relief from investing in one as opposed to another sector, region or country or to assess the relief provided through specific incentive design everything else being equal.

Figure 6.5. Incentives in selected industries reduce EATRs in Mauritius by up to 55%

(EATRs under investment tax incentives considering tax incentives that target the corresponding industry, ordered by generosity of the most generous preferential treatment)



Note: This figure considers investment tax incentives available to investors as of 1 January 2021. EATRs are calculated for a standardised investment in industrial machinery outside of an SEZ. EATRs under standard tax treatment uses tax system features from the OECD CTS database. EATRs under each tax incentive considers tax incentives with sector conditions targeting the food industry as collected through the OECD Investment Tax Incentives databases. EATRs under standard tax treatment may differ from standard CIT rates as they incorporate fiscal depreciation and related provisions. These EATRs do not necessarily align with those presented in OECD CTS as they may reflect different modelling assumptions. Annex C of Celani, Dressler and Hanappi (2022[5]) presents the additional parameters used in the calibration. Table A D.1 in Annex D of Celani, Dressler and Hanappi (2022[5]) presents the EATRs under each tax incentive in this figure.
Source: (Celani, Dressler and Hanappi, 2022[5]).

EATRs in selected manufacturing industries

EATRs in the food industry vary widely across the seven countries, because of differences in standard tax systems, but mainly due to generous tax incentives available in some countries. Figure 6.5 presents forward-looking EATRs for a standardised investment under standard tax treatment (horizontal black marker) and under available tax incentives in the food industry across the seven countries. Countries that provide tax incentives in the food industry typically use more than one instrument.[5] The availability of multiple incentives in one industry does not necessarily imply that instruments overlap or are

cumulative. Instead, additional eligibility requirements apply often and link incentives to additional characteristics of investors or investment projects.

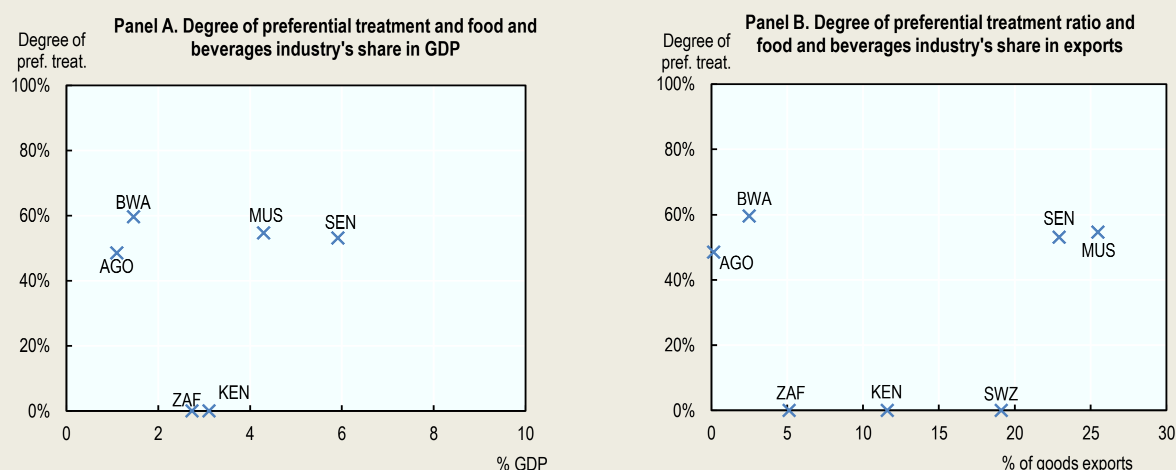
In some countries, tax incentives significantly reduce the EATR in a given industry. Preferential tax treatment results in EATRs that are up to 55% lower than under standard tax treatment (Mauritius). On average, investment tax incentives targeting the food industry lower EATRs by around 30%.

Tax incentives and economic performance

Some countries provide very generous tax treatment to sectors that are already of economic importance in the country. This may indicate that there is room to phase out incentives that risk becoming redundant to recoup revenue forgone, particularly when sectors are maturing, and spillovers have been realised. Figure 6.6 presents the degree of preferential treatment in the food sector, measured as the difference between the EATR under incentives and the EATR under standard tax treatment and expressed as a percentage of the EATR under standard treatment. It relates this measure to indicators of the sector's relative economic importance within a country, such as the industry share in GDP (Panel A) and in goods exports (Panel B).

A degree of preferential treatment of 0% indicates that no tax incentive is targeted to the industry. Countries that appear in the upper-right quadrant provide generous tax treatment to an economically important sector. For example, Mauritius and Senegal provide a significant reduction in effective taxation in the food industry compared to the standard tax treatment (degree of preferential treatment is above 50%), although the sector already represents a much larger share of GDP than in other countries (4-6% of GDP) and more than 20% of exports.

Figure 6.6. Well-established industries still benefit from significant reductions in effective taxation in Mauritius and some other countries



Note: Figure considers investment tax incentives available to investors as of 1 January 2021. Degree of preferential treatment (vertical axis) measures the difference between the EATR under standard tax treatment in the country and the most generous tax treatment in the food industry expressed as a percentage of the EATR under standard treatment. A generosity of 0% indicates no tax incentive targets the industry.
Panel A: Industry value added as a share of GDP is estimated multiplying the ISIC Rev.3 industry share in UNIDO INDSTAT 2 by the share of manufacturing in GDP. The food and beverage industry is used as a proxy for the food industries' share in GDP and goods exports. Eswatini data is from 2011 and Senegal data is from 2014. Value added data is not available for Angola and 2017 output is used a proxy.
Panel B: Data for Angola is from 2018.
Source: Celani, Dressler and Hanappi (2022[5]), https://doi.org/10.1787/3eaddf88-en

The new international agreement establishing GMT for large Multinational Enterprises (MNEs) might help curb some of the harmful tax competition observed worldwide and encourage better incentive design (Box 6.5). Mauritius is one out of 140 participating jurisdictions. The agreement requires MNEs with revenues above USD 750 million to pay a 15% minimum effective tax rate (ETR) in all jurisdictions in which they operate. If in-scope MNEs in Mauritius are subject to ETRs below 15% (for example through reduced CIT rates or exemptions), Mauritius could potentially forgo revenue that can be collected by the home jurisdiction of the MNE or other signatories, through a top-up tax. It is thus advisable that countries having generous incentives packages, such as Mauritius, assess how many of its investors will be affected by the GMT and consider undertaking the necessary tax reforms to prevent revenue loss (OECD, 2022[7]; Christians et al., 2023[34]). The government already introduced a Qualified Domestic Minimum Top up Tax (QDMTT) in its Finance Act 2022 (effective from 1 July 2022) but has not yet provided a timeline for implementing the QDMTT (KPMG, 2023[35]). Mauritius is in the process of engaging in internal consultations with stakeholders and seeking cabinet approval for implementing pillar two. Implementation will require an assessment of whether the current tax incentive design is still fit for purpose.

Box 6.5. Tax incentives and the global minimum tax for MNEs

A global minimum effective taxation level for large MNEs

Pillar Two of the new international tax agreement establishes a global minimum effective corporate tax rate of 15% for large multinational enterprises (MNEs). Where an MNE’s effective tax rate (ETR) in a jurisdiction falls below 15%, the MNE would potentially be subject to top-up taxes under the Global Anti-Base Erosion (GloBE) Rules, a core component of Pillar Two. The GloBE Rules establish the minimum corporate tax and are complemented by the subject-to-tax rule which will allow developing economies to tax certain base-eroding payments (such as interest and royalties) when they are not taxed up to the minimum rate of 9%. The GloBE Rules apply top-up taxes to profits above a substance-based income exclusion (SBIE), which allows some profits based on economic substance (tangible assets and payroll) to be deducted from the GloBE base.

A recent OECD report prepared at the request of the G20 Indonesian Presidency explores the impact of GloBE Rules on tax incentive use (OECD, 2022[7]). This report draws on the OECD Investment Tax Incentives Database (ITID) to provide evidence on tax incentives use in developing countries; outlines key provisions of the GloBE Rules; analyses the impact of GloBE on different common tax instruments and outlines some options for policymakers to explore.

Impact on the use of tax incentives

The GloBE Rules will not affect all jurisdictions, MNEs and tax incentives in the same manner. The impact of the GloBE Rules on tax incentives will depend on their design, on the jurisdiction’s tax system (its baseline tax system and its use of base narrowing provisions), and on the characteristics of MNEs and the activities they perform in the jurisdiction. For example, existing tax incentives may continue to be used by MNEs below the EUR 750 million revenue threshold, without them being affected by the GloBE Rules.

The impact of the GloBE Rules will strongly depend on the design of tax incentives. Certain types of tax incentives will be strongly affected, particularly certain income-based tax incentives such as full exemptions or significantly reduced CIT rates, which are widely used across the world. Others may not be affected at all, such as accelerated depreciation for tangible assets. Understanding the degree to which tax incentives may be affected by the rules requires careful consideration of the detailed design of tax incentives.

Targeted tax incentives, incentives with economic substance requirements and expenditure-based tax incentives targeted at tangible assets may be less affected. The targeting of tax incentives to certain categories of income or expenditure or limitations to tax benefits will impact which tax incentives might be affected. However, the value of providing strongly reduced CIT rates or CIT exemptions to in-scope firms might merit a reassessment of the use of these tax incentives.

The GloBE rules should prompt jurisdictions to review the use of tax incentives and consider tax incentive reform. This is particularly the case for tax incentives that may become inefficient due to the operation of the GloBE rules.

Source: (OECD, 2022[7])

Because expenditure-based incentives reduce the costs of incurring certain targeted types of expenditures (e.g., machinery, training, etc), they contribute to making investments more profitable at the margin, thereby encouraging investment that may not occur without the incentive (IMF, OECD, UN, World Bank, 2015[6]). The benefit for the company depends on the size of the investment it undertakes and can also be linked to specific activities and policy objectives (e.g., skills development, technological upgrading etc.). Expenditure-based incentives are also more transparent (in terms of revenue costs) as the size of the tax benefit is relative to the amount invested. They are also less likely to be affected by the recently agreed GMT for large MNEs. For the reasons mentioned above, Mauritius could consider further prioritising expenditure-based tax incentives.

6.3.2. Design features support economic and development objectives

Many countries strategically design incentives not just to attract investment, but also to promote broader policy objectives. Well-designed incentives may help to correct market failures and promote social and economic development objectives, but their costs should be evaluated jointly with the benefits (OECD, 2022[36]; IMF, OECD, UN, World Bank, 2015[6]). This can be done through specific eligibility conditions that require investors to meet particular outcomes (e.g., investment size, job creation), or operate within specific sectors (e.g., renewable energy), or by designing incentives to reduce certain costs (e.g., tax credits for R&D or training expenditure), or to curtail taxes on specific income (e.g., reduced CIT rates for export earnings) (Celani, Dressler and Wermelinger, 2022[1]). Analysing these design features provides insights into the types of investors, sectors and activities a country aims to attract and what the main policy goals of incentives appear to be (described in the following section).

Mauritius' incentives design focuses on sector and outcome conditions, investment size and new businesses (Figure 6.7, Panel A). While some of its incentives are available to all firms (e.g. accelerated tax allowances), the majority of incentives requires one or multiple eligibility conditions to be met (e.g. CIT exemptions connected to the Investment Certificate). Sector conditions are used for more than half (56%) of incentives. Outcome, investment size and new business conditions are less frequently used (for 12% of incentives, respectively).

Sector conditions are used but almost any sector can benefit

Almost all sectors can benefit from tax incentives in Mauritius. Most tax allowances apply across sectors, enabling all industries to benefit. Some other incentives are slightly more targeted towards specific sectors but due to the broad set of available measures, investors operating in most industries will be able to benefit from at least one CIT incentive. For example, the 15% tax credit is available for all manufacturing enterprises, except those operating in the production of alcoholic beverages and tobacco products. Reduced rates of 3% also apply to selected manufacturing industries (medical, biotechnology and pharmaceutical manufacturing) as well as to freeport operators and export income.

While some CIT exemptions are available for investors operating in any industry, others are targeted to certain sectors (those available for eight years linked to Investment Certificates or specific schemes). Mauritius offers a CIT exemption to large investors that provides for tax relief for five years and is available for all sectors. Most other CIT exemptions are designed as eight-year exemptions, providing full tax relief, available for agriculture (e.g., bio-farming, sustainable agriculture, aquaculture, industrial fishing), many manufacturing industries (e.g., food processing, production of pharmaceuticals, high-tech manufacturing) and certain service sectors (e.g., for deep ocean water air conditioning installations, pharmaceutical research, ICT, and other industries related to "digital technology and innovation"). A partial 80% exemption for profits attributable to permanent establishments that a resident company has in a foreign country is available for all industries.[6]

Eligibility conditions suggest focus on investment size and outcome conditions

Mauritius uses a broader set of eligibility conditions in its tax incentives framework than peer countries (Figure 6.7, Panel B). This is partly because it has more incentives in place than peer economies but may also result from strategic choices or higher administrative capacity to monitor if incentive conditions were met. All selected peers offer multiple CIT incentives that target sectors.

Mauritius conditions some of its tax exemptions on a minimum investment size, similar to Malaysia and Thailand (Figure 6.7). Investment size criteria in Mauritius are only used for CIT exemptions and require firms to undertake a minimum level of capital investment, ranging from USD 45 000 (MUR 2 million) to USD 25 million. While minimum investment thresholds at MUR 2 to 5 million (USD 45 000-113 400) are relatively low for the CIT exemptions linked to the Investment Certificate, they amount to MUR 50 million (USD 1.1 million) for freeport operators and to USD 25 million for an incentive that aims to attract large foreign investors. Governments sometimes introduce high investment thresholds to attract large MNEs, in the hope to increase productivity and ensure technology transfer and positive FDI spillover effects. However, minimum investment size thresholds can discourage investment by domestic and foreign SMEs, despite their high innovation potential which may be counterproductive (OECD, 2022[36]; OECD, 2015[37]). Some countries therefore use a staggered approach to investment size criteria and lower the threshold for SMEs, for instance, depending on a company's annual turnover. Countries may also require a minimum investment amount to be spent for fixed assets to create economic substance (OECD, 2023[38]). A more effective approach could be to opt for expenditure-based incentives instead as they are easier to monitor and can be designed to benefit investors proportionally to their investment costs.

Outcome conditions are another tool to promote policy objectives, requiring beneficiaries to achieve certain performance results relating to a range of areas, including reaching certain revenue volumes, sourcing a minimum share of domestic inputs, or spending a minimum amount of expenditure on training, among others. Such conditions are linked to outcomes of the investment project, rather than characteristics of the investor or investment project. While outcome conditions can promote positive spillovers of investment and other economic goals, they require careful monitoring and administrative resources to ensure that the outcome has been met (Celani, Dressler and Wermelinger, 2022[1])

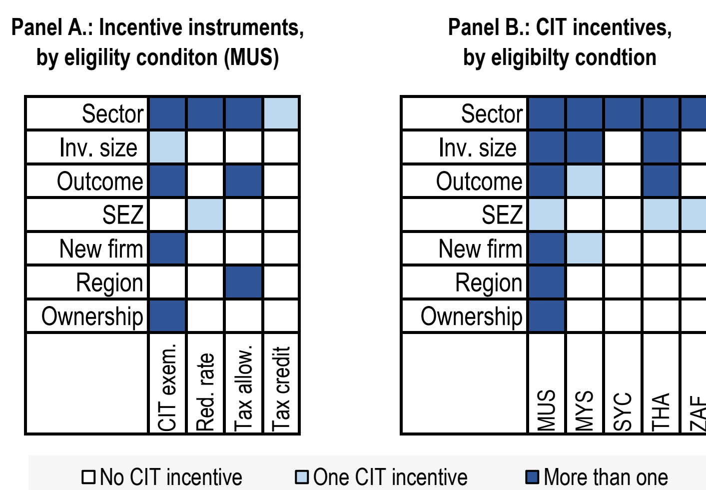
In Mauritius, investors need to fulfill requirements related to job creation, or to achieving a minimum share of exports or value addition, to benefit from some incentives. For example, the full CIT exemption connected to the Investment Certificate requires investors operating in agro-processing to either invest MUR 2 million or create ten new jobs. The same incentive requires companies operating in food processing to create at least 20% value addition of the finished product's ex-factory costs and to export at least 50% of final products. Out of selected peers, Thailand also incorporates outcome conditions in many of its investment tax incentives. Its merit-based incentives enable investors to benefit from an extended incentive duration if additional requirements are fulfilled, for instance, spending at least 1-3% of turnover or not less than THB 200-600 million on R&D-linked machinery.[7]

Certain incentives in Mauritius are only available for new businesses. Some of the eight-year CIT exemptions apply exclusively to companies that have been incorporated on or after 1 July 2021 (all exemptions related to the Investment Certificate, bio-farming and sheltered farming projects). Business stage conditions that target new business entrants are a way to support companies in their infancy, potentially more in need of additional support than existing ones which may already be well established.

Lastly, Mauritius also uses ownership conditions for its five-year exemption for large foreign investors (requiring investors to be individuals that are not citizens of Mauritius) and regional targeting by offering incentives exclusively for the island of Rodrigues.

Figure 6.7. Overview of tax incentives by eligibility condition in Mauritius and peer economies

Square colour indicates the number of incentive instruments (Panel A, x-axis) or CIT incentives in a country (Panel B, x-axis) per corresponding eligibility condition (y-axis)

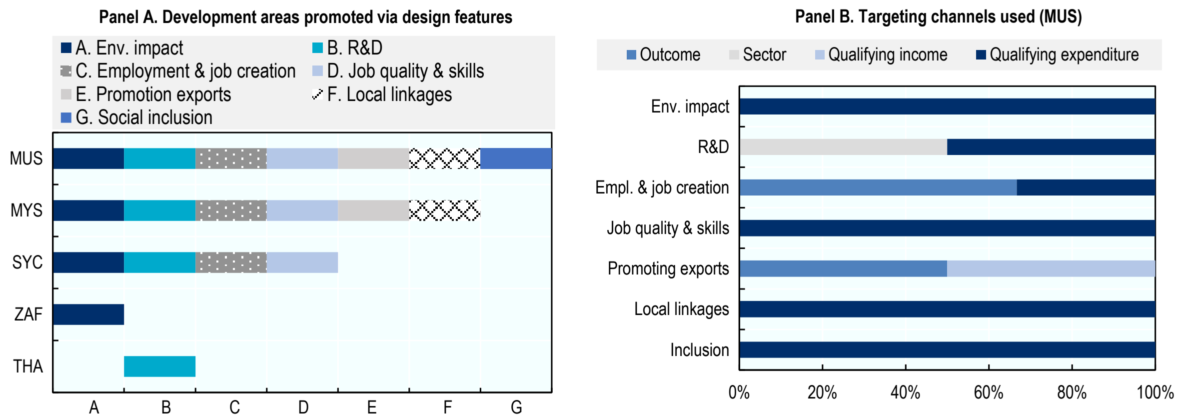


Note: *Outcome* refers to eligibility conditions that require businesses to achieve certain performance results. *Special Economic Zones* eligibility condition refers generically to all types of economic zones, including Special Economic Zones, Industrial Zones, Free Ports, and others. Other tax and non-tax incentives in Mauritius may be subject to different requirements.
Source: Authors based on the OECD Investment Tax Incentives database.

Incentives in Mauritius promote a range of development goals, including a green economic transition, job creation and skills development

Some design features and eligibility conditions of tax incentives can offer insights into intended objectives of policy measures. The ITID identifies certain social and economic development goals that countries often support through tax incentives, such as fostering local linkages, job quality and skills development, social inclusion, R&D, promoting exports and reducing the environmental impact of businesses (Figure 6.8, Panel A). Such goals can be promoted through outcome conditions (e.g., creating a minimum number of jobs) or targeting certain sectors (e.g., renewable energy sector). Tax incentives can also encourage these objectives by supporting certain activities via qualifying expenditure (e.g., tax allowances for R&D or training expenditure) or qualifying income (e.g., reduced CIT rate for export income) (Figure 6.8, Panel B).

Figure 6.8. Incentives promote economic and social development objectives in Mauritius



Notes: The ITID identifies development goals that are commonly targeted through CIT incentives which include the six areas shown in the figure. See Annex A for indicator methodology. Panel A.: Development areas supported through design features of at least one CIT incentive, by country; Panel B.: % of targeting channel used, by development goal.
Source: Author's calculations based on OECD ITID, accessed November 2023.

Mauritius has at least one CIT incentive in place that promotes each of the development goals identified by the ITID and thereby supports more areas than peer economies (Figure 6.8, Panel A). The three areas supported by most incentives are employment and job creation, social inclusion and improving the environmental impact of businesses. One incentive can be designed to support multiple policy goals. For instance, Mauritius offers an enhanced tax allowance that enables investors to deduct 200% of wage costs of disabled or female employees. Thereby Mauritius uses qualifying expenditure (wage costs) to support the objectives employment and job creation as well as social inclusion (Figure 6.8, Panel B).[8] Job creation is also supported through outcome conditions that require investors to create at least ten jobs (or alternatively invest MUR 2 million) to benefit from an eight-year full CIT exemption for agro-processors.

Tax allowances aiming to improve the environmental impact of businesses are available to all investors, independent of size, sector of operation or ownership structure, and thus have the potential to contribute to an economy-wide green transition. These accelerated depreciations target capital expenditure for machinery and equipment that reduce the environmental impact and enable an immediate depreciation for solar photovoltaic systems or a quicker cost recovery for so-called "green technology equipment" (Figure 6.8, Panel B). Green technology equipment includes renewable-energy equipment, energy-efficient equipment or noise control devices, water-efficient machinery and equipment for waste or wastewater recycling.[9] Accelerated depreciations for tangible assets are also not affected by the GMT (OECD, 2022[7]). For companies incorporated after 1 July 2020, Mauritius also offers an enhanced tax allowance, targeting 200% of the expenditure incurred on fast chargers for electric cars, that facilitates the use of electrical vehicles and may stimulate the demand for renewable energy infrastructure.

Some of the key challenges in Mauritius are the lack of suitably skilled workers, particularly in the manufacturing sector (see Chapter 3), and the low levels of R&D (HSBC, 2023[39]). Mauritius already took steps to address this issue through a set of policy measures, including by offering an enhanced tax allowance to investors, across industries, locations and business sizes, that enables them to deduct 200% of expenditure incurred for training of employees. This showcases good practice incentive design as expenditure-based instruments (such as tax allowances) lower the marginal cost of additional investment and may stimulate companies to invest in activities causing the targeted expenditure (i.e., training) (IMF, OECD, UN, World Bank, 2015[6]).

To encourage innovation, Mauritius also introduced accelerated depreciation of 50% in respect of capital expenditure incurred on R&D and a 200% deduction for qualifying expenditure on R&D (i.e. staff costs,

consumable items, computer software directly used in R&D and subcontracted R&D) (Republic of Mauritius, 2017[4]). The OECD INNOTAX portal highlights that many countries use similar incentives to promote R&D and innovation, although commonly request investors to comply with additional rules for R&D subcontracting or limit the deductible amount (OECD, 2023[40]).[10] It is important to note that other policy measures could be equally well or better suited to complement these efforts. For example, Mauritius recently streamlined the regulatory procedures for hiring foreign workers and established links between employers and training institutions (HSBC, 2023[39]). The government is encouraged to continue adopting alternative policy options to investment incentive for addressing its skills development objectives.

6.4. Governance and transparency

Transparency for investment facilitation purposes involves how clearly and available incentive-relevant information is communicated to investors (OECD, 2023[41]). Foreign investors unfamiliar with the local market might not be fully aware of the benefits available, particularly if incentives are granted under different schemes; increased transparency can help overcome information asymmetries and Mauritius already follows best practise approaches in this regard: it introduces most CIT incentives through Finance Acts that amend its main tax law, the Income Tax Act 1995, and provides a consolidated version of the Act on the Mauritius Revenue Authority's (MRA) homepage, reflecting the latest changes. Mauritius also provides an up-to-date investment guide on the EDB's homepage that outlines available incentive schemes.[11] Both sources facilitate verifying if incentives are still in place or whether they have changed. If Mauritius wants to further enhance its investment guide, it could provide more details on eligibility conditions of the various schemes or links to respective guidelines.

The MRA is the main body responsible for administering tax incentives although other public authorities and ministries can also be involved in their governance and granting procedures, making regular exchange between involved actors pertinent. While tax allowances are exclusively administered by the MRA, CIT incentives connected to certificates (e.g., Investment Certificate, freeport licence, approved manufacturers) require investors to submit applications with supporting documents to the EDB and commonly to receive permits from other ministries. For example, investors engaged in food-processing operations that want to benefit from a CIT exemption under the Investment Certificate scheme need to liaise with the EBD, two ministries and another competent authority for registration and obtaining permits. Other authorities are commonly involved in the governance of tax and non-tax incentives if incentive schemes are available for sectors falling under their responsibility.

While for most tax incentives the scope of benefits and granting procedure is clearly determined in the law, Mauritius also operates the Premium Investor Scheme that does not pre-determine benefits in the law and instead requires bilateral negotiations between investors and the EDB (with subsequent approval of the Ministry of Finance, Economic Planning and Development (MOFEPD) (Economic Development Board Mauritius, 2023[42]). Negotiations generally favour larger investors with more resources and higher negotiating power and can contribute to more aggressive privilege-seeking by firms. Larger investors may receive benefits long after they have entered the market and may not be the firms most in need of incentives, and therefore likely to receive windfall gains from government support (OECD, 2023[41]). Mauritius could consider adjusting the scheme to limit discretion and excessive benefits to foster a level playing field for investors of all sizes.

The authority in charge of designing investment tax incentives is the MOFEPD. Mauritius generally does not seem to have a systematic review system for legislative proposals and regulatory oversight mechanism in place (OECD, 2022[43]). Also in the context of incentive policy, it is not clear how the ministry determines policy gaps and which factors influence the choice of incentive design features, such as tax instruments, generosity of tax relief, duration or eligibility conditions. There does not appear to be a clear strategy guiding how incentives are designed and which sectors should benefit. The MOFEPD is recommended to

align incentives schemes with objectives outlined in an overarching national strategy. Based on OECD recommendations, Mauritius plans to introduce Regulatory Impact Analysis (RIA) across the government which ideally would also extend to incentive policy making.

The MOFEPD sets out policies with regards to tax incentives, and a budget committee, comprising high-level officials from MOFEPD, reviews, analyses and takes policy decisions on the proposals. The MOFEDP also drafts respective legislation, which is vetted by the State Law Office after consultations with the MRA, parent ministries and other institutions concerned. However, it is not clear if such consultations occur on an ad hoc basis or as a systematic part of the legislative process. Consultations during a fact-finding mission indicated that lobbying from the private sector and the sectoral desk of the EDB appears to be influential, causing incentives to be introduced due to ad hoc requests. This supports findings from a recent OECD report, suggesting that external stakeholders at times seem to be unaware of upcoming legislation to be presented in the National Assembly. The report also identified issues in approaches to stakeholder consultations (e.g., regarding transparency of stakeholder representatives) which may risk regulatory capture (OECD, 2022[43]). The MOFEPD could consider introducing a structured, regular consultation mechanism with other ministries and public authorities involved in incentive policies as well as affected stakeholders. Such a mechanism could enhance transparency of the legislative planning process and prevent policy overlaps due to fostered exchange.

6.5. Monitoring and evaluation

Gaining a deeper insight into whether incentives reach their policy goals and at what cost necessitates monitoring and evaluation mechanisms. Many generous incentives limit revenue collection in Mauritius, particularly those providing full CIT exemptions for multiple years. Mauritius has been using various tax incentives for decades and it would be crucial to assess if they positively contributed to FDI attraction and other policy goals. Monitoring data and evaluation findings are essential for taking informed, evidence-based policy decisions, including whether to adjust or streamline incentives. Removing costly and ineffective incentives can create additional fiscal leeway, crucial for progressing with national priorities, such as expanding infrastructure or education programmes.

Monitoring encompasses tracking data on the use of incentives, their beneficiaries, outcomes, and costs. Monitoring should also include scrutinising investor compliance with eligibility criteria, for example, through collecting evidence that shows respective requirements were met or by conducting audits to uncover potential fraud or abuse.

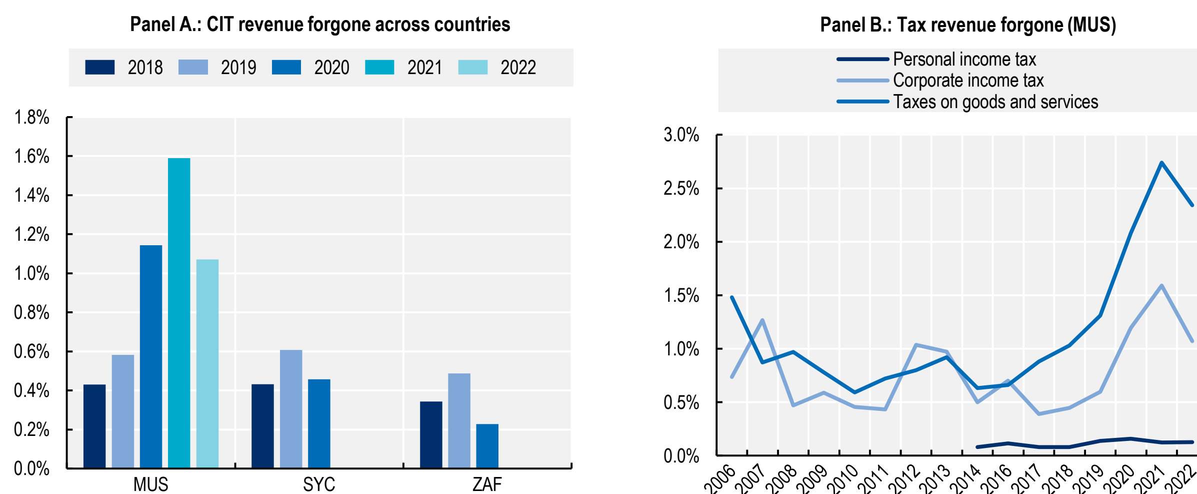
One option to track costs of tax incentives is tax expenditure (direct or revenue forgone) reporting which Mauritius is already engaged in. It publishes annual reports on its national budget and budgetary measures, including tax expenditures, on a dedicated homepage of the MOFEPD. Tax expenditure reporting not only fosters transparency on the use of public funds but also supports the government through enhanced oversight on budget use. Tax expenditure reporting should be published periodically and can support evaluation on costs of policies (OECD et al., 2023[44]). In many developing countries tax expenditure reporting is a legal requirement, although this does not seem to be the case in Mauritius (Kassim and Mansour, 2019[45]). The government is legally required to regularly report on the national budget but the provision does not make specific mention of tax expenditure reporting (GTETI, 2022[46]).

Mauritius has had higher tax expenditures, as % of GDP, compared to peers since the COVID-19 pandemic (Figure 6.9, Panel A). The share is likely to have increased due to higher fiscal support packages for companies hit by the pandemic. In absolute values Mauritius' total tax expenditures amounted to around USD 452 million in 2022, out of which USD 137 million (or 30.3%) are CIT expenditure. Panel B shows the development of selected tax expenditure streams in Mauritius in recent years and highlights that both CIT and VAT expenditure increased from 2017 to 2021 (Figure 6.9, Panel B). Both expenditure streams

significantly dropped in 2022, which is likely to be caused by the recovery of GDP. On the other hand, expenditure connected to personal income tax (PIT) remained relatively constant throughout the years.

Figure 6.9. Mauritius has higher tax expenditures than peer countries

As % of national GDP



Note: Data in the figure reflects tax expenditure as % of national GDP and was drawn from the Global Tax Expenditure Database (for 2021: 0.12% allocated to PIT, 1.59% to CIT, 2.17% to VAT; for 2022: 0.13% to PIT, 1.07% to CIT, 1.80% to VAT). Data on estimated tax expenditure shared by Mauritius' authorities deviate and indicate even higher CIT expenditures (for FY 2021/2022: 0.17% allocated to PIT, 1.48% to CIT, 1.50% to VAT; for FY 2021/2022: 0.16% to PIT, 1.55% to CIT, 1.66% to VAT).
Source: (Redonda, von Haldenwang and Aliu, 2023[47])

While Mauritius has already taken strides to enhance fiscal transparency, more could be done in this area. The Global Tax Expenditures Transparency Index (GTETI) ranks Mauritius 87 out of 104 assessed countries that provide tax expenditure reports. The GTETI suggests that Mauritius could further improve its tax expenditure reporting by specifying the methodology used (e.g., indicating methods used to calculate tax expenditure and a tax benchmark explanation) and by further elaborating on descriptive tax expenditure data (i.e. the information reflected in the report to identify and explain the nature of different TEs), for example, by mentioning beneficiaries, timeframes and legal references. The GTETI also highlights shortcomings on evaluations of tax expenditures in Mauritius, as there does not seem to be an evaluation framework in place.

6.5.1. Evaluations could support a smart use of investment incentives

An effective tax system and revenue generation are crucial for Mauritius' trajectory to return to high-income status. Structured and regular evaluations of incentives are essential to track costs, to assess if policies are contributing to intended economic and development objectives and to weigh their benefits against associated costs. Data obtained from monitoring of incentives take-up and tax expenditures could serve as a foundation for such evaluations. Mauritius is recommended to implement a periodical evaluation mechanism to assess how incentives are used, if they are supporting their intended policy objectives and at what cost. Embedding a regular evaluation mechanism in the law and clearly attributing responsibilities could further support the efficiency of such assessments.

One approach to begin evaluations could involve mapping out all incentive measures, including their policy goals, and track which investors receive incentives, including performance indicators (e.g., created jobs) and firm level characteristics (e.g., size of enterprise, foreign ownership, sector, etc.) and the costs of

incentives per firms. While evaluation measures require additional capacity, they could offer a clearer understanding of the various economic actors benefitting from such schemes and could be useful for identifying any potential redundancies, incongruencies and inefficiencies, even if from a more theoretical point of view. Tax expenditure data could also be used for evaluations. The current report features tax expenditures per type of tax and type of expenditure (e.g., deduction, exemption, etc.). Further disaggregation of tax expenditure per incentive and ideally per beneficiary could help the government to inform evaluations of incentives.

In the longer term, the MOFEPD could contemplate conducting empirical assessments to compare the performance and firm characteristics (e.g., share of innovative firms) of companies that have benefited from incentives with those that have not. This could be done by comparing data obtained from monitoring activities with census data from Statistics Mauritius that include detailed financial and performance information on all active firms in Mauritius. In case of potential capacity shortages within the ministry, Mauritius could also consider commissioning econometric evaluations to external providers (e.g., to research centres). While it is hard to determine the direct impact of incentives, evaluations of all or selected incentive schemes will help to understand if incentives have contributed to achieving their intended objectives, for instance in terms exports, jobs creation, skills and other outcomes and at what expense (e.g., incentive expenditure per new job created). The results of such assessments allow to identify costly initiatives to potentially revise or remove them to create more fiscal space.

Notes

[1] Malaysia, the Seychelles, South Africa and Thailand are used as comparators for this analysis. Selected comparators reflect a mix of regional and non-regional peers that were chosen based on their size (the Seychelles), level of economic development and their level of FDI inflows (Malaysia, Thailand, South Africa).

[2] The Industrial Expansion Act 1993 consolidated EPZ incentives and benefits governed by the Buildings Incentives Act 1986, the Small Scale Industries Act 1988 and Pioneer Status Enterprise Act 1991 into one act.

[3] The average reflects CIT rates in 2022 from 53 out of 54 African countries (except Somalia).

[4] While most CIT exemptions for investors provide full tax relief for multiple years, Mauritius also provides a partial exemption of 80% for selected incomes (e.g. from financial services, foreign dividends, interest, e-commerce and profit attributable to permanent establishments amongst others).

[5] Some countries do not provide tax incentives that target the food industry specifically (e.g., Kenya, South Africa) and Eswatini does not have manufacturing-specific incentives.

[6] Part II of the Second Schedule to the Income Tax Act, 1995, Item 40 of Sub-Part C.

[7] Thailand introduced it's “activity-based” CIT exemptions in 2017 through the Thailand Investment Promotion Act, Announcement of the Board of Investment No. 10/2560.

[8] Deduction of wages for female employees supports gender equality that is summarized under social inclusion in the database.

[9] Regulation 7 and fourth schedule of the Income Tax Regulations 1996: “green technology equipment” means the following equipment: (i) renewable energy equipment; (ii) energy-efficient equipment or noise control device; (iii) water-efficient plant and machinery and rainwater harvesting equipment and system; (iv) pollution control equipment or device, including wastewater recycling equipment; (v) effective chemical hazard control device; (vi) desalination plant; (vii) composting equipment; (viii) equipment for shredding, sorting and compacting plastic and paper for recycling; or

(ix) equipment and machinery used for eliminating, reducing or transforming industrial wastes; but excludes a passenger car.

[10] https://stip.oecd.org/innotax/

[11] https://edbmauritius.org/investment-guide.

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7 Promoting responsible business conduct in Mauritius

This chapter assesses the extent to which responsible business conduct (RBC) is understood and practiced among firms in Mauritius and enabled by the government. It also describes the new National Contact Point under the OECD Guidelines for Multinational Enterprises on RBC which has recently been established by the government.

7.1. Introduction and summary

The concept of RBC is relatively new in Mauritius. Despite a nascent recognition of the relevance of responsible business practices and the need to address RBC-related issues in general, the private sector and civil society appear to have limited knowledge of RBC and risk-based due diligence. That said, they are familiar with the related concept of corporate social responsibility (CSR) and have developed multiple initiatives in response to measures taken by the government to promote CSR. The CSR Tax and the inclusion of CSR in the Code of Corporate Governance have been key drivers for the creation of CSR foundations or programmes by businesses and the implementation by civil society organisations (CSOs) of CSR projects aligned with priority areas identified by the government, as well as for the related reporting.

Against this backdrop, ample opportunity exists for Mauritius to move beyond CSR, and a philanthropical approach, towards RBC and an approach aimed at enhancing businesses' contribution to sustainable development and to managing business-related adverse impacts on people, the planet and society. This can contribute to support the government's development strategy, since Mauritius, as a remote small island, relies heavily on trade and investment for growth. Companies, investors, and customers worldwide are paying increasing attention to RBC matters and basing their business, investment and consumption decisions accordingly. In addition, a growing number of countries, including some of Mauritius' main trade and investment partners, are elaborating and enacting legislation that requires businesses to observe RBC principles and standards in their operations and supply chains.

Building on its relevant experience in promoting CSR, the government should take further action to drive, support and promote responsible business practices aligned with OECD RBC principles and standards. This will be facilitated by the fact that, in general, Mauritius has a developed legal, regulatory, and policy framework in the areas covered by the Guidelines, having adhered to the main international legal instruments in these fields and developed relevant laws, regulations, and policies. Reports of RBC issues seem rather limited, but existing ones deserve attention, as these issues can trigger adverse impacts on people and the environment and undermine the attractiveness of the island as a place to trade with, or source from, and as an investment destination. This is notably the case of the risks of adverse impacts on the rights of low-skilled migrant workers that have been reported by trade unions and CSOs in recent years. The adverse environmental impacts associated with developing key sectors of the economy over the past decades can also have a similar effect, particularly when coupled with the absence of a long-term sustainable development strategy underlining the responsibility of the private sector for these impacts and seeking to involve businesses in managing sustainability challenges.

Beyond ensuring that its legal and regulatory framework in the areas covered by the Guidelines continues to be appropriate and continuously implemented and effectively enforced, Mauritius could also do more to promote RBC through other policy areas. For instance, its trade and investment policies and agreements only occasionally include considerations of relevance for RBC. Likewise, despite efforts in this direction, the public procurement framework does not yet foresee the possibility to integrate such considerations in public procurement processes. As to Mauritian SOEs, although they have adopted some policies and practices relevant for RBC, they do not seem to have developed due diligence processes to address adverse impacts. Making progress towards creating an enabling environment for RBC in Mauritius will therefore imply taking further measures to encourage RBC across trade and investment policies, and to exemplify RBC in the government's role as economic actor and in its commercial activities, as procurer of goods, services and works, and owner of enterprises.

The newly-established National Contact Point (NCP) under the OECD Guidelines for Multinational Enterprises on RBC will also contribute to creating an enabling environment for RBC. The government set out and consulted on the plans for establishing the NCP, both with local stakeholders and with BIAC, TUAC, OECD Watch, and the OECD Secretariat. To this end, the National Contact Point was established under S.27J of the Economic Development Board Act, supplemented by the Economic Development Board

(National Contact Point) Regulations 2023 specifying the details of the NCP's institutional arrangements and functions. The NCP will consist of an NCP Secretariat, an Expert Panel for case-handling and an Advisory Panel for strategic and oversight tasks. The Advisory Panel will serve as a forum for stakeholder engagement for the NCP's work and for consultation with other parts of government. The Expert Panel will comprise experts with legal and substantive knowledge in an ad hoc manner for each case. The consistency and predictability will have to be ensured through specific procedures that will be drafted. Following regulatory arrangements to establish the NCP by early 2024, the NCP Secretariat will be tasked with developing case-handling procedures and a promotional plan.

Recommendations

Enhance awareness and knowledge of RBC among Mauritian stakeholders and provide guidance and support to businesses operating in or from Mauritius to implement OECD RBC principles and standards*,* by:

- Raising awareness of the specificities of the concept of RBC and seeking support of the business associations and large companies in Mauritius that have already developed initiatives relevant for RBC to progressively engage all stakeholders in the promotion of RBC. This could entail organising awareness-raising events (conferences, webinars), developing and delivering training programmes, elaborating promotional material, creating networks to share good practices, among other actions.
- Communicating expectations regarding RBC to Mauritian businesses and businesses operating in or from Mauritius. This could include referring to RBC and the recommendations of the Guidelines in the National Code of Corporate Governance.
- Promoting the use of the OECD Due Diligence Guidance and the Sector-specific Due Diligence Guidance with business associations and individual businesses. This is particularly important for the guidance relevant for Mauritius. It includes the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector and the three guides specific to the financial sector on RBC for institutional investors, Due Diligence for Corporate Lending and Securities Underwriting, and RBC Due Diligence for Project and Asset Finance Transactions. The future NCP, as well as the EDB and other government entities, such as the National Committee on Corporate Governance or the ICAC, could play a key role in that regard.
- Providing reliable information, tools, and incentives to encourage the observance of RBC principles and standards by businesses operating in or from Mauritius. This could entail mainstreaming RBC into existing information dissemination mechanisms, tools, and incentives and/or designing new ones specifically for RBC, in cooperation with the future NCP. The EDB and the NCP could, for instance, create an information platform on RBC and the related tools and incentives.

Maintain an appropriate legal and regulatory framework in the areas covered by the Guidelines that is continuously implemented and effectively enforced, with a focus on current concerns regarding specific labour, environmental and corruption issues in Mauritius. This could imply, among others:

- Ensuring, in relation to low-skilled migrant workers in Mauritius, that the labour legal and regulatory framework, or relevant policies and practices, encourage businesses operating in or from Mauritius to *inter alia* contribute to the elimination of all forms of forced or compulsory labour, provide a safe and healthy working environment, and maintain the highest standards of safety

and health at work, and that these frameworks, policies and practices are implemented and enforced.

- Within the environmental legal and regulatory framework and relevant policies and practices, encouraging enterprises operating in or from Mauritius to conduct their activities in a manner that protects the environment, avoids and addresses adverse environmental impacts and contributes to the wider goal of sustainable development. Enterprises should establish and maintain systems of environmental management that embed environmental impact assessments in broader due diligence and contribute to developing environmentally responsible and economically efficient public policy.
- Encouraging, through the anti-corruption legal and regulatory framework or relevant policies, businesses operating in or from Mauritius to develop and adopt adequate internal controls, ethics and compliance programmes or measures for preventing, detecting, and addressing corruption, elaborated based on a risk assessment.

Promote coherence across government entities in Mauritius to enhance alignment between policies and practices relevant to RBC. Taking advantage of the fact that Mauritius is a small country with a relatively well-integrated public administration, the government could take measures to enhance coordination and cooperation between ministries and government entities that have competences in the areas covered by the Guidelines and in other relevant economic areas. This could be done through different types of coordination mechanisms, such as intergovernmental committees or overarching national plans or strategies on RBC and/or related topics, with a view to adopting a whole-of-government approach and progressively mainstreaming RBC in relevant policy areas and initiatives. As recognised by the Guidelines and encouraged by the Recommendation on the Role of Government, the NCP may support these efforts by the government to develop, implement, and foster the coherence of policies aimed at promoting RBC. Maurice Stratégie could also play a role by taking RBC into consideration in the context of its mission to shape policies for inclusive and sustainable economic development.

Promote RBC through trade and investment policies and consider integrating considerations of relevance to RBC in bilateral and multilateral agreements where appropriate. The different support services and incentives provided by the EDB could be used as a conduit to promote responsible business practices among local exporters and foreign investors. In addition, the inclusion of sustainability provisions and RBC clauses in the regional trade and investment agreements recently concluded by Mauritius constitutes a useful reference upon which the government could draw should it seek to further integrate such provisions and clauses in its network of trade and investment agreements. The revision of the Investment Promotion and Protection Agreement model represents a good opportunity in this regard.

Use public procurement as a strategic tool for promoting RBC in Mauritius and include RBC in public procurement policies. The government could seize the opportunity provided by the upcoming development of a sustainable public procurement framework in Mauritius to start integrating considerations of relevance for RBC, beyond corruption, in its public procurement policies and in the different phases of the procurement cycle.

Establish and publicly disclose clear expectations for SOEs to observe RBC principles and standards, together with mechanisms for their implementation. The government could build on the fact that most SOEs are familiar with the concept of CSR, have started disclosing non-financial information, and have adopted some policies and instruments of relevance for RBC, to incentivise them to observe RBC principles and standards based on a shared and structured RBC approach including due diligence processes aligned with the OECD RBC instruments and, in particular, OECD Due Diligence Guidance.

Establish an effectively functioning NCP to further the effectiveness of the OECD Guidelines. Following the adoption of the NCP Regulations, the government should see to the timely development of any other procedures guiding the operations of the NCP, including case-handling procedures. It should ensure that the NCP is equipped with sufficient resources to fulfil its mandates successfully and is able to support efforts towards RBC policy coherence across government. As the NCP takes up its work, it should pay particular attention to the meaningful engagement of representatives of all types of stakeholders. The government should consider fine-tuning the NCP regulations and develop procedural guidance documents that ensure that:

- the NCP's Advisory Panel's upcoming operating rules ensure that appointment of the stakeholders takes place following meaningful consultation with the concerned groups, and that all stakeholder groups have equitable weight in the Advisory Panel's decisions, to ensure accessibility, accountability, impartiality and equitability, as well as compatibility with the Guidelines.
- all regulated aspects of the NCP's institutional arrangements are clear to achieve transparency and, consequently, predictability with regards to the NCP's operations.

Within six months of the adoption of the regulations to establish the NCP, develop and start implementing a promotional plan to fulfil the NCP's mandate to promote RBC, the Guidelines and related OECD legal instruments. Promotional efforts should be targeted to different audiences and include all stakeholder groups. A promotional plan should include the following:

- Preparation of a website providing easily accessible information about the NCP, RBC and related instruments.
- Events introducing the NCP and the Guidelines to all main national stakeholder groups.
- Basic promotional materials disseminating information about the NCP and the Guidelines.

Establish the NCP's case-handling function within six months of adoption of the regulation to establish the NCP, paying particular attention to the perception of impartiality of the NCP's Expert Panel and the predictability of the NCP's case-handling, for example by:

- Fine-tuning the role of the Advisory Panel in developing the case-handling procedures and ensuring that all types of stakeholders, including civil society, trade unions and business associations, are meaningfully involved in the development of these case-handling procedures.
- Clarifying and strengthening the support provided by the NCP Secretariat to the Expert Panel to achieve the greatest possible consistency between cases.
- Adopting strong case-handling procedures in a timely fashion and disseminating them for wide access by potentially interested parties.

7.2. International instruments and government policies supporting RBC

Mauritius has adhered to, and ratified, the main international instruments existing in the principal areas covered by the Guidelines, such as human rights, labour rights, the protection of the environment or the fight against corruption (Table 7.1).

At the national level, Mauritius has not yet adopted overarching or cross-cutting policies on RBC or business and human rights but has developed some national plans on a few specific RBC issues, such as human rights and the environment. The *National Human Rights Action Plan for 2012-2020* sought, among other objectives, to encourage and facilitate greater involvement of business in the promotion and protection of human rights (Government of Mauritius, 2012, p. 67[1]). A new *National Human Rights Action*

Plan for 2023-2030 is reportedly under preparation and should be finalised by mid-2024. The *Master Plan on the Environment for 2020-2030* contains various policies, strategies and recommendations that refer to the role of the private sector in relation to the protection of the environment and climate change and seeks to involve businesses in several of the actions that it foresees (Government of Mauritius, 2022[2]). Beyond this, the successive government programmes contain some policy actions to make progress towards the achievement of the SDGs, which can be relevant for RBC. For instance, the current national programme for 2020-2024, titled "Towards an Inclusive, High Income and Green Mauritius, Forging Ahead Together", was adopted in 2020 and refers occasionally to some RBC-related issues such as human rights, gender equality, environmental protection, and climate change mitigation, as well as the fight against corruption and money laundering (Government of Mauritius, 2020[3]).

Table 7.1. Mauritius' adherence and ratification of key international instruments

Instrument	Ratification or Adherence
Core UN Conventions on Human Rights	7/9[1]
Fundamental ILO Conventions	10/10
UN Framework Convention on Climate Change	Yes
Paris Agreement	Yes
Convention on Biological Diversity	Yes
UN Convention Against Corruption	Yes

1. Mauritius has not ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families and the Convention for the Protection of All Persons from Enforced Disappearance.

Sources: (OHCR, n.d.[4]; ILO, n.d.[5]; United Nations, n.d.[6]; United Nations, n.d.[7]; United Nations, n.d.[8]; United Nations, n.d.[9]).

In terms of specific legislation, regulations or policy frameworks pertaining directly to RBC or business and human rights, the National Code of Corporate Governance is the most relevant (Government of Mauritius, 2021[10]). The Financial Reporting Act (para. 75) requires every public interest entity, i.e. financial institutions but also any company with a turnover or assets exceeding a certain threshold, to adopt, and report on corporate governance in accordance with the Code (Government of Mauritius, 2004[11]). The Code refers to the concept of CSR[1] and recommends that companies disclose CSR-related information (Government of Mauritius, 2016[12]). It defines CSR as "the concept whereby companies act to balance their own economic growth with the sustainable social and environmental development of the country". It further adds that "a company performing highly in CSR is one that goes beyond compliance with the legal framework to actively pursue positive impacts on local communities and the environment".

The Code lists CSR as one of the items on which it is recommended that company boards report, together with social and environmental issues, among others. Although the CSR definition does not encompass the adverse impacts that businesses may cause or contribute to people, planet and society, companies are encouraged to report their adverse environmental impacts: companies "should be actively involved in managing their activities in a way that minimises any negative impact on the environment". On this basis, it recommends that boards "monitor and evaluate the environmental impact of their organisation's activities and report their findings in the annual report". It also recommends that companies adopt carbon reduction schemes and report on their actions to reduce carbon emissions (Government of Mauritius, 2016[12]).

The Code led to the launch by the National Committee on Corporate Governance of a "Corporate Governance Scorecard" in 2021 to provide guidance to businesses and allow them to assess their performance in relation to the implementation of the Code and other evolving issues, such as sustainability and climate change (Government of Mauritius, 2021[13]). To this effect, it contains a chapter titled "Relations with Shareholders/Stakeholders, Sustainability & Inclusiveness", which includes key performance indicators relevant for RBC. For instance, under different indicators pertaining to sustainability and inclusiveness, businesses are encouraged to consider and assess their stakeholder engagement, the

adverse impacts of their operations on vulnerable communities and their livelihoods, or whether they disclose how they prevent or repair adverse impacts on the environment and the measures taken to offset their carbon footprint (Government of Mauritius, 2021, p. 39[14]; Government of Mauritius, 2021[13]). The first edition of the Scorecard Assessment Report, published in 2021 with the participation of 21 companies, notes that this chapter is the one with the lowest score. The Report explains that this might be because the concepts of stakeholder engagement, sustainability and inclusiveness are rather new in Mauritius and that companies are at different stages in this regard. It indicates that "a number of companies are disclosing very little information or have not moved beyond the CSR agenda while others, but not many, are excellent in demonstrating how sustainability and inclusiveness is integrated into their strategy, reaching into their culture, business operations and decision making" (Government of Mauritius, 2022, p. 13[15]).

Beyond including CSR in the Corporate Governance Code, Mauritius has put in place a CSR tax to finance CSR funds (Government of Mauritius, 2022[16]). Companies share use these funds either to implement a CSR programme or to finance a CSO implementing a CSR programme in some priority areas defined by the government (Government of Mauritius, 2022[16]). As such, the CSR tax aims to use a portion of business resources to fund socio-economic development programmes, but it does not seek to prevent business-related adverse impacts. This approach, corresponding to philanthropy rather than RBC, has led to the creation of several CSR foundations by companies and business associations (Box 7.1).

Box 7.1. Mauritius' CSR tax

The Income Tax Act requires companies incorporated in Mauritius (except certain forms of companies) to dedicate 2% of their yearly income to the establishment of CSR funds. These funds are to finance CSR programmes, which are defined in the Act as programmes "having as [their] objects the alleviation of poverty, the relief of sickness or disability, the advancement of education of vulnerable persons or the promotion of any other public object beneficial to the Mauritian community".

Previously, companies were authorised to allocate the money gathered in these funds in accordance with their own CSR framework, but, due to concerns over the use of these funds and their efficiency to address issues on the ground, the rules have been modified. As of January 2019, companies can only use 25% of the funds to finance their own CSR programmes or finance a CSO implementing a CSR programme targeted to individuals, families, or vulnerable groups in one of the priority areas of intervention identified by the government. These areas are shown in Figure 7.1.

The other 75% of the funds must be remitted to the Mauritius Revenue Authority, which remits them to the National Social Inclusion Foundation (NSIF), the central body in charge of receiving and allocating these resources to CSOs. Its mission is to "empower and improve the wellbeing of people living in conditions of poverty and vulnerability through impactful and sustainable stakeholder partnerships". For this purpose, the NSIF has defined four strategic goals, which include: (i) "ensur[ing] effectiveness of programmes and projects supported by the Foundation"; (ii) "promot[ing] stakeholder collaboration and coordination"; (iii) "empower[ring] NGOs to improve the impact and efficiency of their actions on the ground; and (iv) 'build[ing] and uphold[ing] a principled, professional and service-driven organization culture and reputation". The NSIF's priority areas of intervention are the ones defined by the government in the Income Tax Act.

Figure 7.1. Priority areas of intervention identified by the government

Source: Income Tax Act.

In order to allocate funds, the NSIF has developed assessment criteria for CSR projects through which it evaluates the relevance of a project with respect to its priority areas of intervention, its effectiveness in meeting the social outcome linked to the priority area, the expertise of the CSO to carry out the project, as well as the timeline and the costs of the project, and its contribution to achieving the SDGs in the long term. According to its last Annual Report published for 2019-2020, under the second general call for project proposals launched in 2018, the NSIF approved 283 CSR projects proposals from 206 CSOs, 231 of which were completed, 43 still ongoing and 9 terminated over the reporting period due to implementation challenges or non-compliance with the funding contract signed between the NSIF and the relevant CSO. The NSIF reportedly monitors the implementation of the projects and CSOs' compliance with the funding contracts through a monitoring toolkit to collect information and data, as well as on-site visits, and provides mentoring support to CSOs that need it to help them address implementation, governance and/or financial management issues.

Sources: (Government of Mauritius, 2022[16]; Government of Mauritius, 2019[17]; Government of Mauritius, 2020[18]; Government of Mauritius, 2017[19]; Government of Mauritius, 2018[20]; Government of Mauritius, 2021[21]).

Other noteworthy initiatives relevant for RBC in Mauritius are the steps taken to promote sustainable finance. In 2021, the Bank of Mauritius issued a Guide for the issuance of sustainable bonds to develop a domestic sustainable bonds market and guarantee the integrity of the sustainable financing ecosystem. The Guide lays out the requirements and processes for structuring, issuing and licensing sustainable bonds (Bank of Mauritius, 2021[22]). To complement the Guide, the Financial Services Commission simultaneously published Guidelines for the issue of corporate and green bonds in Mauritius which set *inter alia* the requirements to be followed by issuers of green bonds in Mauritius (Financial Services Commission, 2021[23]). The Financial Services Commission also adopted a Code of Conduct, applicable to its licensees, that sets out nine guiding principles, including a principle pursuant to which licensees must manage their business in a responsible and sustainable manner and with adequate controls (Financial Services Commission, 2015[24]).

7.3. Stakeholders' awareness of RBC

Stakeholders' awareness of RBC in Mauritius varies. Despite a nascent recognition of the relevance of responsible business practices and the need to address RBC-related issues, in general, local businesses and civil society appear to have limited knowledge of RBC and risk-based due diligence.

That said, several business associations and large companies seem to have a relatively good understanding in general of the importance of the issues covered by the Guidelines. They have also developed initiatives relevant for RBC in the context of their engagement towards sustainability. Business Mauritius, for instance, which gathers more than 1200 local businesses, promotes sustainable development and responsible business practices through various projects, such as the National Business Roadmap or SigneNatir. The National Business Roadmap, which aims to set the underlying criteria for business development in Mauritius with concrete recommendations, focuses on several issues related to RBC, such as the protection of natural resources, human capital, and environmental vulnerability (Business Mauritius, 2019[25]). Likewise, the SigneNatir initiative consists of guidelines for businesses in five areas pertaining to sustainable development (energy transition, biodiversity, vibrant communities, inclusive development, and circular economy). It is built upon five key commitments and its guidelines propose 30 voluntary actions for businesses associated to performance indicators (SigneNatir, n.d.[26]).

Since 2020, the UN Global Compact Network for Mauritius and the Indian Ocean, which covers Mauritius, Madagascar, Seychelles and Comoros, seeks to advance the 2030 Agenda for Sustainable Development by helping its 43 members to align their strategies and activities with the ten principles of the Global Compact and the SDGs (UN Global Compact, n.d.[27]). Another noteworthy initiative is a course proposed by Mauritius Finance, an industry association for the financial services sector, to train financial practitioners on sustainable and responsible investment (Mauritius Finance, n.d.[28]). Similarly, the Mauritius Institute of Directors offers, within its learning and development catalogue, several relevant modules on risk and sustainable strategy, including a workshop on Environmental, Social and Governance (ESG) and the future of sustainability for business (Mauritius Institute of Directors, 2021, pp. 40-53[29]). In addition, the Mauritius Chamber of Commerce and Industry organised in September 2023, together with the government and the Commonwealth Secretariat, a webinar to help businesses promote and protect human rights in their activities based on the UNGPs (The Commonwealth, 2023[30]). A similar training had been organised by the government and the Commonwealth Secretariat in May 2022 for representatives of the government, business and other stakeholders (The Commonwealth, 2022[31]).

Civil society in Mauritius is also active in areas relevant for RBC. Trade unions, for example, have developed several initiatives over recent years to address specific RBC issues, notably the protection of low-skilled migrant workers. The *Confédération des Travailleurs des Secteurs Publics et Privés* (CTSP) has sought to promote migrant workers' rights through different actions, including partnering with the private sector. CSOs have mainly focused on the delivery of concrete CSR projects developed with a philanthropical approach for the priority areas of intervention defined by the government in the context of the CSR tax. Advocacy around promotion of responsible business practices appears more limited among Mauritian CSOs and, in general, there seems to be room for further building their understanding of and engagement on RBC, notably regarding their role in implementing projects funded through CSR funds. For instance, the Mauritius Council of Social Service – the national platform of CSOs – has undertaken activities in relation to RBC-related issues, such as the protection of the environment and gender, but with no engagement or consideration of the role of the private sector (Mauritius Council of Social Service, n.d.[32]). One CSO that appears to have activities directly relevant for RBC is Transparency Mauritius, which promotes integrity and combatting corruption in national and international business transactions, as its Strategy for 2021-2023 foresees to engage closely with the private sector (Transparency Mauritius, 2020[33]; Transparency Mauritius, 2021[34]).

7.4. Legal and other regulatory and policy frameworks to enable RBC

Creating an enabling environment for businesses to act responsibly entails putting in place and maintaining an appropriate legal and regulatory framework in the areas covered by the Guidelines and other RBC principles and standards as applicable, including with respect to human rights, labour rights, the environment and anti-corruption. In addition, to consolidate this enabling environment, it is equally important to deploy the resources and capacities to continuously implement and effectively enforce the laws, regulations, and policies comprised in this framework.

Mauritius is reported to have developed a robust framework in most of the areas covered by the Guidelines.[2] It has adhered to and ratified the main international instruments existing in the areas covered by the Guidelines (see Section 2.2). It is notably a party to seven out of the nine core human rights instruments and five of the seven optional protocols and has ratified a certain number of regional human rights instruments, including the African Charter on Human and Peoples' Rights and its two protocols (Government of Mauritius, n.d.[35]; OHCHR, n.d.[36]). Likewise, it is a party to all ten ILO Fundamental Conventions, two out of the four ILO Governance Conventions, and 40 out of the 177 ILO Technical Conventions (ILO, n.d.[37]). It has also ratified the Paris Agreement, the UNFCCC, the Convention on Biodiversity, in addition to several other multilateral environmental agreements (United Nations, n.d.[7]; United Nations, n.d.[8]; Government of Mauritius, n.d.[38]; United Nations, n.d.[6]). Furthermore, Mauritius is a signatory to the UN Convention Against Corruption, the African Union Convention on Preventing and Combating Corruption, and the Southern African Development Community Protocol Against Corruption (United Nations, n.d.[9]; African Union, 2023[39]; Southern African Development Community, 2001[40]).

At the national level, Mauritius has put in place a legal and regulatory framework to protect human rights, guarantee the respect of labour rights, protect the environment, and fight against corruption, as well as specific policies in these different areas (Table 7.2).

Table 7.2. Legal and regulatory and policy frameworks in the main areas covered by the Guidelines

	Main laws, regulations, and policies
Human rights	The Constitution guarantees various human rights in its chapter on the protection of fundamental rights and freedoms of the individual (Chapter II). This chapter covers, among others, the right to life, personal liberty, security and protection of the law, as well as the protection of freedom of conscience, expression and assembly, the protection from discrimination, and the right to protection for privacy of home and deprivation of property without compensation. In addition to the Constitution, Mauritius has enacted the Protection of Human Rights Act, which sets up the National Human Rights Commission, as well as some specific laws on certain human rights issues, such as the Children Act regarding children's rights or the Equal Opportunities Act in relation to discrimination. Beyond this legal framework, Mauritius adopted an overarching National Human Rights Action Plan for 2012-2020 and is currently developing a new National Human Rights Action Plan for 2023-2030, which should be finalised by mid-2024 according to the government. It has also adopted other national policies on specific human rights issues, like the National Gender Policy for 2022-2030 but does not have, and does not seem to be developing, a specific plan or policy on business and human rights.
Labour rights	Chapter II of the Constitution guarantees several labour rights, such as the protection from slavery and forced labour and the protection of freedom of assembly and association. Several pieces of legislation and regulation also pertain to labour issues, mainly the Workers' Right Act and its regulations, the Employment Relations Act and its regulations, as well as the Occupational Safety and Health Act and its regulations. The Equal Opportunities Act also contains a section on employment activities, which provides that employers shall draw up and apply an equal opportunity policy. This legal and regulatory framework is completed by guidance for employers and workers on certain labour rights issues. For instance, the Equal Opportunities Commission has elaborated guidelines for companies on the development and implementation of equal opportunity policies.[1] In the same vein, the Ministry of Labour has developed guides for workers on specific topics, such as the brochure "Know your rights – a guide for migrant workers in Mauritius", published in several foreign languages.
Environment	The Constitution does not contain any provision on the environment. The main legislation regarding environmental matters in Mauritius is the Environment Protection Act. It defines, among others, the rules applicable for the preparation by companies of public environmental reports (PERs) and environmental impact assessments (EIAs), sets up an environment protection fee to be paid monthly by certain companies (notably, hotels and guest houses) based on their monthly turnover, and lays down provisions on enforcement. It also establishes the National Environment Commission. The Environment Protection Act is accompanied by several regulations on specific environmental matters, such as the standards for hazardous waste or the banning of plastic bags.

	Main laws, regulations, and policies
	Moreover, in 2020, Mauritius enacted a Climate Change Act with the goal of establishing a legal framework to make the island a climate-change resilient and low-emission country. This Act creates an Inter-ministerial Council on Climate Change[2] and a Climate Change Committee involving representatives of different government entities, as well as the private sector and civil society.[3] It also sets the basis for the development of National Climate Change Adaptation Strategy and Action Plan, which at the time of writing had not yet been developed pending a vulnerability assessment for key adaptation sectors. In addition to this legal and regulatory framework, Mauritius has been developing overarching and specific policies pertaining to the environment and climate change. For instance, a Master Plan on the Environment for 2020-2030 was adopted in 2022. The Master Plan comprises overarching, thematic and specific policies, strategies, and recommendations aimed at laying the foundations for the country's ecological transition. In 2022, the Bank of Mauritius also issued a Guideline on Climate-related and Environmental Financial Risk Management, which sets requirements on risk management and disclosure of climate-related and environmental financial risks for financial institutions.[4] Some additional initiatives are also ongoing with a view to promoting sustainable development and the circular economy, such as the recent release of a roadmap and action plan for a circular economy in the country, commissioned by the government.
Anticorruption	The fight against corruption is not a topic covered by the Constitution. At the time of writing, the Prevention of Corruption Act (POCA) was the main element of the anti-corruption legal framework in Mauritius, aimed at preventing and punishing corruption and fraud. For this purpose, it defined an act of corruption and a bribe, as well as the different corruption offences and the corresponding sanctions. It also established the Independent Commission Against Corruption (ICAC), responsible, among other functions, for preventing, detecting, and investigating corruption and money laundering. Other relevant Acts were the Financial Intelligence and Anti-Money Laundering Act, the Good Governance and Integrity Reporting Act, as well as the Asset Recovery Act. To complete this legal framework and promote its implementation, the ICAC developed a Public Sector Anti-Corruption Framework, as well as a series of manuals and guidelines, such as the Manual on Corruption Risk Management to support the handling of corruption risks by government entities, or the Guidelines for Public Bodies on Corruption Prevention in Direct Procurement. This legal and institutional framework was significantly modified during the finalisation of the present Review, with the entry into force on 29 March 2024 of the Financial Crimes Commission Act (the FCCA). This Act repeals the POCA, as well as the Good Governance and Integrity Reporting Act and the Asset Recovery Act. It combines different sets of provisions in a single law aimed at fighting in general against financial crimes, among which is corruption. The FCCA also establishes the Financial Crimes Commission, a new central government entity that takes over the functions *inter alia* of the ICAC and is in charge of preventing, detecting, investigating, and prosecuting financial crimes, including corruption offences, as well as offences related to fraud, money laundering, and to the financing of drug dealing, among others.

Notes:

1. The Equal Opportunities Commission specifies that, although these guidelines are not binding, they can be used in the context of legal proceedings brought under the Equal Opportunities Act as evidence. See Government of Mauritius (n.d.), Website: Equal Opportunity Policy, https://eoc.govmu.org/eoc/?page_id=1359.

2. According to information provided by the government during the adherence review process, two meetings of the Inter-ministerial Council on Climate Change were organised since its creation, which led to the endorsement of key government document related to climate change, such as Mauritius'Update of the Nationally Determined Contribution and its National Position for COP 27.

3. According to information provided by the government during the adherence review process, since its creation, the Climate Change Committee has met on several occasions to coordinate among main relevant actors and assess progress made on the implementation of adaptation and mitigation projects.

4. The disclosure requirements contained in the Guideline on Climate-related and Environmental Financial Risk Management of the Bank of Mauritius will come into force on 31 December 2023. Beyond these requirements for the financial sector, it has been reported that, for the time being, there is no general climate-related disclosure requirements for businesses in Mauritius. See Government of Mauritius (2022), Guideline on Climate-related and Environmental Financial Risk Management, para. 23, https://www.bom.mu/sites/default/files/guideline_on_climate-related_and_environmental_financial_risk_management_01.04.2022.pdf.

Sources: (Government of Mauritius, 1968[41]; Government of Mauritius, 1998[42]; Government of Mauritius, 2008[43]; Government of Mauritius, 2012[1]; Government of Mauritius, 2023[44]; Government of Mauritius, 2022[45]); (Government of Mauritius, 2008[43]; Government of Mauritius, 2013[46]; Government of Mauritius, 2019[47]; Government of Mauritius, 2008[48]; Government of Mauritius, 2005[49]; Government of Mauritius, 2019[50]); (Government of Mauritius, 2002[51]; Government of Mauritius, 2020[52]; Government of Mauritius, 2023[53]); (Government of Mauritius, 2002[54]; Governnment of Mauritius, n.d.[55]; Government of Mauritius, 2002[56]; Government of Mauritius, 2015[57]; ICAC, 2009[58]; ICAC, 2020[59]; ICAC, 2020[60]; Government of Mauritius, 2022[61]; Government of Mauritius, 2023[62]; ICAC, 2024[63]).

Some aspects of the legal and regulatory framework do not seem fully appropriate or continuously implemented and effectively enforced, however, which may give rise to RBC issues in certain areas

covered by the Guidelines. The subsections below focus on some specific questions in given areas of the Guidelines that have appeared and were raised during the adherence review.

7.4.1. Labour rights

The Guidelines promote the observance by companies of the international labour standards developed by the ILO, notably the fundamental principles and rights at work contained in the ILO Declaration on Fundamental Principles and Rights at Work. Chapter V on "Employment and Industrial Relations" of the Guidelines recommends that companies respect workers' right to freedom of association and collective bargaining, contribute to the effective abolition of child labour and the elimination of all forms of forced or compulsory labour, be guided by the principle of equality of opportunity and non-discrimination in employment and occupation, and promote a safe and healthy working environment. It also calls on companies to provide adequate information to workers on company performance, to promote consultation and cooperation between employers and workers, and to maintain the highest standards of safety and health at work, among other recommendations.

As noted above, the labour legal framework incorporates the fundamental principles and rights at work, but some labour issues have been reported to exist, particularly with respect to the rights of migrant workers, who are increasingly employed by companies facing workforce shortages. According to government data, in 2022, 22 400 male foreign workers and 5 900 female workers were employed in Mauritius, representing around 5% of total employment (Statistics Mauritius, 2023[64]). Estimates from trade unions indicate that this percentage could be higher, with approximately 50 000 migrants estimated to be working in the country (IndustriALL Global Union, 2021[65]). Most of them are low-skilled workers from Bangladesh, India and Madagascar, and to a lesser extent from Nepal and Sri Lanka (Anti-slavery international, 2021[66]; Government of Mauritius, 2020, p. 7[67]). They are mainly employed in the construction and textiles and garment sectors (World Bank, 2021, pp. 36-38[68]; Government of Mauritius, 2020, p. 7[67]). To work in Mauritius, these low-skilled migrant workers must obtain a "work permit" delivered by the Ministry of Labour, Human Resource Development and Training (Ministry of Labour) (Government of Mauritius, 1973[69]). The "work permit" is different from the "occupation permit" that is delivered, through the EDB, by the Director-General of Immigration to expatriates earning a salary above a certain threshold (Government of Mauritius, 2022[70]). Reports from CSOs and trade unions over recent years indicate that the rights of the migrant workers employed under the "work permit" regime are not always fully guaranteed. Risks of adverse impacts on their rights are related to issues such as debt bondage, confiscation and retention of documents (including passports), long working hours, inadequate lodging conditions, low wages, or non-payment of wages (Anti-slavery international, 2021[66]; IndustriALL Global Union, 2019[71]; Business & Human Rights Resource Centre, 2019[72]).

The extent of these issues was raised in the 2018 report of the UN Working Group on the third cycle of Universal Periodic Review of Mauritius, which included several recommendations for Mauritius to take measures to protect the rights of migrant workers and, in particular, the partnerships between the government, civil society and the private sector to eliminate forced and bonded labour from supply chains (UN Working Group on the Universal Periodic Review, 2019[73]). Ratification of the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families was also recommended (UN Working Group on the Universal Periodic Review, 2019[73]). Despite these recommendations, this Convention is still among the two UN core fundamental human rights instruments that have not been signed by Mauritius (OHCHR, n.d.[36]).

Mauritius has reportedly taken measures to enhance the protection of migrant workers. According to its submission regarding the UN General Assembly Resolution A/RES/74/148 on the Protection of Migrants and its National Voluntary Review regarding the Implementation of the Global Compact for Safe, Orderly and Regular Migration, these measures include, among others: the creation of a Special Migrant Workers Unit and an Employees' Lodging Accommodation Unit in the Ministry of Labour to enhance enforcement

through a higher number of inspections and the possibility to file complaints; the signature of bilateral labour migration agreements and Memoranda of Understanding with certain countries of origin; the regulation of local recruitment agencies; and the overall increase of staff and resources dedicated to migrant workers issues (Government of Mauritius, 2020, pp. 3, 6-7, 12-14[67]; Government of Mauritius, 2021, pp. 10-12[74]). Nevertheless, concerns still exist regarding the adequacy of the legal and regulatory framework applicable to low-skilled migrant workers and the efficiency of these measures. Recent initiatives by stakeholders, including businesses, and international organisations have been developed to help fill these gaps in practice (Table 7.2).

Box 7.2. Business and other stakeholder initiatives to protect migrant workers' rights

The Migrant Resource Centre and the "Just Good Work Mauritius" application

In 2019, the CTSP and Anti-slavery International – with the support of IndustriALL Global Union and the brand ASOS, which sources garments from several local suppliers employing migrant workers – opened the Migrant Resource Centre (MRC) in Mauritius. The MRC's goal is to protect migrant workers from violations of their rights, on an individual and collective basis. It is operated by the local trade union CTSP, which provides information and advice in different languages to foreign workers on their rights through awareness-raising activities and social events. The MRC also accompanies and supports migrant workers in cases of labour disputes to facilitate their access to remedy. It is reported that the grievances brought before the MRC to date include issues such as: non-payment of wages, early termination of contract, repatriation, bad living conditions in lodging accommodations, document retention, payment of recruitment fees and debt bondage, and limitations on freedom of movement.

In addition, in 2022, the CSTP, together with the Bangladeshi CSO OKUP, Anti-Slavery International, IndustriALL Global Union, and ASOS, launched an application to promote migrant workers' rights. The application, which is titled "Just Good Work Mauritius", is available in English, Bangla and Malagasy. It provides information inter alia on life in Mauritius, employment rights, wages and benefits, working conditions, and health and safety. The application also includes the contact details of migrant workers support organisations and contains an interface that allows workers to directly report issues to the MRC.

The Code of Conduct for the Recruitment and Employment of Migrant Workers in Mauritius

In 2023, the Mauritius Export Association (MEXA) and the International Organisation for Migration (IOM) published the Code of Conduct for the Recruitment and Employment of Migrant Workers in Mauritius. This Code is addressed to employers in export-oriented industries in Mauritius to help companies in these industries align their policies and practices with international labour and RBC principles and standards and to promote sustainable business development. More precisely, the goal of the Code is to enhance the management of business-related adverse impacts on human rights by providing guidance to companies regarding the elaboration of policies and processes aimed at ensuring fair and ethical recruitment and employment practices. The Code is structured around two main components:

- operational standards to manage potential human rights risks related to the recruitment and employment of migrant workers, including, among others, human rights due diligence and risk management, remediation, stakeholder engagement, transparency, and accountability; and
- core standards, corresponding to the human rights and labour standards that should be followed during the different stages of the migration process and that include inter alia no forced labour and trafficking in persons, equal treatment and opportunity, safe, decent and respectful work environment, freedom of movement, freedom of association and collective bargaining.

The Code is accompanied by a certification system and an improvement programme to verify and enhance compliance. Companies can obtain recognition for the implementation of the Code's standards, with two different levels of certification based on corresponding criteria: (i) compliant and (ii) leader. To obtain the certification, companies should disclose on an annual basis the actions or activities carried out to comply with the minimum requirements of the Code and/or make progress towards improvement options, with supporting data and evidence.

Sources: (IndustriALL Global Union, 2022[75]; Anti-slavery international, 2021[66]; IndustriALL Global Union, 2022[76]; Anti-Slavery International, 2022[77]; IOM, 2023[78]).

7.4.2. Environment

The Guidelines underline that companies play a key role in advancing sustainable economies and can contribute to addressing environmental challenges. Pursuant to Chapter VI on the "Environment", companies should conduct their activities in a manner that contributes to sustainable development, takes due account of the need to protect the environment, and avoids and addresses environmental impacts, such as: climate change; biodiversity loss; degradation of land, marine and freshwater ecosystems; deforestation; air, water and soil pollution; and mismanagement of waste, including hazardous substances. This entails, among others, establishing and maintaining a system of environmental management associated with their operations, products, and services, including risk-based due diligence for environmental impacts, and continually seeking to improve environmental performance. It also implies that companies maintain contingency plans for preventing, mitigating, and controlling serious environmental and health damage from their operations. In addition, the Chapter recommends that companies engage meaningfully with stakeholders affected by adverse environmental impacts associated with their operations, products, and services and provide adequate education and training to workers in environmental, health and safety matters, as well as the prevention of environmental accidents.

As a small island located in the Indian ocean, Mauritius is particularly exposed to environmental risks and the consequences of climate change. Stronger cyclones, flash floods, rising sea levels, coastal degradation, beach erosion, salinisation, coral bleaching, and a rapidly changing climate, are among the effects that are already present in the country, whose greenhouse gas (GHG) emissions only represent 0.01% of global GHG emissions (Government of Mauritius, 2016[79]; United Nations, 2022, pp. 15-16[80]; Government of Mauritius, 2021, p. 3[81]). In 2021, Mauritius ranked 51 out of 181 countries in the World Risk Index, with a very high score for exposure to natural catastrophes (Bündnis Entwicklung Hilft, 2021[82]). At the same time, economic development over the last decades has put increased pressure on the environment (UNEP, 2023[83]). The key sectors of the Mauritian economy – manufacturing, agriculture, and tourism – are all sectors that tend to generate adverse environmental impacts.

For instance, in relation to the textile industry, Mauritius indicated in its submission for the report of the UN Special Rapporteur on toxics and human rights that the discharge of wastewater into rivers or the sea by textile companies leads to unhealthy levels of pollution and high risks of exposure to toxic substances (Government of Mauritius, n.d., p. 15[84]). With respect to agriculture, between 2021 and 2022, imports of pesticides increased by 31.8% and, in 2022, Mauritius ranked 151 out of 180 countries in the agriculture category of the Yale Environmental Performance Index, with a score reflecting a high use of fertilisers and pesticides that can threaten ecosystem vitality (Statistics Mauritius, 2023[85]; Yale Center for Environmental Law & Policy, 2022[86]). In this regard, the UN Special Rapporteur on the implications for human rights of the environmentally sound management and disposal of hazardous substances and wastes noted in a 2022 report on his visit to Mauritius that the intense use of pesticides during the last decades raises serious concerns in terms of environmental and health impacts and signalled the need for adequate oversight of large corporate agricultural practices (United Nations, 2022, pp. 14-15, 17[80]).

As regards tourism, the 111 hotels and 32 157 beds present on the island in 2021 contribute to higher levels of energy and water consumption, waste generation, and greenhouse gas emissions, and are linked to loss of biodiversity and ecosystems degradation (Government of Mauritius, 2021, p. 1[87]; UNEP, 2019, pp. 8-9[88]; United Nations, 2022, pp. 8-9[80]). In its submission for the report of the UN Special Rapporteur on toxics and human rights, Mauritius indicated that the pollution of the marine environment by the hotel industry is causing damage to marine life and species, in particular coral reefs (Government of Mauritius, n.d., p. 15[84]). In recent years, environmental disasters related to business activity have also underlined the fragility and the environmental risks to which Mauritian ecosystems are exposed. For instance, the oil spill generated by the shipwreck of a Japanese bulk carrier in 2020, which received large media coverage, contributed to public awareness and mobilisation and triggered calls for strengthened environmental action and contingency preparedness (United Nations, 2022, pp. 4-8[80]; Financial Times, 2022[89]).

The environmental legal and regulatory framework seeks to address these risks. The Environmental Protection Act provides that certain types of projects entailing environmental risks cannot be started without a public environmental report (PER) or an Environmental Impact Assessment (EIA).[3] It was modified in 2020, following the enactment of the Climate Change Act, to consider the effects from climate change on these types of projects, as well as GHG emissions resulting from them. The projects subject to a PER or EIA notably include the textile industry, the manufacture of different types of products, the creation of bathing areas, golf courses, hotel or integrated resort schemes, land clearing and development, as well as sugar factories or refineries (Government of Mauritius, 2002[51]). In 2022, 34 EIA licences were granted and ten PER approvals issued, including ten for projects related to the tourism sector and seven for industrial development (Statistics Mauritius, 2023, p. 7[85]). To obtain a PER approval or an EIA licence, applicants must, among other requirements, provide information necessary to identify and assess the effects that the project is likely to have on the environment, people and society and detail the measures foreseen to avoid, reduce and, where possible, remedy any significant effect on the environment. In addition, in the case of an EIA licence, the report must include data necessary to identify and assess the effects that climate change may have on the project and the measures foreseen in order to mitigate these adverse effects, as well as information on eco-friendly practices to promote sustainable development (such as waste minimisation, energy efficiency, water management, etc.).

Some of the rules governing PERs and EIAs are distinct when the application is submitted through the EDB. For instance, the time limit for the submission of public comments on an EIA may not be extended when the application is made through the EDB (Government of Mauritius, 2002[51]).[4] This has led civil society to raise concerns during the adherence review process, arguing that, on certain occasions, the PER and EIA process might be relaxed to ease and accelerate the realisation of investment projects supported by the EDB. These concerns are reinforced by the fact that long-term strategic planning has not received sufficient attention in Mauritius. It does not have an overarching long-term strategy for sustainable development, nor a sustainable development framework, based on a whole-of-government approach, and which considers the role of the private sector and involves businesses in the management of sustainability and climate-related challenges.[5] The creation of Maurice Stratégie in 2023 is a welcome development, as the mandate of this new government entity includes research and analysis and visioning to shape policies for inclusive and sustainable economic development (Government of Mauritius, n.d.[90]).

7.4.3. Anticorruption

The Guidelines emphasise that, alongside government efforts, the private sector has a key role to play in preventing and detecting corruption. According to Chapter VII on “Combating Bribery and other Forms of Corruption”, companies should not engage in any act of corruption, including offering, promising, or giving, as well as requesting, agreeing to or accepting, any undue pecuniary or other advantage to or from public officials or persons or entities with which an enterprise has a business relationship or to or from their relatives or associates. For this purpose, the Guidelines call on companies *inter alia* to develop and adopt adequate internal controls, ethics, and compliance programmes, or measures for adequately preventing,

detecting, and addressing bribery and other forms of corruption and they specify that the latter should include risk-based due diligence.

Although Mauritius has made significant strides, including very recently during the finalisation of the present Review, to combat corruption (Box 7.3), some challenges persist in this regard, as shown by recent corruption scandals and fluctuations in its ranking in international indices on corruption over recent years. For instance, its ranking in Transparency International's *Corruption Perceptions Index* has been decreasing since 2012 (Transparency International, n.d.[91]). Between 2022 and 2021, Mauritius fell from the 54th to the 57th rank in this index (Transparency International, n.d.[91]). A similar trend can be observed in the TRACE Bribery Risk Matrix Report, which measures business bribery risks worldwide. Whereas in 2021 Mauritius ranked 43 out of 194 countries, in 2022 it fell to the 73rd position, with a total risk score of 45, which corresponds to a medium level of business bribery risks (TRACE, 2022[92]; TRACE, 2022[93]; TRACE, 2021[94]). Citizen-based surveys reflect the existence of these challenges. According to the Global Corruption Barometer for Africa, 61% of persons interviewed in 2019 considered that the level of corruption had been increasing over the last year and 62% that the government was not acting properly to tackle corruption (Transparency International, 2019, p. 44[95]). In a similar vein, in a survey carried out in 2020 by Kantar, 65% of the population interviewed reported considering the level of corruption to be either high or very high (Kantar, 2020, p. 7[96]). In the 2022 edition of the Afrobarometer, 72% of the respondents indicated that the level of corruption had increased over the past year (Afrobarometer, 2022, p. 50[97]).

At the same time, Mauritius has taken unprecedented measures on matters that contribute to the fight against corruption, i.e. anti-money laundering and counter financing of terrorism (FATF, n.d.[98]). After its listing on the Financial Action Task Force (FATF)'s "grey list" of jurisdictions under increased monitoring in February 2020 due to some technical deficiencies in the compliance with the FATF Recommendations on combating money laundering and the financing of terrorism and proliferation, the country made a high-level political commitment and took a series of actions to address these deficiencies, including reforming its legal framework (FATF, 2020[99]). As a result of these measures and enhanced cooperation between government entities and the private sector, it was removed from the "grey list" in October 2021 (FATF, 2021[100]; FATF, 2021[101]; Government of Mauritius, 2021[102]).

The challenges related to corruption may have been partly linked to the fact that, until recently, the legal framework to fight corruption was mostly focused on the public sector and that few policies and actions had been developed to involve the private sector in preventing and detecting corruption. Until its latest amendment in 2022, the Prevention of Corruption Act (POCA) – which has been recently repealed following the enactment of the FCCA at the end of March 2024 – did not seem to address private sector corruption. No corporate liability for corrupt acts was foreseen, as the associated sanctions mainly consisted of prison terms. This was changed in 2022 with the introduction of a specific article providing that any legal person, including a company, that commits one of the corruption offences foreseen in the POCA, which included active foreign bribery, could be subject to a fine limited to a certain amount.

In addition, although the POCA contained a section on the protection of witnesses in the context of the proceedings of the ICAC (Part V, art. 49), the legal framework did not provide comprehensive protection from all types of retaliation for corporate employees who report suspected acts of corruption, as shown by the submission by Transparency Mauritius of a proposal for a Whistleblower's Protection Act (Transparency Mauritius, 2023[103]). Moreover, at the time of writing, no specific policy or strategy focusing on, or addressing, the role of the private sector in combatting corruption or whistleblower protection for corporate employees seemed to have been developed to complete the legal framework. Likewise, the ICAC's initiatives were principally focused on the public sector. Beyond the establishment of the Public-Private Platform Against Corruption in 2013[6] and the organisation of events and trainings involving business representatives,[7] the Commission's actions towards the private sector seemed to be limited (ICAC, n.d.[104]; ICAC, 2022[105]). For instance, the ICAC did not develop manuals or guides to encourage

companies to adopt internal controls, ethics, and compliance programmes, or measures for preventing, detecting, and addressing corruption.

This situation is in the process of changing since, as mentioned above, during the finalisation of the present Review, Mauritius conducted a major reform of its legal and institutional framework to combat financial crimes, including corruption and foreign bribery (Table 7.2). The new FCCA, which seeks to enhance alignment with relevant international instruments and good practices, considerably modifies the Mauritian legislation and institutional settings on corruption-related aspects (Box 7.3).

Box 7.3. Mauritius' new legal and institutional framework to combat financial crimes, including corruption

The Financial Crimes Commission Act (the FCCA), which entered into force on 29 March 2024, establishes a new legal framework to fight against financial crimes covering corruption offences. This Act repeals *inter alia* the Prevention of Corruption Act (POCA) and gathers distinct sets of provisions in a single Act. With respect to corruption, the FCCA defines several offences and the corresponding sanctions. This notably includes bribery by, or of, foreign public official and corruption in private entities. A noteworthy aspect of the FCCA is that it contains a specific subsection on the "obligations and liability of legal persons". The Act provides that legal persons shall put in place adequate procedures to prevent them or any person acting on their behalf from committing an offence, failing which they shall commit an offence and be liable to a fine. It specifies that a legal person shall be guilty of the offences foreseen in the Act, including corruption ones, and be liable to a fine limited to a certain amount if "any of its directors, senior managers or any other persons involved in its management, or any of its officers, agents or representatives having authority to act on its behalf, commits an offence […] for the benefit of the legal person". The legal person can use as a defence the fact of having put in place adequate procedures to prevent the commission of these offences. Moreover, the FCCA contains a section on whistleblower protection pursuant to which the information and identity of persons reporting suspected offences shall be kept confidential.

Besides modifying the legal framework, the FCCA reforms the institutional framework to fight against financial crimes, with the establishment of the Financial Crimes Commission (the FCC). The FCC takes over the functions of the Independent Commission Against Corruption (ICAC), among other government entities. It is in charge of preventing, detecting, investigating, and prosecuting financial crimes, including corruption offences, as well as fraud offences, money laundering offences, and offences related to the financing of drug dealing, among others. With respect to prevention in the private sector, the FCCA indicates that the FCC may issue guidelines for legal persons on the adequate procedures that they shall put in place to prevent them or any person acting on their behalf to commit an offence. In the same line, in relation to whistleblower protection, the FCCA provides that the FCC shall develop a policy and procedures to protect and reward whistleblowers in accordance with best practices and international guidelines.

To enhance cooperation and collaboration with the private sector, the FCCA also foresees the creation of a Public-Private Partnership Task Force including private sector representatives. The main functions of this Task Force are to develop and promote cooperation between the public and private sector to combat financial crimes and to enhance collaboration and sharing of information with a view to assisting the FCC in the investigation and prosecution of such crimes.

Sources: (Government of Mauritius, 2023[62]; ICAC, 2024[63]).

7.5. Policies through which the government can encourage and exemplify RBC

Beyond putting in place and maintaining an appropriate legal and regulatory framework in the areas covered by the Guidelines, resorting to other relevant policy areas that can facilitate RBC is also key to build an enabling environment for responsible business practices. This entails either encouraging RBC across relevant policies, such as trade and investment, or leading by example and taking measures to promote and exemplify RBC in the government's role as economic actor and in its commercial activities, as procurer of goods, services and works, and as owner of enterprises. Ample opportunities exist in Mauritius to use other policy areas to encourage and exemplify RBC.

7.5.1. Trade and investment

The Recommendation on the Role of Government recommends that governments encourage RBC across relevant policy areas by promoting responsible business practices through trade and investment policies, as well as bilateral and multilateral agreements.

Trade and investment promotion and facilitation policies

Trade and investment policies play a key role in Mauritius, as exports and investments have been key drivers of its development and growth since independence. The role of the EDB is described in Chapter 5.

An overview of the different services and incentives offered by the EDB to local exporters and foreign investors in Mauritius suggests that, to date, detailed considerations of relevance for RBC have not yet been integrated in trade and investment promotion and facilitation policies. In general, the adoption of responsible business practices does not appear among the eligibility criteria to benefit from incentives under the different support schemes for exporters. Similarly, while the Investor Guide refers to the labour and environmental legal framework, it does not mention the importance of observing RBC principles and standards while investing in Mauritius. This is most likely linked to the fact that, according to information provided by the government during the adherence review process, the EDB has not yet adopted an overarching sustainability approach for its trade and investment facilitation and promotion policies.

For the time being, sustainability considerations may be integrated, but on an occasional basis, where relevant for a given sector or through specific initiatives. With respect to the real estate sector, for instance, the Property Development Scheme requires that a social impact assessment be carried out to identify the impact of the proposed development on the neighbouring communities (Government of Mauritius, 2022[106]). A noteworthy specific initiative is the recent launch, with the support of UNDP, of an "SDG Investor Map" for Mauritius, which identifies 17 investment opportunities areas across six priority sectors for private investors that are aligned with and can contribute to advance the SDGs (UNDP, n.d.[107]). These are welcome developments on which Mauritius can build. The fact that it seeks to expand its exports of high-end and luxury products and to consolidate its position as a "great place to invest, work, live and retire" makes it highly relevant for the government to start promoting responsible business practices through trade and investment promotion and facilitation policies.

Trade and investment agreements

Trade and investment agreements have also been a key aspect of Mauritius' development and growth strategy in the last decades. Since independence, it has concluded a number of these agreements which are described in Chapter 4 (Government of Mauritius, n.d.[108]; Government of Mauritius, n.d.[109]). A general review of the text of these agreements indicates that some of them integrate considerations of relevance for RBC in provisions that deal, directly or indirectly, with areas covered by the Guidelines, such as respect for human rights, the promotion of labour standards, the protection of the environment, or the fight against corruption and which reflect the signatories' commitments in relation thereto (hereinafter called

“sustainability provisions”). This is mostly the case of the recent regional trade and investment agreements to which Mauritius is a party. None of its bilateral trade agreements contain such provisions, except for short hortatory references in preambles.[8] The same is true of its BITs, with the exception that a few BITs also contain some sustainability provisions that can contribute to reinforcing the signatories’ legal and policy frameworks in the areas covered by the Guidelines, notably by preserving their policy space to adopt new laws and policies in these areas without legal risks.[9]

At the regional level, sustainability provisions are mostly found in investment agreements.[10] The SADC Protocol on Finance and Investment contains several sustainability provisions and, notably, an article aimed at preserving the parties’ right to regulate in relation to environmental concerns.[11] Going further, the COMESA Common Investment Area (CCIA) includes an entire part dedicated to “investor and investment obligations”, with various sustainability provisions addressing environmental, social and corruption issues.[12] For instance, the article on “environmental protection and social impact assessment” provides that investors shall comply with environmental and social assessment criteria and processes applicable to their investments and that such assessments shall include the potential human rights impacts of the investment.[13] The CCIA also specifies that, in case of breach of its obligations by the investor, the host State can initiate a proceeding against the investment before local courts. Likewise, according to information publicly available at the time of writing,[14] the AfCFTA Investment Protocol contains a chapter on sustainable development with several sustainability provisions, including an article reaffirming the State’s right to regulate to respond to challenges linked to pandemics and climate change (Danish et al., 2023[110]). The Protocol also reportedly includes provisions aimed at rebalancing investors’ rights and obligations and, notably, an article allowing host States to deny the investor protection in case of breach of obligations. These obligations include complying with high standards of business ethics, respecting human rights and labour standards, protecting the environment, and refraining to engage in corrupt practices (Brouwer, 2023[111]).

Beyond sustainability provisions, the trade and investment agreements signed by Mauritius to date do not seem to include clauses through which the signatories commit to encourage businesses to observe internationally recognised RBC principles and standards (hereinafter called “RBC clauses”). This might change in the future in light of emerging regional trends and ongoing negotiations. The integration of RBC clauses may gain importance in the networks of African countries’ investment agreements following the example of the CCIA and the AfCFTA Investment Protocol (Box 7.4).

Moreover, the deepening negotiations regarding the Interim Economic Partnership Agreement between the Eastern and Southern African States and the EU, which are currently underway, could also shape the way for further integration of considerations of relevance to RBC in their network of trade agreements since they include discussions on a trade and sustainable development chapter that contains sustainability provisions and an RBC clause (European Commission, 2023[112]).[15]

All these developments are relevant examples on which Mauritius could build to promote responsible business practices through its trade and investment agreements. The revision of the Mauritian Investment Promotion and Protection Agreement model, which is currently ongoing, represents a good opportunity to start doing so in relation to investment agreements.

Box 7.4. The integration of RBC clauses in African regional investment agreements

The Revised Investment Agreement for the COMESA Common Investment Area

The Revised Investment Agreement for the COMESA Common Investment Area (CCIA) contains a clause titled “business ethics and human rights”, which provides that investors and their investments shall observe the UN Guiding Principles on Business and Human Rights; support and respect the protection of internationally proclaimed human rights; ensure that they are not complicit in human rights

abuses; and eliminate all forms of forced and compulsory labour, among others. In relation to adverse human rights impacts, the clause further specifies that, where it is necessary to prioritise, investors should first seek to prevent and mitigate those impacts that are most severe or where delayed response would make them irremediable.[1] The CCIA also contains a clause titled "corporate social responsibility" pursuant to which investors and their investments should *inter alia* act in accordance with fair business, marketing and advertising practices when dealing with consumers and should ensure the safety and quality of goods and services they provide.[2]

The Investment Protocol of the AfCFTA

According to information publicly available at the time of writing, the AfCFTA Investment Protocol also includes an RBC clause, which is structured in two parts. On the one hand, the clause reportedly contains a series of non-binding CSR principles and standards that investors and their investments should strive to respect. On the other, through this clause, States commit to encourage investors operating on their territory or subject to their jurisdiction to integrate in their internal policies internationally recognised CSR principles and standards.[3] In addition, the Protocol also includes a clause stating that the signatories can introduce incentives to encourage investors' responsible business conduct.[4]

Notes:
1. Revised Investment Agreement for the COMESA Common Investment Area, Art. 29 "Business Ethics and Human Rights".
2. Revised Investment Agreement for the COMESA Common Investment Area, Art. 30 "Corporate Social Responsibility".
3. Investment Protocol of the AfCFTA, Art. 38 "Corporate Social Responsibility".
4. Investment Protocol of the AfCFTA, Art. 8 "Incentives for Sustainable Investments".

Sources: ((n.a.), 2018[113]; Brouwer, 2023[111]).

7.5.2. Public procurement

According to the Recommendation on the Role of Government, using public procurement as a strategic tool for RBC and including RBC in procurement policies, as well as promoting due diligence for RBC in public procurement, is a way for governments to lead by example and take measures to promote and exemplify RBC.

In Mauritius, the legal and regulatory framework applicable to public procurement is comprised of several elements. The Public Procurement Act (PPA), which has been elaborated based on the UNCITRAL Model Law on Procurement of Goods, Construction and Services, is the main piece of legislation (Government of Mauritius, 2006[114]; ADB, 2022[115]). It is accompanied by the Public Procurement Regulations (PPR) and additional regulations on specific issues (Government of Mauritius, 2008[116]). An important number of directives and circulars, as well as general conditions of contract and standard bidding documents, complete this framework (Government of Mauritius, n.d.[117]; n.d.[118]; n.d.[119]; n.d.[120]). The PPA creates the Procurement Policy Office (PPO), in charge of procurement policymaking, and the Central Procurement Board, responsible *inter alia* for approving major procurement contracts. It also further defines procurement methods and lays down the rules governing the public procurement cycle (bidding process and procurement contracts). The PPR specifies some of the aspects of the public procurement regime laid down in the PPA, particularly with respect to the different procurement methods and the bidding process (Government of Mauritius, 2008[116]).

This legal and regulatory framework includes provisions to prevent and combat corruption in procurement. The PPA contains a section on "procurement integrity" with several clauses on anti-corruption. For instance, the provision on the "conduct of bidders and suppliers" specifies that they shall not engage in corrupt practices to influence a procurement process or the execution of a contract. In the same logic, the clause on "suspension, debarment and disqualification of bidders and suppliers" provides that potential

bidders or suppliers can be suspended, debarred or disqualified from participation in procurement due to misconduct, including corruption (Government of Mauritius, 2006[114]). The list of companies that have been suspended, debarred or disqualified is available on the PPO's website, as well as the grounds for the decision and the ineligibility period (Government of Mauritius, n.d.[121]). In addition, the PPR provides that any public official who becomes aware of any corrupt practice related to procurement shall report it to the PPO. The standard bidding documents also include detailed provisions on corruption requiring government entities as well as bidders, suppliers, contractors, and their agents, to abide by the highest ethics standards during procurement and contract execution, among other corruption-related requirements (Government of Mauritius, 2021[122]; 2017[123]).[16]

Except for these provisions pertaining to corruption, the legal and regulatory framework for public procurement in Mauritius does not currently foresee the possibility to integrate social and environmental considerations or others of relevance for sustainability in public procurement. On this basis, it can be considered that it does not provide for the integration of other aspects related to RBC. Although there have been efforts over recent years to develop sustainable public procurement for certain purchasing categories, such as vehicles, paper, IT equipment, and cleaning, they have not materialised and public procurement therefore has not yet been used by the government as a tool to achieve broader policy objectives, such as sustainability and RBC objectives (OECD, 2020[124]). This is confirmed by the detailed assessment of Mauritius' public procurement system carried out by the African Development Bank (ADB) in 2022 based on the Methodology for Assessing Procurement Systems (ADB, 2022[115]). In its analysis, the ADB notes that the legal and regulatory framework applicable to public procurement contains several anti-corruption provisions (ADB, 2022, p. 131[115]). Nevertheless, it finds that the "legal and regulatory framework does not provide for sustainability to be incorporated at all stages of the procurement cycle, legal provisions concerning application of sustainability criteria are limited and in practice sustainability criteria are rarely, if ever, applied" (ADB, 2022, pp. 34, 60-61[115]). It also signals that the legal and regulatory framework does not allow civil society to participate in the different phases of the procurement cycle and to monitor public procurement processes (ADB, 2022, pp. 113-115[115]) On this basis, the ADB recommends that Mauritius modify its legal and regulatory framework to integrate sustainability at all stages of the procurement cycle and enhance civil society participation and monitoring (ADB, 2022, pp. 62, 116-117[115]).

The introduction of a sustainable public procurement framework was announced by the government in the 2021-2022 budget speech as one of the measures foreseen to promote the circular economy and ensure that government entities take into account the social and environmental impacts of their procurement decisions (Government of Mauritius, 2021, p. 64[125]; ADB, 2022, p. 34[115]). Moreover, on the occasion of the release of the ADB's Assessment Report in February 2023, the government confirmed its intention to promote sustainable public procurement by including socioeconomic and environmental considerations in the public procurement process (ADB, 2023[126]). According to the government, efforts to update the public procurement legal framework in line with the Assessment Report's recommendations are ongoing, albeit in an inception stage. The development of a sustainable public procurement framework represents a unique opportunity for Mauritius to start using public procurement as a strategic tool for RBC and including RBC in procurement policies, as well as promoting due diligence for RBC in public procurement.

7.5.3. State-owned enterprises

The Recommendation on the Role of Government indicates that establishing and publicly disclosing clear expectations for state-owned enterprises (SOEs) to observe RBC principles and standards together with effective mechanisms for their implementation is another way to lead by example on RBC.

The rules governing Mauritian SOEs do not appear to be contained in a single law applicable to all SOEs. As a result, different types of legal entities governed by distinct rules can be considered SOEs as per the definition contained in the OECD Guidelines on Corporate Governance of State-Owned Enterprises (OECD, 2015[127]). However, some overarching laws and other policy frameworks seem to be applicable

to all Mauritian SOEs. This is notably the case of the Income Tax Act and the National Code of Corporate Governance, which contain aspects of relevance for RBC.

As explained above, the Income Tax Act requires companies, including SOEs, to dedicate 2% of their yearly income to the establishment of CSR funds aimed at financing a CSR programme or a CSO implementing a CSR programme in some priority areas defined by the government (see Section 2.2) (Government of Mauritius, 2022[16]). This has led several SOEs to establish CSR foundations or programmes (Table 7.3).

Table 7.3. Examples of CSR foundations and programmes established by selected Mauritian SOEs

SOE	Name of the CSR foundation or programme	Objectives of the CSR foundation or programme
MauBank	CSR Partners	Improve the well-being of local communities by supporting CSO-led projects on social and environmental concerns (education of disabled children, reinsertion of sexually exploited women, support to vulnerable families, etc.).
Mauritius Telecom	Mauritius Telecom Foundation	Enhance lives in a sustainable way by supporting community initiatives in the areas of education, health, protection of the environment and sport through CSO-led projects.
National Insurance Company	Community Engagement Programmes	Contribute to the socioeconomic development, welfare and well-being of people by supporting projects focused on health, financial literacy and inclusion, education and training, women empowerment, protection of the environment, etc.
SBM Group	SBM Foundation	Create more sustainable communities by supporting CSO-led projects targeted at vulnerable groups that focus on poverty alleviation, education and empowerment, skills development, and access to opportunities.

Note: This table is not meant to be exhaustive; it only includes some examples of CSR foundations or programmes established by selected Mauritian SOEs.
Sources: (MauBank, n.d.[128]; Mauritius Telecom, n.d.[129]; National Insurance Company, n.d.[130]; SBM Group, n.d.[131]; SBM Holdings Ltd, 2023[132]).

In addition, the National Code of Corporate Governance lists CSR as one of the items on which it is recommended that companies, including SOEs, report on, together with social and environmental issues, including environmental impacts (see Section 2.2). Based on these recommendations, some SOEs have started reporting on their CSR activities and broader sustainability aspects. For instance, in its 2022 Annual Report, MauBank, one of the leading state-owned banks, included a section on CSR which details the different CSR projects that the bank supported during the year (MauBank, 2022, pp. 47-50[133]). Likewise, Mauritius Telecom's 2022 Annual Report contains a section on CSR describing the CSR projects undertaken through its Foundation during the year (Mauritius Telecom, 2023, pp. 62, 101[134]). Going a step further, the State Insurance Company of Mauritius Ltd (SICOM Group), a leading financial services organisation, published in 2022 an Integrated Report that contains a section on its sustainability pathway in which it mentions the initiatives undertaken to contribute to the SDGs during the reporting year and its plans to integrate ESG criteria in its overall business strategy going forward (SICOM Group, 2023, pp. 44-45[135]). In a similar fashion, the SBM Group, another leading bank in Mauritius, has published sustainability reports on an annual basis since 2018 (SBM Holdings Ltd, 2021, p. 5[136]). In the 2022 edition, the bank provides an overview of its sustainability agenda adopted in 2022 and lays down 13 commitments, including sustainable financing, climate change mitigation and adaptation, environmental consciousness, and social and gender equality, among others (SBM Holdings Ltd, 2023, p. 8[132]). It also details the initiatives carried out in relation to each commitment (SBM Holdings Ltd, 2023, pp. 22-36[132]).

Beyond these reporting practices, some SOEs have adopted or implemented policies, instruments, and initiatives of relevance for RBC, such as non-discrimination policies,[17] environmental policies,[18] anti-corruption policies,[19] or Codes of Conduct or Ethics covering various RBC-related topics (Table 7.4). The SBM Group also participated in the first edition of the Corporate Governance Scorecard – assessing companies' implementation of the Code of Corporate Governance – and it is reported that 28 Public

Interest Entities, including large SOEs, will participate in its second edition (SBM Holdings Ltd, 2023, p. 71[137]; PwC, 2023[138]).

Table 7.4. Key characteristics of Codes of Conduct or Ethics adopted by selected Mauritian SOEs[1]

	Central Electricity Board (CEB)	MauBank	Mauritius Broadcasting Company (MBC)	Mauritius Shipping Corporation	National Insurance Company (NIC)	SBM Group	SICOM Group
Title	Code of Conduct	Code of Ethics and of Banking Practice[2]	Code of Conduct & Ethics	Code of Ethics & Business Conduct	Code of Ethics	Code of Conduct and of Business Ethics	Code of Ethics and Business Conduct for Employees
Date of adoption	2020	2016	n/a	2020	2021	2021	2023
Main topics covered	• Information disclosure • Integrity and anti-corruption • Competition • Compliance with the law • Conflict of interests • Stakeholder relationship	• Information disclosure • Non-discrimination • Integrity and anti-corruption • Conflict of Interests • Ethics • Stakeholder relationship	• Information disclosure • Equal opportunity • Environment • Integrity and anti-corruption • Competition • Compliance with the law • Conflict of interests • Stakeholder relationship	• Information disclosure • Equal employment opportunity and diversity • Environment • Integrity and anti-corruption • Compliance with the law • Conflict of interests • Stakeholder relationship	• Non-discrimination • Environment • Competition • Compliance with the law • Conflict of interests • Stakeholder relationship	• Information disclosure • Non-discrimination • Integrity and anti-corruption • Competition • Compliance with the law • Conflict of interests • Stakeholder relationship	• Information disclosure • Integrity and anti-corruption • Competition • Compliance with the law • Conflict of interests • Ethics • Stakeholder relationship
Ref. to due diligence	No	Yes, financial due diligence	No	No	No	Yes, but not RBC-related due diligence	No

Notes:
1. This table is not meant to be exhaustive; it includes some examples of Codes of Conduct and/or Ethics adopted by selected Mauritian SOEs.
2. MauBank adopted the Code of Ethics and Banking Practice of the Mauritius Bankers Association

Sources: (CEB, 2020[139]; MBA, 2016[140]; MBC, 2022[141]; Mauritius Shipping Corporation, 2020[142]; National Insurance Company, 2021[143]; SBM Group, 2021[144]; SICOM Group, 2023[145]).

All the above-mentioned elements are welcome developments, but, in general, the reporting and disclosure carried out by Mauritian SOEs to date seems to focus on describing the philanthropical activities funded in the context of the CSR Tax. The Annual Reports, and even SBM's Sustainability Report, do not include a description or an analysis of their environmental impacts and the measures taken to address such impacts. In fact, to date, Mauritian SOEs do not seem to have developed and adopted due diligence processes to identify, prevent and mitigate the adverse impacts that their activities, supply chains, or business relationships, may cause or contribute to cause on people, the planet or society. The different policies and instruments of relevance for RBC that some of them have elaborated do not include detailed and clearly defined risk management processes for the various issues arising in the areas covered by the Guidelines. Thus, for the time being, the approach by SOEs is much closer to philanthropy than to RBC. They have integrated some RBC considerations in their policies, and they may observe some RBC principles and standards occasionally, but this does not stem from a coherent and structured RBC approach centred on due diligence shared by all SOEs and encouraged by the government.

That said, as most Mauritian SOEs are familiar with the concept of CSR, have started disclosing non-financial information, and have adopted some policies and instruments of relevance for RBC, the government has an opportunity to incentivise all SOEs to adopt a shared and structured RBC approach including due diligence processes. This could be done by establishing and publicly disclosing clear expectations for all SOEs to observe RBC principles and standards contained in the Guidelines and the related due diligence guidance, especially the three guides specific to the financial sector on RBC for institutional investors, Due Diligence for Corporate Lending and Securities Underwriting, and RBC Due Diligence for Project and Asset Finance Transactions (OECD, 2017[146]; OECD, 2019[147]; OECD, 2022[148]).

7.6. Plans for setting up a National Contact Point for Responsible Business Conduct

According to the Decision of the Council on the Guidelines, all OECD Members and non-Members that have adhered to the Guidelines (Adherents) are required to set up a National Contact Point (NCP). NCPs are created to further the effectiveness of the Guidelines and have the following responsibilities: (i) promote awareness and uptake of the Guidelines, and (ii) acting as non-judicial grievance mechanisms, contribute to the resolution of issues that arise relating to the implementation of the Guidelines in specific instances. In addition, NCPs may also provide support to efforts by their government to develop, implement, and foster coherence of policies to promote RBC. Adherents are required to make available human and financial resources to their NCPs so that they can effectively fulfil their responsibilities in a way that fully meets the core effectiveness criteria described in the Procedures attached to the Decision (the Procedures), considering internal budget capacity and practices. The core effectiveness criteria applicable to NCPs are: visibility, accessibility, transparency, accountability, impartiality and equitability, predictability and compatibility with the Guidelines.

On 3 April 2023, the OECD Secretariat delivered a technical workshop on NCPs to the government focusing on the main aspects of NCP functioning, mandate and structure, experience-sharing with NCPs and discussion of expectations related to the NCP core effectiveness criteria. On 22 June 2023, the OECD Secretariat hosted a follow up meeting to discuss any questions with representatives of Mauritian authorities, including the Vice Chairman of the EDB, EDB Regional Director for Europe, a Senior Advisor at the Ministry of Finance and member of the Board of the EDB, as well as the EDB's Chief Executive Officer and the Executive Director of Maurice Stratégie. Several additional virtual exchanges between the OECD Secretariat and Mauritius authorities served to further clarify expectations in the context of the targeted update of the Guidelines.

The government has engaged stakeholders on the draft plans for the NCP (see below on NCP Structure). OECD Watch and TUAC provided comments to the authorities. Based on this experience and engagement, Mauritius has set out the draft plan for the NCP as follows.

7.6.1. Institutional arrangements

NCP Structure

The plans for an NCP foresee that it will be housed by the EDB, and consist of an NCP Secretariat, an Expert Panel for case-handling and an Advisory Panel for strategic and supervisory tasks.

The EDB, a "body corporate" according to the Economic Development Board Act (EDB Act) (EDB Act, Part II, Art. 3), was created to support economic planning, ensure coherence and effectiveness of economic policy, promote investment and business, and lead efforts on country branding (EDB Act, Part II, Art. 4).

On 20 July 2023, the government adopted an amendment to the EDB Act, creating the NCP by adding to the EDB Act a "Sub-Part K – National Contact Point for Responsible Business Conduct", which includes

Art. 27J "National Contact Point." Art. 27J establishes the NCP (para. (1)) and details the NCP's functions (para. (2)), which are to:

a) "raise awareness among businesses and other stakeholders on such matters as may be prescribed;
b) "contribute to the resolution of such issues and in such manner as may be prescribed; and
c) "do such other things as may be necessary for the purpose of this Sub-part."

Section 40 of the EDB Act provides that further details of the NCP's structure and functioning will be determined through a regulation by the Minister of Finance, Economic Planning and Development. The Draft NCP Regulations were shared with the OECD Secretariat for the purposes of this review, and the Secretariat provided feedback. Following further discussions with the OECD, the Minister of Finance, Economic Planning and Development issued the "Economic Development Board (National Contact Point) Regulations 2023" (hereafter "NCP Regulations") in November 2023.

Part I of the NCP Regulations define important expressions, and Part II determines the main features of the NCP. According to Part II, Art. 3, the NCP will consist of an NCP Secretariat, an Expert Panel and an Advisory Panel. Part II of the NCP Regulations authorises the NCP to conduct necessary activities to fulfil the objectives set by the EDB Act. Part II, Art. 4 notes that the NCP "shall regulate its affairs in a manner that is visible, accessible, transparent, accountable, impartial, equitable, predictable, and compatible with the principles and standards of the Guidelines", thereby referencing the core effectiveness criteria set by the Procedures. Part II, Art. 4 also provides that the NCP will undertake periodic peer reviews, share experiences with other NCPs and cooperate with them.

7.6.2. NCP Secretariat

The NCP Secretariat will be composed of at least one senior officer and additional officers as required (NCP Regulations, Part III "NCP Secretariat", Art. 6).

The NCP Secretariat will be mandated to fulfil administrative and supporting tasks to ensure the day-to-day operations of the NCP. Specifically, the NCP Regulations foresee that the NCP Secretariat (Part. III, Art. 8):

a) "promote awareness of the Guidelines;
b) "receive and respond to enquiries about the Guidelines, the NCP itself, and the OECD Due Diligence Guidance;
c) "where required, report to the OECD Investment Committee and the OECD Working Party of Responsible Business Conduct;
d) "issue such policies and procedures, as may be required under these Regulations, including the case-handling procedures for specific instances;
e) "receive specific instances and transmit same to the Expert Panel;
f) "provide such administrative assistance to the Expert Panel and the Advisory Panel, as may be required;
g) "not be involved in decision making on the substance and outcome of specific instances handled by the Expert Panel; and
h) "generally do all such things as may be required in the exercise of its functions."

Further, the NCP Regulations provide that the NCP Secretariat may, where appropriate, and in coordination with relevant government agencies, provide support to develop, implement and foster coherence of policies to promote responsible business conduct (NCP Regulations, Part III, Art. 9).

7.6.3. Expert Panel

The NCP's Expert Panel will be tasked with handling cases submitted to the NCP, defined as "within the meaning of the Guidelines, […] a non-judicial ad-hoc panel responsible for handling specific instances" (NCP Regulations, Part IV, Art. 11). The Expert Panel will "be set up upon receipt of a specific instance" (NCP Regulations, Part IV, Art. 12), and specifically for that case. The Expert Panel will be responsible for handling cases "in accordance with […] case-handling procedures established by the NCP Secretariat." (NCP Regulations, part IV, Art. 11).

An Expert Panel will consist of at least three persons and will include a chairperson with "wide knowledge or experience in law or dispute resolution", an additional person with knowledge and experience in law or dispute resolution, and a person with "knowledge or experience in the subject matter of the specific instance" (NCP Regulations, Part IV, Art. 14). The NCP Regulations do not specify any further requirements on the background of the members of the Expert Panel, such as profession or affiliation with the public administration or private enterprises, professional education or degrees, years of experience, knowledge of the NCP mechanism, etc. The members of the Expert Panel will be appointed by the Minister of Finance, Economic Planning and Development (NCP Regulations, Part IV, Art. 13).

The Expert Panel will take consensus-based decisions. Where this is impossible, majority voting will apply (NCP Regulations, Part IV, Art. 15). Once a decision has been reached, the NCP Secretariat will follow up administratively, which includes record-keeping, reporting and publication in line with the requirements of the Guidelines (NCP Regulations, Part IV, Art. 16). The Expert Panel will fulfil its tasks independently and impartially, without being "subject to the control or direction of any other person or authority" (NCP Regulations, Part IV, Art. 15). The Expert Panel will also adhere to a conflict-of-interest policy (NCP Regulations, Part IV, Art. 14).

7.6.4. Advisory Panel

The NCP's Advisory Panel will be tasked with advising on the strategic aspects of the NCP functions, namely contributing to the effectiveness of the Guidelines, recommending improvements of the administration of the NCP, and amendments to the NCP Regulations (Part V, Art. 21). The Advisory Panel will provide "recommendations on any policies and procedures" (Part V, Art. 20). The NCP Regulations foresee that the Advisory Panel "provide recommendations on any policies and procedures issued by the NCP Secretariat", which the NCP indicates would encompass case-handling procedures. Other stakeholder consultations on the case-handling procedures are not foreseen. The Procedures (I. C.) encourage NCPs "to consult their stakeholders in developing their case-handling procedures. The Advisory Panel will not be authorised to advise on the handling of individual cases (Part V, Art. 22).

According to the government, the Advisory Panel is envisioned to provide strategic advice and direction. The NCP Regulations foresee that the Advisory Panel issue additional "policies and procedures" guiding its functions, "including policies to regulate its meetings" (Part V, Art. 20). The nature of these additional policies and procedures will be crucial in determining the Advisory Panel's role, operating procedures and prerogatives, for example as regards the right to call meetings, agenda setting, or decision-making, ensuring equitable representation of various categories of members (see below), and generally to ensure accountability, impartiality and equitability of the NCP as a whole.

Members of the Advisory Panel will include (NCP Regulations, Part V, Art. 17):

a) "a representative of the Prime Minister's Office
b) "a representative of the Ministry responsible for the subject of consumer protection
c) "a representative of the Ministry responsible for the subject of employment and industrial relations
d) "a representative of the Ministry responsible for the subject of environment

e) “a chairperson who shall be a representative of the Ministry responsible for the subjects of finance, economic planning and development
f) “a representative of the Ministry responsible for the subject of gender
g) “a representative of the Ministry responsible for the subject of science and technology
h) “a representative of the NCP Secretariat
i) “a representative of the Competition Commission
j) “a representative of the Mauritius Revenue Authority
k) “a representative of the National Human Rights Commission
l) “a representative of the Independent Commission Against Corruption
m) “a representative of academia, to be appointed by the Minister
n) “a representative of the business community, to be appointed by the Minister
o) “a representative of a trade union, to be appointed by the Minister
p) “a representative of civil society, to be appointed by the Minister
q) “such other persons that the Minister may deem necessary.”

As informed by the government, the membership of the Advisory Panel is purposively wide to ensure that all subject areas as covered in the Guidelines are represented. The number of representatives from government or public institutions outweighs that of stakeholder representatives. The Guidelines encourage NCPs to create advisory or oversight bodies (see Commentary I, para. 12, page 66) and engage with representatives of all types of stakeholders in line with the effectiveness criterion of impartiality and equitability. Additional policies and procedures for the work of the Advisory Panel, to be created by the Advisory Panel itself, should take care to establish procedures and operational guidelines that ensure equitable participation of all stakeholder groups, and equitable representation of views in decisions.

Additionally, stakeholders external to the government or public authorities will be appointed by the Minister of Finance, Economic Planning and Development. To ensure stakeholder confidence, it will be important that Mauritius makes those appointments following meaningful consultation of the concerned stakeholder groups and, where relevant, BIAC, TUAC and OECD Watch.

While the NCP Secretariat will convene the meetings of the Advisory Panel (NCP Regulations, Part V, Art. 19), meetings will take place as required and at least annually (Part V, Art. 19).

Stakeholder engagement

To engage stakeholders on the creation of the NCP, the government liaised bilaterally with relevant stakeholders, and shared a concept note on the creation of the NCP for comments, focusing on the planning for institutional arrangements, as encouraged by the Procedures (Commentary, para. 11). The government prepared a two-page concept note for dissemination among stakeholders in mid-2023 with a commentary period of one week by 14 July 2023. Consulted stakeholders included ministries, government agencies, business associations, private companies, trade unions, civil society and development partners. The stakeholders provided favourable comments and supported the government’s proposals. The government reported that these consultations showed support for its plans for the NCP.

Further, the government engaged ministries and stakeholders (business, trade unions, and CSOs) as part of the OECD Secretariat’s fact-finding visit to Mauritius. An event in April 2023 (see Introduction) convened some 50 physical and virtual participants from government, private sector and civil society.

According to the government, the NCP will engage with national stakeholders through its Advisory Panel. The Advisory Panel will include a representative of academia, the business community, trade unions, and civil society. The NCP Regulations also provide that the Advisory Panel can include “such other persons

that the Ministry may deem necessary" in addition to the categories of members specifically listed (Part V, Art. 17 and above, Advisory Panel).

Resources

The 2023/2024 budget, read on 2 June 2023, includes a reference to the creation of the NCP.[20] According to the NCP Regulations, the EDB will ensure that the NCP has access to sufficient resources to fulfil its tasks (NCP Regulations, Part III, Art. 5). According to the NCP Regulations, the NCP Secretariat, handling the operations and administration of the NCP, will be staffed with at least one senior officer and additional personnel as necessary (Part III, Art. 6). According to information provided by the government, the NCP will not have any full-time staff at the NCP's inception, but the EDB will adjust staffing as required going forward. At the time of the NCP's creation, the NCP Secretariat will consist of one Head of Secretariat, and three members, each devoting approximately 25% of their time on NCP activities. In addition, additional EDB Staff will serve in a support role for the NCP, providing support on administrative matters, procurement, human resource concerns, logistics and technical guidance as and when required.

7.6.5. Handling of specific instances

As indicated above (Expert Panel), cases submitted to the NCP will be handled by an Expert Panel, created for each case individually (NCP Regulations, Part IV, Art. 12). The NCP Secretariat plans to issue case-handling procedures (Part III, Art. 8(d)) in 2024, which the Expert Panel will be required to follow in handling specific instances (Part IV, Art. 11). The NCP Regulations foresee that the Advisory Panel "provide recommendations on any policies and procedures issued by the NCP Secretariat", which the NCP indicates would encompass case-handling procedures (Part V, Art. 20). Other stakeholder consultations on the case-handling procedures are not foreseen.

As indicated above, an Expert Panel with an ad hoc composition for each case will handle specific instances in an independent manner (see above, Expert Panel). This set-up is likely to have benefits regarding the expertise available to the NCP in handling cases, as well as for its perception of impartiality (although noting that the Minister has broad discretion as to the choice of Experts). While the NCP Secretariat will provide administrative support to the Expert Panel in handling cases, additional procedural details remain to be set by case-handling procedures. There may be a risk that the Expert Panel's ad-hoc nature as a body that will be recreated for each new case might prevent it from handling cases with consistency, which may negatively impact predictability.

7.6.6. Promotional activities and next steps

According to information provided by the government, the NCP will develop a promotional plan. Initial plans for promotional activities foresee the creation of a website in the first half of 2024, as well as dissemination events, including with ministerial support. Regular meetings with stakeholders are planned from the creation of the NCP. The NCP plans to liaise with investment promotion and export credit agencies to mainstream aspects related to the Guidelines in government investment and expert promotion programmes in 2025.

As part of the first steps following the creation of the NCP, the NCP Secretariat will devote time to build its capacity with regards to the Guidelines and related instruments (early 2024) and the development of policies and procedures, including case-handling procedures (first half of 2024). Mauritius indicated that it planned for the NCP to engage stakeholders through the Advisory Panel in the development of these policies and procedures.

Table 7.5. Timeline prior to adherence

Milestones	Specific Actions	Timeline
Fact finding mission and& capacity building by OECD	Meeting with government and stakeholders (business, unions, CSO) on Guidelines and NCP	April 2023
Virtual peer leaning capacity-building event on NCPs	Sharing of experiences from other NCPs	May 2023
National Contact Point under the Economic Development Board Act	EDB Act amended to implement budget measure on setting up of a National Contact Point for Mauritius	July 2023
Draft Regulations issued under the Economic Development Board Act	Draft NCP Regulations on the structure and functions of the NCP finalised	September 2023
NCP Questionnaire	Provided response to NCP Questionnaire which will inform the adherence review report with respect to setting up of an NCP in Mauritius	September 2023
Policy and NCP adherence review report for fact checking	Liaise with OECD team to finalise both reports	September / October 2023
WPRBC Meeting	Presentation of adherence review report to WPRBC	November 2023
Promulgate NCP Regulations	Finalise Regulations with State Law Office Apprise Cabinet	December 2023 / January 2024
Adherence		2024

Source: Government of Mauritius.

Table 7.6. Timeline for first two years of functioning of the NCP of Mauritius

Milestone	**Specific Actions**	**Target completion date**
Logistical arrangements	Launching of NCP Identifying EDB Staff to form part of the Secretariat Setting up of the Advisory Panel	Q1 following adherence
Capacity Building of NCP Secretariat	Familiarisation with Guidelines and documentation issued by OECD	Q1 following adherence
Capacity Building of NCP Advisory Panel	Familiarisation with Guidelines and their role	Q1 following adherence
Policies and Procedures	Draft procedures including case-handling procedures	Q2 following adherence
Engage with stakeholders / Advisory Panel	To finalise procedures	Q2 following adherence
Website	Set up dedicated website Disseminate the updated OECD Guidelines and relevant Guidance	Q2 following adherence
Promotional activities	Conduct outreach event	Q2 following adherence Q4 following adherence
Annual Report	Draft annual report	On next calendar year following adherence
High level promotion	Promotion activities by Ministers to step up the political profile and importance of the Guidelines through speeches and other relevant forums	As from the date of adherence to the Declaration
Meeting of Advisory Panel	Discuss strategy and policies and procedures	Yearly

Source: Government of Mauritius.

Notes

[1] Many businesses, governments and stakeholders are familiar with the term Corporate Social Responsibility (CSR), which has historically been used to describe business interactions with society. Over the last years, CSR has increasingly been used alongside Responsible Business Conduct (RBC) and Business and Human Rights, with some using the terms interchangeably (e.g. the European Union). These concepts are related in the sense that they

all reflect the expectation that businesses should consider the impact of their operations, supply chains, and business relationships on people, the planet, and society as part of their core business considerations and not as an add-on. This includes the need to avoid and address negative environmental and social impacts. A key characteristic of CSR, RBC, and Business and Human Rights is that they refer to corporate conduct beyond simply complying with domestic law and call on business to contribute positively to sustainable development while managing risks and impacts that may result from their activities. These concepts should not be understood to be equivalent to philanthropy. See ILO, OECD, OHCHR (n.d.), Responsible business – Key messages from international instruments, https://mneguidelines.oecd.org/Brochure-responsible-business-key-messages-from-international-instruments.pdf.

[2] This review focuses on the main areas covered by the Guidelines, i.e., human rights, employment and industrial relations, environment, and combating bribery and other forms of corruption. Due to length limitation, it does not delve into the following areas that are also covered by the Guidelines: consumer interests; science, technology and innovation; competition; and taxation.

[3] Government of Mauritius (2002), Environment Protection Act, Part IV "Environmental Impact Assessment", https://environment.govmu.org/Documents/Legislations/A.%20Acts/1(i)Consolidated%20Environment%20Protection%20Act%202002.pdf.

[4] Government of Mauritius (2002), Environment Protection Act, Part IV "Environmental Impact Assessment", Art. 20, para. 4, https://environment.govmu.org/Documents/Legislations/A.%20Acts/1(i)Consolidated%20Environment%20Protection%20Act%202002.pdf. This Article states as follows: "The Director may in respect of an EIA, other than one submitted through the Economic Development Board, extend the time limit specified in subsection (2) to afford reasonable opportunity for any person to submit public comments on the EIA."

[5] The absence of a sustainable development framework in Mauritius is expressly recognised in the Environment Master Plan for 2020-2030. See Government of Mauritius (2022), Environment Master Plan 2020-2030 for the Republic of Mauritius, Section 4.1 "Sustainable development", https://environment.govmu.org/DocumentsList/Masterplan%20for%20the%20Republic%20of%20Mauritius.pdf.

[6] Since its creation in 2013, the Public-Private Platform Against Corruption (PPPAC) has produced six reports with analysis and recommendations relevant for the private sector, such as a report on the allocation of work permit to foreign skilled labour or Guidelines on gifts and hospitality. See PPPAC (2018), Report on the allocation of work permit to foreign skilled labour, https://www.nccg.mu/sites/default/files/2021-01/Final-Report-Work-Permit-Foreigners.pdf; PPPAC (2020), Guidelines on gifts and hospitality, https://www.nccg.mu/sites/default/files/2021-01/Guidelines-on-Gift-and-Hospitality-by-the-PPPAC.pdf.

[7] For instance, the ICAC developed an e-learning course on anti-corruption compliance for Mauritian businesses, which seeks to help the private sector in Mauritius implement compliance programmes. In 2022, the ICAC also co-organised a forum titled "Public-private partnership in fighting financial crime" aimed, among other things, at discussing the importance of such partnerships to fight against financial crime, including corruption. See ICAC (2022), Annual Report 2020-2021 of the ICAC, p. 29, https://www.icac.mu/wp-content/uploads/2022/07/ICAC-Annual-Report-2020-2021.pdf; Government of Mauritius (2022), Press release: Prime Minister Jugnauth announces the setting up of a Financial Crime Commission, https://pmo.govmu.org/News/SitePages/Prime-Minister-Jugnauth-announces-the-setting-up-of-a-Financial-Crime-Commission.aspx.

[8] See 2021 FTA between the Government of the Republic of Mauritius and the Government of the People's Republic of China, Preamble https://edbmauritius.org/wp-content/uploads/2022/12/FTA-text-between-the-Republic-of-Mauritius-and-the-Peoples-Repbulic-of-China.pdf and 2006 Trade and Investment Framework Agreement between the Government of the United States of America and the Government of the Republic of Mauritius, Preamble, https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file789_9937.pdf.

[9] An example is the provision in the Mauritius-Türkiye BIT and the Mauritius-Madagascar BIT that provides that nothing should prevent the signatories from taking measures to protect the environment. Another example is the

provision in the Mauritius-Türkiye BIT, which specifies that non-discriminatory legal measures designed to protect legitimate public welfare objectives, such as the environment, shall not be considered an expropriation, or the provision in the Mauritius-United Arab Emirates BIT pursuant to which the parties shall not relax environmental measures to encourage investment. The BIT with the Belgium-Luxemburg Economic Union is the most complete in terms of inclusion of sustainability provisions, as it includes two articles dedicated to environment and labour matters, which contain *inter alia* provisions through which the signatories reaffirm their commitments under international environmental agreements and the ILO Declaration on Fundamental Principles and Rights at Work and commit to ensure that their legislations provide for high levels of environmental protection and for labour standards consistent with internationally recognised labour rights.

See 2004 Mauritius – Madagascar BIT, Art. 3 "Fair and Equitable Treatment", https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/1952/download; 2013 Mauritius – Türkiye BIT, Art. 12 "General exceptions", https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/6101/download/; 2013 Mauritius – Türkiye BIT, Art. 5 "Expropriation", https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/6101/download/; 2015 Mauritius – United Arab Emirates Bilateral Investment Treaty (BIT), Art. 12 "Application of other rules", https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/5358/download; 2005 Mauritius – Belgium-Luxembourg Economic Union BIT, Art. 5 "Environment" and 6 "Labour", https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/384/download.

[10] The AfCFTA only contains hortatory RBC-related language in its preamble and the COMESA chapters aimed at promoting cooperation among signatories on the development of natural resources, environment and wildlife and the role of women in business. The SADC Protocol on Trade includes just one sustainability provision aimed at preserving the signatories' right to regulate in relation to the environment.

See 1993 Treaty establishing the Common Market for Eastern and Southern Africa, Chapters 16 "Cooperation in the development of natural resources, environment and wildlife" and 24 "Women in development and business", comesa-treaty-revised-20092012_with-zaire_final.pdf; 1996 SADC Protocol on Trade, Art. 9 "General exceptions", https://www.sadc.int/sites/default/files/2021-11/Protocol_on_Trade1996.pdf.

[11] See 2006 SADC Protocol on Finance and Investment, Art. 14 "Right to regulate", https://www.sadc.int/document/protocol-finance-and-investment-2006:

[12] Revised Investment Agreement for the COMESA Common Investment Area, Part IV "Investor and Investment Obligations", https://www.comesa.int/wp-content/uploads/2020/10/English-Revised-Investment-agreement-for-the-CCIA-28.09.17-FINAL-after-Adoption-for-signing.pdf.

[13] Revised Investment Agreement for the COMESA Common Investment Area, Art. 31 "Environmental Protection and Social Impact Assessment", https://www.comesa.int/wp-content/uploads/2020/10/English-Revised-Investment-agreement-for-the-CCIA-28.09.17-FINAL-after-Adoption-for-signing.pdf.

[14] The analysis of the AfCFTA Investment Protocol, signed in February 2023, is based on information made publicly available by specialised press articles, which rely on the version of the Protocol that was sent to Head of States during the 36th summit of the African Union that took place in February 2023. See Danish et al (2023), "The Protocol on Investment to the Agreement Establishing the African Continental Free Trade Area: What's in it and what's next for the Continent?", Investment Treaty News, https://www.iisd.org/itn/en/2023/07/01/the-protocol-on-investment-to-the-agreement-establishing-the-african-continental-free-trade-area-whats-in-it-and-whats-next-for-the-continent/; Brouwer, E. (2023), "Analysis: Investment Protocol to the African Continental Free Trade Area agreement emphasises sustainable development, setting narrow standards of protection and introducing obligations on foreign investors", IA Reporter, https://www.iareporter.com/articles/analysis-investment-protocol-to-the-african-continental-free-trade-area-agreement-emphasises-sustainable-development-setting-narrow-standards-of-protection-and-introducing-obligations-on-foreign-inv/.

[15] See 2012 Interim Agreement establishing a framework for an Economic Partnership between the Eastern and Southern African States, on the one part, and the European Community and its Member States, on the other part, https://eur-lex.europa.eu/resource.html?uri=cellar:75184c8b-f721-4002-87c8-e301d4adef11.0019.01/DOC_2&format=PDF.

[16] See, for instance, Government of Mauritius (2021), Standard bidding documents for procurement of goods, Section I "Instruction to bidders", Clause 4 "Fraud and corruption", https://ppo.govmu.org/Documents/SBD/Goods/Nov21/OAB%20Goods%20October%202021.doc.

[17] See, for instance, the SICOM Group's Anti-Harassment and Non-Discriminatory Policy. SICOM Group (n.d.), Anti-Harassment and Non-Discriminatory Policy, https://www.sicom.mu/docs/default-source/corporate-gouvernance/sicom/sicom---anti-harrassment-non-discrimination-policy.pdf?sfvrsn=c3517584_6.

[18] See, for instance, MauBank's Environmental and Social Policy Statement. MauBank (n.d.), Environmental and Social Policy Statement, https://www.maubank.mu/media/qqnjsvsu/policy.pdf.

[19] See, for instance, the Anti-corruption Policy of the Mauritius Broadcasting Corporation (MBC). MBC (2022), Anti-corruption Policy, https://mbcradio.tv/mbc-anti-corruption-policy.

[20] See Government of Mauritius (2023), *Budget Measures Explanatory Notes – Main provisions to be included in the Finance (Miscellaneous Provisions) Bill 2023*, Part B "Other Budget Measures", Section B.1 "Improving Doing Business", para. (c) "National Contact Point", https://budgetmof.govmu.org/documents/2023_24Annex_Budget_Speech.pdf.

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Annex 7.A. EDB Regulations establishing the NCP

Government Notice No. 172 of 2023

THE ECONOMIC DEVELOPMENT BOARD ACT

Regulations made by the Minister under section 40 of the Economic Development Board Act

PART I – PRELIMINARY

1. These regulations may be cited as the Economic Development Board (National Contact Point) Regulations 2023.

2. In these regulations –

“Act” means the Economic Development Board Act;

“Guidelines” means the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, as may be amended or replaced from time to time;

“NCP” means the National Contact Point for Responsible Business Conduct under the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct established under section 27J of the Act;

“OECD” means the Organisation for Economic Co-operation and Development;

“OECD Due Diligence Guidance” means the OECD Due Diligence Guidance for Responsible Business Conduct as may be amended or replaced from time to time, as well as such other relevant sector-specific Guidance on due diligence, as may be issued by the OECD;

“specific instance” means issues that arise in relation to the implementation of the Guidelines.

PART II – NATIONAL CONTACT POINT FOR RESPONSIBLE BUSINESS CONDUCT

3. The NCP shall consist of –

(a) a NCP Secretariat;
(b) an Expert Panel; and
(c) an Advisory Panel.

4. Subject to the Act and these regulations, the NCP –

(a) shall regulate its affairs in a manner that is visible, accessible, transparent, accountable, impartial, equitable, predictable, and compatible with the principles and standards of the Guidelines;

(b) shall, where required, undertake periodic peer reviews, share experiences and co-operate with other NCPs; and

(c) may, in the exercise of its functions, do such things as are incidental, or conducive, to the attainment of any of its objects under the Act.

PART III – NCP SECRETARIAT

5. The Economic Development Board shall ensure that the NCP Secretariat has the necessary resources and is adequately staffed to enable the NCP Secretariat to perform its functions under the Act and these regulations.

6. The NCP Secretariat shall consist of at least one senior officer and such additional officers as may be required.

7. The NCP Secretariat may co-opt such other persons as may assist it in fulfilling its functions.

8. The NCP Secretariat shall –

(a) promote awareness of the Guidelines;

(b) receive and respond to enquiries about the NCP, the Guidelines and the OECD Due Diligence Guidance;

(c) where required, report to the OECD Investment Committee and the OECD Working Party on Responsible Business Conduct;

(d) issue such policies and procedures as may be required under these regulations, including the case-handling procedures for specific instances;

(e) receive specific instances and transmit same to the Expert Panel;

(f) provide such administrative assistance to the Expert Panel and the Advisory Panel, as may be required;

(g) not be involved in decision making on the substance and outcome of specific instances handled by the Expert Panel; and

(h) generally do all such things as may be required in the exercise of its functions.

9. The NCP Secretariat may, where appropriate, and in coordination with relevant government agencies, provide support to develop, implement and foster coherence of policies to promote responsible business conduct.

10. The NCP Secretariat may, in the exercise of its functions, set up such committees as may be necessary.

PART IV – EXPERT PANEL

11. The Expert Panel shall, within the meaning of the Guidelines, be a non-judicial ad hoc panel responsible for handling specific instances received in accordance with these regulations and the casehandling procedures established by the NCP Secretariat.

12. The Expert Panel shall be set up upon receipt of a specific instance.

13. The Expert Panel shall be appointed by the Minister and consist of at least 3 members.

14. The members of the Expert Panel shall include –

(a) a chairperson having wide knowledge or experience in law or dispute resolution;

(b) a person, other than the chairperson, having wide knowledge or experience in law or dispute resolution; and

(c) a person having wide knowledge or experience in the subject matter of the specific instance.

15. The Expert Panel shall, in the discharge of its functions –

(a) exercise its functions independently and impartially;

(b) not be subject to the control or direction of any other person or authority;

(c) adhere to a conflict-of-interest policy; and

(d) reach a decision by consensus, and, where not possible, by majority voting.

16. The Expert Panel shall submit its decision on the specific instances received to the NCP Secretariat for such administrative follow-up, including record keeping, reporting, and publication, as may be required by the Guidelines.

PART V – ADVISORY PANEL

17. There shall be an Advisory Panel, which shall consist of –

(a) a representative of the Prime Minister’s Office;

(b) a representative of the Ministry responsible for the subject of consumer protection;

(c) a representative of the Ministry responsible for the subject of employment and industrial relations;

(d) a representative of the Ministry responsible for the subject of environment;

(e) a chairperson who shall be a representative of the Ministry responsible for the subjects of finance, economic planning and development;

(f) a representative of the Ministry responsible for the subject of gender;

(g) a representative of the Ministry responsible for the subject of science and technology;

(h) a representative of the NCP Secretariat;

(i) a representative of the Competition Commission;

(j) a representative of the Mauritius Revenue Authority;

(k) a representative of the National Human Rights Commission;

(l) a representative of the Independent Commission Against Corruption;

(m) a representative of academia, to be appointed by the Minister;

(n) a representative of the business community, to be appointed by the Minister;

(o) a representative of a trade union, to be appointed by the Minister;

(p) a representative of civil society, to be appointed by the Minister; and

(q) such other persons that the Minister may deem necessary.

18. The Advisory Panel shall –

(a) regulate its own proceedings;

(b) meet as and when required, and at least once a year.

19. The meetings of the Advisory Panel shall be convened by the

NCP Secretariat.

20. The Advisory Panel shall –

(a) issue such policies and procedures as may be required to carry out its functions under these regulations, including policies to regulate its meetings;

(b) provide recommendations on any policies and procedures issued by the NCP Secretariat under these regulations.

21. The Advisory Panel may provide recommendations on –

(a) strategies aimed at contributing to the effectiveness of the Guidelines;

(b) strategies to improve the administration of the NCP;

(c) where required, any amendments required to these regulations.

22. The Advisory Panel shall not advise on the handling of individual specific instances.

PART VI – MISCELLANEOUS

23. No person shall, during or after the tenure of his office under these regulations, directly or indirectly, use or disclose any information which has come to his knowledge in the performance of his duties under these regulations, except for the purpose of administering the Act and these regulations.

24. These regulations shall come into operation on 22 November 2023.

Made by the Minister on 22 November 2023.

Annex 7.B. Concept paper on establishing the NCP

Concept Paper: Setting up of National Contact Point (NCP) in Mauritius

Overview

The OECD Declaration on International Investment and Multinational Enterprises, which was first adopted in 1976, is a policy commitment by adhering government to provide an open and transparent environment for international investment and to encourage the positive contribution multinational enterprises can make to economic and social progress. As at date, all 38 OECD countries, and 13 non-OECD countries have adhered to the Declaration. Mauritius wishes to adhere to the OECD Declaration.

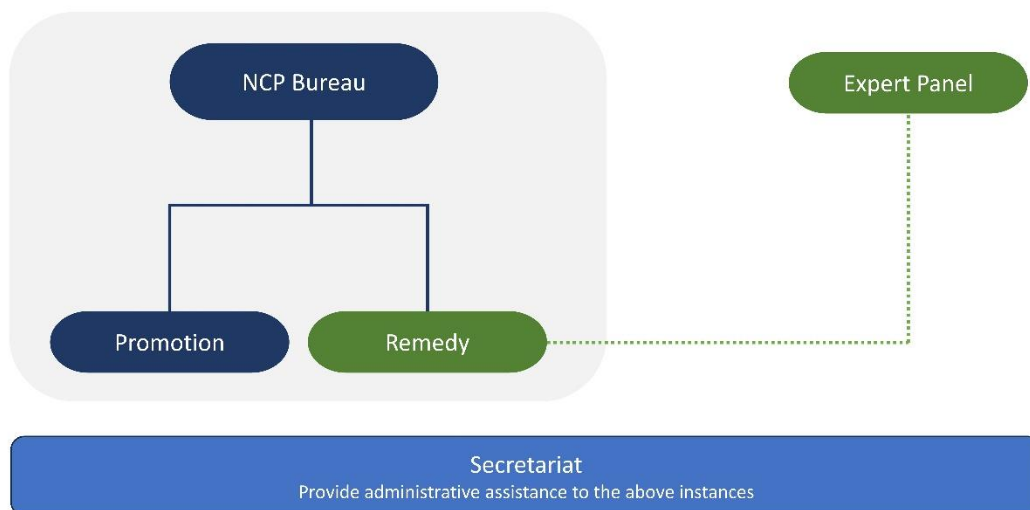
One of the requirements of the OECD Declaration is the setting up of an NCP to promote Responsible Business Conduct and handle cases as a non-judicial grievance mechanism.

The Budget 2023/2024 announced that "***a National Contact Point will be established under the EDB to promote Responsible Business Conduct and handling cases as a non-judicial grievance mechanism"***.

Location

The Mauritian NCP will be set up under the EDB. The EDB act will be amended in the Finance Bill to allow the setting up of the NCP while the national contact point regulations will be proclaimed to implement and enforce the act.

Annex Figure 7.B.1. The structure of the NCP in Mauritius



Source: Based on EDB Act.

Structure

Following the example of the NCP in Australia, the Mauritian NCP will be run under a **hybrid structure**, composing of elements derived from different models, namely the single agency and expert based. The Mauritian NCP will consist of the following structures:

The NCP shall be composed of –

a) a NCP Bureau, which shall head the NCP;
b) an Expert Panel; and
c) a Secretariat

Functions

a) The NCP bureau shall

a) promote awareness of the Guidelines;
b) respond to enquiries about the Guidelines, the NCP itself, and the OECD Due Diligence Guidance;
c) issue such procedures, as may be necessary for the purposes of these Guidelines, including the case-handling procedures;
d) where required, report to the OECD Investment Committee and the OECD Working Party of Responsible Business Conduct;
e) where appropriate, and in coordination with relevant government agencies, provide support to develop, implement and foster coherence of policies to promote responsible business conduct;
f) advise the Secretariat on the appointment of the members of the Expert Panel;
g) where required, undertake periodic peer reviews of the NCP to share experiences and foster NCP effectiveness and functional equivalence; and
h) discuss strategies aimed at contributing to the effectiveness of the Guidelines with relevant stakeholders.

b) Expert panel shall

i. within the meaning of the Guidelines, be a non-judicial ad-hoc panel responsible for handling complaints received.
ii. be set up upon receipt of a complaint.
iii. consist of at least three persons including –
   a. a person having wide knowledge or experience in law or dispute resolution; and
   b. a person having wide knowledge or experience in the subject matter of the complaint.
iv. exercise its functions independently, and its decision shall be final.
v. submit its decision on all complaints received, through the NCP Secretariat, to the NCP Bureau.

c) Secretariat shall

i. provide such administrative assistance to the NCP Bureau and the Expert Panel, as may be required;
ii. receive enquiries which will be responded to by the NCP Bureau, and send such responses to the relevant person;
iii. be responsible for receiving complaints; and initiate the process of appointing the members of the Expert Panel.

OECD Investment Policy Reviews

MAURITIUS

This review assesses the climate for domestic and foreign investment in Mauritius. It discusses the challenges and opportunities faced by the government in its reform efforts. Capitalising on the OECD Policy Framework for Investment and the OECD Foreign Direct Investment Qualities Policy Toolkit, this review explores trends and qualities in foreign investment, development successes and productivity challenges, investment policy, investment promotion and facilitation, and investment incentives. The review highlights potential reform priorities to help Mauritius fulfil its development ambitions that align with its commitment to comply with the principles of openness, transparency and non discrimination. This report also helps Mauritius, as a new Adherent to the OECD Declaration on International Investment and Multinational Enterprises, to promote greater investment policy transparency, as well as responsible business conduct.

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