Mauritius

Supporting Analysis of the Operationalisation of the External Investment Plan and of Public-Private Dialogue within the SB4A platform.

Draft final report

TPSDE Facility

Draft Final Report

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About the TPSD/E Facility

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Disclaimer

This report was drawn-up by Philippe Guitard, an expert deployed by the TPSD Facility at the request of the European Union Delegation in Mauritius. The contents of this publication do not necessarily reflect the official position or opinion of the European Commission. The European Commission, or any other person acting on behalf of the Commission, may not be held liable for the use, which might be made of the information contained in this report.

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ABBREVIATIONS AND ACRONYMS

A2F	Access to Finance
AAP	Annual Action Programme
ACE	Africa Centre of Excellence
ACP	African, Caribbean and Pacific States
AFD	Agence Française de Développement
AfDB	African Development Bank
AFRITAK	IMF African Regional Technical Assistance Centre
AGOA	African Growth and Opportunity Act
AHRIM	Association des Hôteliers et Restaurateurs de l'Ile Maurice
AMM	Association of Mauritian Manufacturers
ATMC	Association of Trust and Management Companies
BACECA	Building and Civil Engineering Contractors Association
BM	Business Mauritius
BOI	Board of Investment
BPO	Business Process Outsourcing
CCIFM	CCI France Maurice
CCIFM	French Mauritius Chamber of Commerce and Industry
COMESA	Common Market for Eastern and Southern Africa
CSP	Country Strategy Paper
DBM	Development Bank of Mauritius
DFID	Department for International Development
EAC	East African Community
EBIC	European Business Information Centre
EBOWWN	European Business Organisation World Wide Network
EDB	Economic Development Board
EEN	Enterprise Europe Network
EFI	European Financial Institution
EFSD	European Fund for Sustainable Development
EIP	External Investment Plan
EPA	Economic Partnership Agreement
ESA	Eastern and Southern African
EU-NAVFOR	European Union Naval Force Operation Atalanta
EUNBF	EU-Nigeria Business Forum
FDI	Foreign Direct Investments
FSC	Financial Services Commission
FSCC	Financial Services Consultative Council
FTA	Free Trade Agreement
GBC	Global Business Companies
GCCA+	Global Climate Change Alliance Plus
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
ICT	Information and Communications Technologies
ICTA	ICT Authority
iEPA	Interim Economic Partnership Agreement
ILDO	International Long Distance Operators
IOC	Indian Ocean Commission
IOM	International Organization for Migration
ITO	International Telecom Organisations
KPI	Key Performance Indicators
MAF	Mauritius Africa Fund
MARENA	Mauritius Renewable Energy Agency
MAURITAS	Mauritius Accreditation Service
MBA	Bankers Association
MCB	Mauritius Commercial Bank
MCCI	Mauritius Chamber of Commerce and Industry
MEXA	Mauritius Export Association
MICCP	Ministry of Industry, Commerce and Consumer Protection
MOU	Memorandum of Understanding
MT	Mauritius Telecom

MTR	Mid Term Review
NES	National Export Strategy
NIP	National Indicative Programme
NIP	National Indicative Programme
NTB	Non-Tariff Barriers
OTAM	Outsourcing and Telecom Association of Mauritius
PFM	Public Finance Management
REC	Regional Economic Community
SADC	Southern African Development Community
SADC-TRF	SADC Trade Related Facility
SB4A	Sustainable Business four Africa
SBM	State Bank of Mauritius
SDG	Sustainable Development Goals
SEPA	Sustainable Fishery Partnership Agreement
SEZ	Special Economic Zones
SIC	State Investment Corporation
SIDS	Small Islands Developing States
SME	Small and Medium-size Enterprise
SMEDA	Small and Medium Enterprises Development Authority
SPS	Sanitary and Phyto Sanitary
SUNREF	Sustainable Use of Natural Resources and Energy Finance
TA	Technical Assistance
UCCIOI	Union of CCIs for the Indian Ocean
UNDP	United Nations Development Programme
WBG	World Bank Group
WHO	World Health Organisation

EXECUTIVE SUMMARY AND CONCLUSION

The mission was suspended midway, further to the Inception Report which i) highlighted the difficulties to conduct a mapping study of the EU enterprises in Mauritius in the time allocated to one single consultant, in view of the limited availability of the existing information and ii) recommended a formal dialogue structure relying on existing efficient local institutions to support the proposed dialogue framework.

The present report highlights the proposed dialogue structure principles which would have had to be detailed in cooperation with the local institutions, once the proposed structure were to be agreed by the EU. This did not happen and the proposed Dialogue structure still recommended by the mission would need to be further discussed locally to finalise its more detailed objectives, activities, expected results and stakeholders' responsibilities.

The present report is divided into three main parts:

- Part I summarises the mission objectives, expected results and methodology;

- Part II describes the economic environment in Mauritius: the EU strategy in the country and region as well as the other Development Partners' strategies, the role and function of the numerous institutions, public and private that shall be part of the proposed dialogue, depending on the workshop agenda. It also highlights the difficulties to identify the EU enterprises in the context and provide for some possible source of information;

- Part III describes the proposed Dialogue framework characteristics and implementation structure to support improvement of the business environment for EU enterprises but also to identify potential investments to be supported by the EIP more particularly through the EFSD Guarantee tools.

➢ Identifying the EU enterprises

In the absence of a local EU CCI, the proposed dialogue structure is based on harnessing the Mauritius CCI (MCCI) and the Business Mauritius (BM) institutions to segment their members along criteria defining their equity origin as well as their export performance. Criteria in this regard are proposed which would have had to be further discussed with these institutions, based on available information.

To include such specific criteria in these CCI database would be all the more welcome at the moment since the Union of CCI from the Indian Ocean (UCCIOI) is presently designing a common framework for its members' databases, which would have to be applied by all the region CCIs, including the MCCI and BM. The UCCIOI met was interested by the idea to include such criteria in their database and would have been prepared to discuss the issue further.

The Economic Development Board (EDB) was also interested in principles to define criteria that could be applied to local enterprises to identify the foreign own ones (and therefore the EU ones) so as to be able to isolate this segment of companies which most certainly have specific requirements or concerns. Such segmented approach would in the EDB' eyes provide a source of information to better define Mauritius attractiveness, as well as help the EU to interact with them.

➢ Conducting the policy dialogue

It is not recommended at this stage to support the creation of an EU CCI, in view of the limited knowledge of the EU enterprises population and the absence of a potential leader for such development.

The mission recommends instead a Dialogue structure implementation framework, based on a limited number of directly involved "APEX" institutions made up of the MCCI, BM, EDB and possibly, to include the Indian Ocean regional aspect: the UCCIOI and the Indian Ocean Commission (IOC).

Other stakeholders such as various sector associations or other governmental institutions described in this report would have to be associated in the dialogue process through their involvement in the various thematic workshops which would be organised from time to time with the relevant participants, including the EU enterprises concerned, and the European Financial Institutions (EFI) representatives.

These thematic workshops in the presence of the relevant government institutions should provide for an avenue to raise the EU enterprises concern about improving the business environment, directly with the relevant public institutions involved.

To contribute to the Policy Dialogue, the EU's responsibilities should provide for possible Technical Assistance to further assess the identified issues and propose solutions. Furthermore, the EU could also facilitate the involvement of EU businesses interested to invest in Mauritius through such organisation as the Enterprise Europe Network; if and when an EUCCI is established locally, cooperation with the EuroChambers or the European Business Organisations World Wide Network could then be supported.

Should the proposed Dialogue structure be retained, the abilities and capacity of the EU Delegation to participate, lead and even co-chair the structure should be assessed to ensure it has the proper capacity to follow-up the implementation stages of the process. Also, the relationship with the EFIs in the proposed Dialogue structure would have to be clearly defined, to avoid duplication and overlap with existing for a, such as the AfDB Investment Platform for Africa.

- **Identifying the investment needs (public and private sector – including EU enterprises)**

The proposed Dialogue structure would also provide an avenue to identify the investment environment and government priorities in this regard. Individual EU enterprises' investment plans might most probably not be discussed in these workshops for confidentiality reasons, but the EU enterprises would be informed about the External Investment Plan (EIP) financing features as well as about the government priorities locally, but also in the region, and even more importantly in the countries in Africa for which Mauritius is often acting as a back-up base (possibly with the support of the Africa Mauritius Fund).

The participation of the EFIs in these workshops would allow them to get in touch with potential private and public investors, depending on each thema, those being decided jointly by the EU and EDB as co-chairs of the Dialogue structure, as proposed in our recommendations.

- **Conclusion**

In view of:

i) the absence of an organised representation of the EU enterprises in Mauritius (only the French and in a lesser way the Belgian have a local CCI, while only the British have a locally based trade commissioner);

ii) the effectiveness of the existing local Public Private Policy dialogue;

iii) the weak capacity and abilities of the EU Delegation with regard support to the private sector; and

iv) the limited presence of the EFIs in the country;

the mission recommends to rely on a close cooperation with the local CCIs and the EDB to help structure the EU Dialogue framework with the private sector among which the EU enterprises.

The proposed framework should ensure to achieve the expected results in a professional and sustainable way such as:

- Identifying the EU origin enterprises as per proposed criteria to be further defined in line with available information;

- Identifying the various issues affecting EU enterprises in Mauritius and the region, relying on the proposed thematic workshops to be organised regularly with relevant EU and Mauritius stakeholders, including the EFIs;

- Identifying the investment needs and financing requirements which could be supported by the EIP and notably the EFSD guarantee instrument.

To try and identify in a non-systematic way information about the EU enterprises present in the country will not only give a partial view of their presence, but will not allow to exploit the gathered information in a constructive way thereafter, without the means and capacity to follow-up on collected information, through a sector based approach (in terms of improving the business environment and identifying the investment/ financing needs) and to address those requirements in cooperation with the government.

Furthermore, not contributing to include criteria about the enterprises' origin in the various CCIs and EDB/ related institutions databases will not allow for a clearer understanding and knowledge of this enterprise segment in the future by all parties concerned.

Finally, to collect this type of information without accompanying such information by the enterprises' position in their respective value chains/ sectors will limit the usefulness of the information collected. Relying on the CCIs to provide such information would help the EU Delegation limited capacity in this regard.

In a second stage, when the proposed framework will have allowed a better identification of the EU enterprises and their requirements, setting up a proper EU CCI to represent these businesses will have to be considered, so as to lessen the dependency on the local partners.

1 MISSION OBJECTIVES, ACTIVITIES, EXPECTED RESULTS AND METHODOLOGY

1.1 Objectives

The proposed support is framed in the new integrated approach of the European Union External Investment Plan, and in particular responds to the implementation of its new SB4A platform. Further improving the business climate in Mauritius is a key element in promoting responsible and sustainable investments, contributing to sustainable development goals. Moreover, the private sector plays a crucial role in the creation of sustainable jobs and improving the connection between Mauritian and European businesses can accelerate this process. Finally, the private sector has an active role to play and real added value in terms of advocacy with the Government for the achievement of Sustainable Development Goals (SDGs).

The main objective of the mission is to provide the basis for the establishment of a structured dialogue between the EU and the private sector in Mauritius and in the region within the Sustainable Business four Africa (SB4A) approach of the External Investment Plan (EIP). This will include conducting a mapping and analysis of the local and European private sectors, paying attention to the key sectors in Mauritius (taking into account the Jobs and Growth Compact prioritised value chains). Attention will also be paid to the levels of investment by other foreign investors, for example USA, China, India and the Middle East.

A second objective is to understand the possibilities of using the EIP guarantees to support economic development in the country.

1.2 Expected results

Result 1: Mapping of the local and European private sector. The mapping will be done by sectors/ value chain (following the Jobs and Growth Compact priorities).

Result 2: A proposal for an SB4A–structured dialogue process with local and European businesses in the country will be provided, based on the above mapping results and the context.

Result 3: Identification of investment needs will be done and analysis for potential use of the European Fund for Sustainable Development (EFSD) guarantee (EIP 1st Pillar) by private sector based, inter alia, on the information available in the Project Investment Proposals agreed for in the various EFSD windows.

1.3 Methodology

Further to a home based desk review and initial contact with DEVCO C4 and the EU Delegation, the mission composed of one expert was due to spend one month in country to meet with the stakeholders (a list of the persons and institutions met is attached as an annex). Finally, the mission was curtailed to 13 working days in country due to the need to redefine the deliverables in view of the i) difficulties to identify supporting information to map the private sector and ii) the reluctance of the EU, for the moment to work with the local institutions to detail the proposed design of the Dialogue structure.

Main institutions met were the private sector representatives, the main government institutions in charge of economic development, a few enterprises and financial institutions, other Development Partners as well as the two local EFI (AFD and he AfDB).

The only trade and commercial member state present locally for the UK was also met, while contacts with the regional Member States delocalised trade anc commercial representatives did not answer our requests for information.

1.4 Main issues

The main issue the mission was confronted with resulted from:

- **Mapping the private sector**

- The difficulties to conduct a primary research of the various sectors, in view of the mission time constraints and the limited existing sector studies;

- The absence of EU businesses representative associations apart from the French Mauritius Chamber of Commerce and Industry (CCIFM) and the Belgian informal business club;

- The absence of commercial counsellors in country in the EU Embassies: only England has a locally based commercial counsellor;

- The specific context of Mauritius, being a local market (albeit small) as well as a base for investment in Africa (offshore businesses), supported by a favourable tax framework; different types of enterprises with specific concerns shall be involved in these two areas while data on the Global Business Companies (GBCs) mostly involved with offshore business are not accessible.

In this context, the mapping of the private sector and of the main EU business presence had to rely on the limited information identified.

- **Structuring a policy dialogue in coordination with the EU business enterprises**

- Absence of a potential leader in this respect, a role which cannot be taken up by the EU Delegation which shall rather act as a facilitator; identification of a potential leader to structure the EU businesses representation will have to be identified;

- Importance of a link with the local business representative and existing public private policy dialogue, despite some potential for conflict of interest;

- The support from the European Business Organisations World Wide Network might not be forth coming in view of its own strategy (limited size of Mauritius). The Europe Enterprise Network might prove to be the best representative of EU enterprises potentially interested by Mauritius and its region.

- **Promoting the EIP/ EFSD financial instrument**

- Main issue in this respect is to differentiate between supporting in country developments, limited by the market size and its middle income country status with the larger investment requirements in the neighbouring African countries, a number of enterprises with African development plans being based in Mauritius.

- Secondary issue shall be the promotion mechanism for the EIP in Mauritius, only two of the potential implementers having a local office (the African Development Bank - AfDB and the Agence Française de Développement - AFD). A close cooperation with the Economic Development Board is probably one of the solution to be considered.

1.5 Outline of this report

For effectiveness reasons, the mission has finally been curtailed to thirteen working days, focused on recommending a structured Policy Dialogue framework, to be organised as recommended under the Pillar 3 of the External Investment Plan and the Sustainable Business for Africa (SB4A).

Identifying the main enterprises present in Mauritius was finally considered as a sideline to this mission for the moment. A number of documents have nevertheless identified which might prove useful for the future completion of this objective.

This report has been divided into three main parts:

PART I: A description of the overall context;

PART II: EU Business mapping in Mauritius: this is the part which has not been pursued to the end and shall be taken over by a new team; information contained herewith is not exhaustive and shall be complemented by the future mission;

PART III: This part describes the recommended Policy Dialogue Framework, as per the EIP Pillar 3, detailed in the Sustainable Business for Africa (SB4A).

PART I: THE ENVIRONMENT

2 CONTEXT

The Republic of Mauritius is a parliamentary democracy, with well-functioning institutions and a peaceful multi-ethnical and multi-religious population of approximately 1.3 million inhabitants.

Mauritius is ranked as "Upper Middle Income" country, however it still suffers from its insularity and challenges inherent to Small Islands Developing States such as remoteness of markets and vulnerability to external shocks as it relies on imports for oil, all raw materials and it is prone to natural disasters and climate change effects.

2.1 The Macro-economic situation

Mauritius is seeking to become a high-income economy within the next ten years. The growth strategy is anchored around an ambitious public investment program and improvements in the business climate. However, fiscal space is limited, and competitiveness bottlenecks are limiting the gains from trade. The macroeconomic outlook is broadly positive. Growth in 2017 is projected at 3.9 percent in 2017, and about 4.0 percent over the medium term. However, the vibrant Global Business Sector faces pressure from international anti-tax avoidance initiatives…

Further revenue mobilization efforts to build fiscal space, support the fiscal anchor and preserve debt sustainability are required. While staff supports the revised debt anchor, indications are that under current policies, the debt target would be missed. A tighter fiscal stance would then be required for Mauritius to meet its goals of improving infrastructure, and promoting inclusive growth while preserving debt sustainability…

Further reforms are necessary to meet emerging cost competitiveness challenges. While recent reform efforts will likely bolster Mauritius' position in the Doing Business rankings, broader structural reforms in areas such as the labour market, higher education, innovation, governance and anti-corruption (e.g. effective use of AML tools and strengthened asset declaration system) policies will be key drivers of Mauritius' economic transformation going forward. Simplifying the wage-setting mechanism will improve competitiveness, while strengthening current efforts to boost the labour supply of youth and women will contribute towards closing gender gaps and reduce inequality [1].

However, the economic base is narrow and production is concentrated in three main sectors namely Textile & Clothing, Fish and Fish products and Sugar making up to 90% of exports. The manufacturing sector in Mauritius is facing increasing competitive pressure from increasing global competition in the export markets.

Recently the European economic slowdown has had a significant negative impact on Mauritian exports. Trade flows is gradually being diversified with lesser dependence on the EU market where Mauritian exports to the EU stood at 43.3 % in 2015 compared to 64 % in 2013 while at country level the UK is the main buyer. The Brexit process has already impacted negatively on Mauritian exports which suffered considerable losses in exchange rates decline of the UK currency leading to declining export revenues. The current account deficit, having shrunk markedly in recent years is expected to widen again given sluggish manufacturing growth.

Mauritius market is export oriented, economic growth during 2016-2017 has shown a slower trend of 3.5% - 3.8% respectively. The key drivers of the economy are the financial and insurance activities, Information and Communications Technologies (ICT), the manufacturing (services 73%/ industry 22%/ agriculture 5%) as well as tourism. The EU represents the biggest destination for exports (close to 50%) although recently India and China have gained greater influence in exports but also in terms of investments.

Less than 1% of the Mauritian population lives in extreme poverty, however, inequality is slowly growing and relative poverty as increased up to approximately 10% of the population. In fact, productivity gains in Mauritius have been declining in the past decades while unemployment rate has

[1] As per IMF Article IV staff report 2017

risen since the financial crisis and stagnated at approx. 8% in the past 5 years, particularly affecting the youth with an unemployment rate of 23.9 in 2016.

2.2 The International environment

2.2.1 The Economic Partnership Agreement (EPA)

To comply with international trade rules, the ACP and the EU agreed to conclude WTO - compatible trading arrangements, removing progressively barriers to trade and enhancing cooperation in all areas relevant to trade and is known as the Economic Partnership Agreements (EPAs).

Mauritius opted to negotiate with the EU in an Eastern and Southern African (ESA) configuration, which is a sub-group of ten Common Market for Eastern and Southern Africa (COMESA) countries namely.

An interim EPA was signed in Mauritius on 29 August 2009 between the European Commission and four Eastern and Southern African (ESA) countries namely; Mauritius, Madagascar, Seychelles and Zimbabwe. The agreement entered into force on 14 May 2012.

Under the agreement, the four ESA states are benefiting from duty free access for all products with the exception of sugar and rice which had a transitional period until September 2015.

The ESA countries are currently involved in the negotiations of a full EPA which would include Trade in goods, Trade in services, Competition Policy, Intellectual Property Rights, Trade Facilitation, amongst others.

2.2.2 The African Growth and Opportunity Act (AGOA)

Mauritius is a beneficiary of the AGOA scheme. AGOA builds on existing US trade programs by expanding the (duty-free) benefits previously available only under the country's Generalised System of Preferences (GSP) program.

Duty-free access to the U.S. market under the combined AGOA/GSP program stands at approximately 6,500 product tariff lines, including the tariff lines that were added by the AGOA legislation. Notably, these newly added "AGOA products" include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and many others.

After completing its initial 15 year period of validity, the AGOA legislation was extended on 29 June 2015 by a further 10 years, to 2025.

2.2.3 The Indian Ocean Commission (IOC)

The **Indian Ocean Commission** is an intergovernmental organization that was created in 1982 at Port Louis, Mauritius and institutionalized in 1984 by the Victoria Agreement in Seychelles. The COI is composed of five African Indian Ocean nations: Comoros, Madagascar, Mauritius, Réunion (an overseas region of France), and Seychelles. Notwithstanding their different characteristics (Reunion as a French overseas region; Mauritius and Seychelles as Middle-Income Countries whereas Comoros and Madagascar are amongst the Least-Developed Countries), the five islands share geographic proximity, historical and demographic relationships, natural resources and common development issues.

The IOC works on four pillars which have been adopted in 2005 by the Summit of Heads of States:

- Political and diplomatic cooperation,
- Economic and commercial cooperation
- Sustainable development in a globalisation context, cooperation in the field of agriculture, maritime fishing, and the conservation of resources and ecosystems
- Strengthening of the regional cultural identity, cooperation in cultural, scientific, technical, educational and judicial fields.

2.2.4 The Tripartite Free Trade agreement

The signature in October 2017 of the COMESA-EAC-SADC Tripartite Free Trade Agreement by the Republic of Mauritius is a clear indication that the country is accelerating its regional integration process on the African continent.

The Tripartite FTA encompassing 26 Member/Partner States from the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and the Southern African Development Community (SADC), with a combined population of more than 630 million people, will account for half of the membership of the African Union and 58% of the continent's GDP.

The emergence of the common market will usher a new dynamism to the economy and in which the private sector will have to take advantage of the new market access, particularly in the industrial manufacturing sector and the Freeport.

2.2.5 The Southern African Development Community (SADC)

The SADC (FTA) was launched on 17 August 2008. The implementation of the SADC Trade Protocol started in the year 2 000 with the gradual elimination of customs duties on 85% of tariff lines by 2008 and with tariffs on the remaining 'sensitive products' being eliminated by 2012. However, given the worldwide economic situation, some Member States have delayed their tariff-phased down schedules.

Out of the 15 SADC Member States, Angola, the Democratic Republic of Congo (DRC) and Seychelles have yet to join the SADC FTA. Therefore, these 3 countries do not offer any tariff reductions under SADC.

The SADC FTA confers to Mauritian exporters either duty free access or partial tariff reduction in other SADC Member States, except for Angola, DRC and Seychelles. This confers a margin of preference to Mauritian exporters as compared to imports from other third countries like China and India. The margin of preference is the difference between the normal custom duty applicable and the rate of duty when exported under SADC. A competitive edge is therefore granted to SADC originating products. The links below provide the tariff schedules in most of the SADC countries where the normal duties applicable on imported products are listed.

In the region, Member States of the SADC, COMESA and EAC have decided to adopt a harmonized approach as regards elimination of Non-Tariff Barriers (NTBs). The three Regional Economic Communities (RECs) have joined forces to implement a common Non-Tariff Barrier reporting, monitoring and eliminating mechanism, which incorporates concrete timelines for the removal of NTBs in the region.

The online NTB monitoring mechanism is available on www.tradebarriers.org. Operators can directly report and monitor the resolution of barriers encountered in the COMESA, EAC and SADC regions. This new system enhances transparency and makes it easy to follow-up reported and identified NTBs. This web-based NTB system is accessible to all economic operators, public officials, academic researchers and other interested parties.

2.2.6 The Common Market for Eastern and Southern Africa (COMESA)

The FTA was achieved on 31st October, 2 000 when nine of the member States namely Djibouti, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe eliminated their tariffs on COMESA originating products, in accordance with the tariff reduction schedule adopted in 1992.This followed a trade liberalisation programme that commenced in 1984 on reduction and eventual elimination of tariff and non-tariff barriers to intra- regional trade. Burundi and Rwanda joined the FTA on 1st January 2004. These eleven FTA members have not only eliminated customs tariffs but are working on the eventual elimination of quantitative restrictions and other non-tariff barriers.

Other objectives which will be met to assist in the achievement of trade promotion include:

- Trade liberalisation and Customs co-operation, including the introduction of a unified computerised Customs network across the region.
- Improving the administration of transport and communications to ease the movement of goods services and people between the countries.

- Creating an enabling environment and legal framework which will encourage the growth of the private sector, the establishment of a secure investment environment, and the adoption of common sets of standards.
- The harmonisation of macro-economic and monetary policies throughout the region.

2.3 The Mauritius Economic development policies

Mauritius has developed an Africa Strategy to position and promote Mauritius as the natural gateway for investments: actions have included closer collaboration with African Investment Promotion Agencies, and Government to Government collaborations in the setting-up of Special Economic Zones in several African countries. The Government has set up the Mauritius Africa Fund (MAF) to encourage domestic enterprises to invest in Africa.

2.3.1 Mauritius development policies

➢ **The National Export Strategy (NES)**

The government (Ministry of Industry, Commerce and Consumer Protection - MICCP) policy has been recently (March 2017) formalised through a comprehensive NES, which main objectives and related activities are based on:

- Seven sectors: agro-processing, cultural tourism, financial services, fisheries and aquaculture, jewellery, medical services and software development;
- Five cross sector functions: branding, innovation, institutional alignment, skills development and SME internationalisation; and
- A Chapter on Rodrigues Island.

Its implementation Structure is to be based on:

- A central public-private governance body (which may be associated to the proposed dialogue framework behind the EDB):

- To coordinate activities with leading trade support agencies from across the entire trade support network of Mauritius.
- To be supported by an executive secretariat with administrative technical capabilities required for the management of NES implementation.
- Whether to create a new structure or to use and strengthen an existing one is to be recommended by the Inter-Ministerial Committee in charge of reviewing and validating the NES.

- Financial resource mobilization for implementation:

- National resources through direct budget and support programmes
- Alignment of donors' support and interventions with the NES
- Private sector support and participation.

➢ **The Ten Year Master Plan for the SME Sector in Mauritius (2017)**

Established by the Ministry of Business, Enterprise and Cooperatives in 2017.

With a contribution of about 40% to the country's Gross Domestic Product (GDP) and representing 54.6% of total employment, Small and Medium-size Enterprises (SMEs) in Mauritius are bound to become a major pillar of the economy. Indeed, as per the Budgets to date and Vision 2030, SMEs are called to assume a more impactful role in the economy not only as an enabler but as a key driver of inclusive and balanced growth.

Challenges in the sector are however multi-dimensional and against such a complex backdrop, SMEs, support institutions, the private sector and Government have to adopt new approaches and invent novel ways of working together to foster SME competitiveness.

Given the heterogeneous nature of the sector, it is obvious that building a strong base of vibrant and resilient SMEs is a daunting task calling for a holistic SME support framework. For our SMEs to play the expected leading role in our economic architecture, we need to devise the appropriate mechanisms to support the creation of an ecosystem which is conducive to this outcome. And for this, we need to address issues of strategic importance so that our policies can be more entrepreneur-centric in the long run.

The 10 - Year SME Master Plan addresses this need to trigger major paradigm and structural shifts towards an entrepreneurial economy. Government is thereby introducing a 'game changer' so as to encourage the emergence of a new breed of SMEs that can foster market and technology driven advancements to create more high-skilled jobs in all economic sectors. It is a tool that will be key in building a 'nation of entrepreneurs' and that will bring the expected "quantum leap" for the sector.

Based on evidence and sound analysis of growth levers for SMEs and adopting an outcome-based approach, the Master Plan addresses the multiple challenges faced by our SMEs with a view to unleashing the growth potential of those enterprises. The high adaptability of the proposed Master Plan is to be highlighted - far from providing a rigid code of conduct for SMEs for the coming 10 years, the Master Plan follows a 'live plan' concept that will remain relevant with changing times, by fine tuning to environmental and structural changes and evidence of new data.

The Master Plan is meant to make recommendations to reshape the entrepreneur landscape against ambitious, yet realistic targets to be reached by 2026:

- raising SMEs' contribution to GDP from 40% to 52%;

- raising SMEs' share of total national employment from 55% to 64%; and

- increasing current exports from less than 3% to about 18%.

These objectives shall be achieved through six "strategic Thrusts" as follows:

Box 1: Six Strategic Thrust for SME Development



Source: 10 year Master Plan for the SME Sector in Mauritius –

https://www.mcci.org/media/154352/sme-master-plan1.pdf

2.3.2 The main public stakeholders

- **The Economic Development Board (EDB)**

Under the tutelage of the Ministry of Finance and Economic Development, the Economic Development Board is mandated to provide strong institutional support for strategic economic planning and to ensure greater coherence and effectiveness in economic policy formulation for Mauritius.

The EDB is thus responsible for advising Government on appropriate policies and strategies for socio-economic development, trade development, export and investment promotion, infrastructure development, labour market improvement and business facilitation.

Through its Strategic Planning and Economic Development Directorate, the institution carries out economic research at the macro-economic level, ensures coordination across government agencies and maintains constant dialogue with stakeholders on economic matters with a view to:

- formulating macro-economic policies in view of achieving the growth objectives of Government for becoming a High-Income economy;
- identifying opportunities in new economic sectors and engage with international partners to develop strategic alliances to create the appropriate ecosystem for these sectors and
- advising on the development of major projects which are of significance or strategic importance to the economy.

The EDB is moreover entrusted with the responsibility for monitoring and evaluating the outcomes of policies and projects using a range of sources and techniques as well as benchmarking Mauritius against other jurisdictions.

The institution is also involved in initiatives aimed at broadening the economic space of Mauritius, providing its views and inputs on matters of regional integration, the Africa strategy and international cooperation.

The EDB is also responsible to implement the following government schemes:

- The Mauritian Diaspora Scheme[2]

A scheme managed by the EDB to attract Mauritian returnees through various fiscal and other advantages.

This area is in line with one of the original five windows identified under the EIP.

- The Smart City Scheme[3]

The Government of Mauritius, through the Smart City Scheme, is therefore offering a plethora of opportunities to global investors to share in the vision of Mauritius in creating intelligent, innovative and sustainable cities of tomorrow.

This area is also in line with one of the original five windows identified under the EIP.

Finally, the EDB has recently absorbed the former Board of Investment and the Mauritius Financial Centre to become a powerful government institution in charge of promoting the economic development of the country.

- **The (BOI) Mauritius recently merged with the EDB**

Board of Investment (BOI) is the agency of the Government of Mauritius in charge of promoting investment in Mauritius. It is therefore a key player for foreigners wishing to invest in Mauritius.

Its role is to assist and advise foreign investors, as well as issuing permits (e.g. for rental or purchase of property for IRS and RES programs) and permits (work and residence).

[2] http://www.diaspora.mu/Default.aspx
[3] http://www.edbmauritius.org/schemes/smart-city-scheme/

Services provided:

- Counselling on investment opportunities in Mauritius
- Information on specific industries and help to launch your business
- Identification of potential partners in Mauritius
- Organization of visits and meetings according to the investors' needs
- Advice on the location of the business, means and equipment
- Centralization and help with administrative formalities: occupation permit, residence permit, work permit or other (in collaboration with the Immigration and Passports Office)

➢ **SME Mauritius[4]**

SME Mauritius Ltd is a private company wholly owned by the Government of Mauritius incorporated in July 2017. This institution has taken over the role and functions of the Small and Medium Enterprises Development Authority (SMEDA).

SME Mauritius Ltd operates under the aegis of the Ministry of Business, Enterprise and Cooperatives and is committed to support and facilitate the development of entrepreneurship and MSMEs in Mauritius.

It operates a number of SME support grant schemes which could be further supported by the EIP if necessary. The main schemes are:

- Green Energy Promotion – Solar Photovoltaic rebate

- A Mentoring and Handholding Programme

- A Communication and Visibility – On-line presence

- Technology and Skills Transfer – Inclusive Business

- Access to Market – Barre code registration

- The SME Development Scheme certificate

This last programme identifies the eligibility criteria to benefit from a Government support scheme through favourable fiscal and non-fiscal support such as access to finance loan at 2.5% pa interest rate.

These eligibility criteria[5] in fact list the sectors eligible to specific support, unfortunately, mainly targeting manufacturing and excluding the service sectors and trading. The scheme is financed through the Development Bank of Mauritius as well as the MauBank.

- Finally, it is confirmed that SME Mauritius, like most other institutions is not collecting foreign equity criteria information on its SME members, allowing identification of foreign enterprises/ JV. However, they are contemplating the possibility to design specific criteria to identify high export growth/ high growth potential SMEs. These indicators could be linked to:

. High export potential, probably based on export growth percentages

. High growth potential, to be based on criteria to be identified (turnover growth?).

➢ **The Financial Services Commission**

[4] https://smemu.org/about-us/
[5] Cf. http://enterbusiness.govmu.org/English/Documents/SME%20DEVELOPMENT%20SCHEME-guidelines%20Sept16.pdf

- The Financial Services Commission, Mauritius (the 'FSC') is the integrated regulator for the non-bank financial services sector and global business. Established in 2001, the FSC is mandated under the Financial Services Act 2007 and has as enabling legislations the Securities Act 2005, the Insurance Act 2005 and the Private Pension Schemes Act 2012 to license, regulate, monitor and supervise the conduct of business activities in these sectors.

It is an internationally recognised Financial Supervisor committed to the sustained development of Mauritius as a sound and competitive Financial Services Centre.

In carrying out its mission, the FSC aims to:

- promote the development, fairness, efficiency and transparency of financial institutions and capital markets in Mauritius;
- suppress crime and malpractices so as to provide protection to members of the public investing in non-banking financial products; and
- ensure the soundness and stability of the financial system in Mauritius.

- FSC Anti-Corruption Policy: The FSC has adopted a comprehensive policy on corruption prevention which set aims and objectives, draw together existing policies and procedures that relate to corruption prevention.

As highlighted in the blueprint for the Mauritius International Financial Centre (IFC), the jurisdiction has a strong value proposition for cross-border investments based on its broad product range, competitiveness, comparatively low service costs and stability. However, to maintain and further develop a healthy ecosystem, the report highlights that Mauritius needs to protect its traditional markets and position the sector to capture value from growth areas by addressing the following challenges: the Business environment, its reputation and human capital. The reform in the Global Business sector is ascribed in this vein – by maintaining a business environment which is compliant with international standards and by creating imperatives in the business environment to build capacity.

- The Finance Act 2018 (the 'Act') has reshaped the contours of the Global Business landscape with the abolition of the Category 2 Global Business Licence ('GBL2'). In line with the amendments, new substance requirements for Global Business Corporations (formerly holders Category 1 Global Business Licence) will be introduced as well.

- Global Business Companies: the Institution is also key in monitoring[6], licensing and regulating the "Global Businesses Companies 1 and 2[7]" and as such may be an important source of information as far as the EIP is concerned. Let's just point out that the number of Global Enterprises 1 represent about 10 600 institutions and that it increased by about 1000 units yearly (as per FSC 2016 report).

An important tool as far as support to the private sector is concerned is the SME Equity Fund[8], managed by the FSC which targets minority investments through preferential shareholding into high growth potential local SMEs, over a 7 year duration. Again, this falls in line with potential EIP targets for support.

- **The State Investment Corporation (SIC)**

The State Investment Corporation is a major group in the business of investment. It was founded in 1984 with the main objective of providing funds for the realisation of high-growth entrepreneurial ventures and assisting businesses to industry leadership position.

[6] Cf. https://www.fscmauritius.org/en/fsc-newsletter/transforming-the-mauritius-ifc-cross-border-investments

[7] Global enterprises 1 were the non-financial global enterprises (now GBL1 and 2 have been merged further to the streamlining of the off shore tax issue)

[8] Cf. https://www.smeequityfund.mu/

For its 30 years of existence, the Group has developed into a solid conglomerate with a strong and well-diversified portfolio which has witnessed a phenomenal growth. The Group has assets worth of over RS 7.5bn presently.

As the investment arm of the Government of Mauritius, the SIC has a very solid reputation and its endorsement of any project is a definite strength and key contributor to success. Throughout the years, the Corporation has proved to be a valuable partner for local and foreign entrepreneurs and institutions desirous of setting up ventures in Mauritius, Rodrigues and the Indian Ocean Region. Again, it could prove a target for EIP support and should be considered as an important stakeholder in the policy dialogue.

- Investments:

The portfolio of invested companies covers the following sectors:

- Disinvestment List
- Transport & Communication
- ICT
- Financial Services
- Entertainment & Tourism
- Properties
- Distribution
- Manufacturing
- Other Holdings
- Other Services
- Agro Industry

- Financing MSMEs

The SIC is also in charge of implementing the Investment Support Programme[9] for MSMEs which aims to support the development of leasing and factoring as well as guarantee support in favour of the financial institutions. The guaranteed percentage, the amount of the loans and the interest rates vary according to the size of the enterprises.

- **The Mauritius Africa Fund (MAF)**

The Mauritius Africa Fund has been set up as a public company limited by shares and will encourage domestic enterprises to invest in Africa. The Government has committed to a maximum of MUR 500 million in the Fund spanned over a period of five years. It also participates as an equity partner up to 10% of the seed capital invested by the Mauritian investors in projects targeted towards Africa. With such government support, this initiative undoubtedly gives further visibility and comfort to African entities on the credibility and viability of the projects presented to them by Mauritian companies.

Furthermore, the Mauritian Africa Fund are encouraging development partners and institutional investors to co-participate in the Fund.

The objectives of the Fund are as follows:

- to establish a clear strategy for promoting Mauritian investments into Africa;

[9] Cf. http://enterbusiness.govmu.org/English/Documents/Schemes/No.%203%20-%20Presentation%20by%20ISP.pdf

- to steer the development of integrated projects, including Special Economic Zones, Technology Parks, Logistics Parks, Agro-industrial Parks, Seafood, etc. in selected African countries;
- to assist in developing joint ventures / partnership agreements between African and Mauritian businesses; and
- to do all such other things as are incidental or conducive to the attainment of the above objects.

Partners:

The main partners in implementing the MAF are the Board of Investment, the Ministry of Foreign Affairs, Regional Integration and International Trade, the Mauritius Chambers of Commerce and Industry and the Africa Centre of Excellence.

Obviously, the MAF could be an important partner for the EIP, either as a source of information on projects to be co-supported, as a channel to attract potential EU investors in the African Special Economic Zones (SEZ) supported or as an institution to be directly funded.

At the moment the MAF is supporting 12 significant investment projects across Africa, at least one of them involving an EU company: Loinette Leasing[10], specialised in the leasing of heavy equipment. Once again, this institution could prove a target for EIP support or to identify potential projects to be co-supported.

- **The Africa Centre of Excellence (ACE)**

The Africa Centre of Excellence was launched in October 2012 with a view to identify and facilitate investment from Mauritius into Africa.

One of its principal mandates is to act as a repository of business information for investors looking at Africa as their target market.

In this essence, ACE disseminates information on investment opportunities in different sectors in Africa, provides regular updates on a range of tenders and ongoing projects as well as real-time business insights on selected countries on the continent. Furthermore, ACE also smoothens the flow of information on business opportunities in Africa by strengthening its network of partners across the continent, which includes African Investment Promotion Agencies, Chambers of Commerce and Business Associations among others. Again, a useful potential source of information for identifying potential investments to be supported.

ACE also aims at enhancing the visibility of Mauritius as the preferred services platform for businessmen and service providers seeking to do business in Africa. It therefore extends its reach to investors by conducting promotional events, accompanying them in Africa and facilitating their investment process in their targeted countries: Website: www.boiafrica.com

- **The Development Bank of Mauritius (DBM)**

The DBM is offering specific schemes to support SME Access to Finance (A2F) and could prove a conduit to channel increase support to MSME A2F.

The present schemes are:

- Micro-credit 5 year loans at 3% p.a.

- Loans for start-ups and women entrepreneurs (4 years, 3% p.a.)

- Loan to MSME in most sectors (4 years, 3% p.a.)

- Loans to sheltered farming, organic farming (7 years, 3% p.a.)

[10] http://www.loinetteleasing.com/

- Loan to import substitution schemes (2 to 5 years, 3% p.a.)

It is unfortunately mentioned that this institution is reported as administrative heavy and not as efficient as required. It could nevertheless prove to be a partner to increase A2F support to the MSME segment via the EIP.

- **The Mauritius Renewable Energy Agency (MARENA)**

This Agency has been recently created as per THE MAURITIUS RENEWABLE ENERGY AGENCY ACT 2015.

The objects of the Agency shall be to:

(a) promote the adoption and use of renewable energy with a view to achieving sustainable development goals;

(b) advise on possible uses of liquid natural gas;

(c) create an enabling environment for the development of renewable energy;

(d) increase the share of renewable energy in the national energy mix;

(e) share information and experience on renewable energy research and technology; and

(f) foster collaboration and networking, at regional and international levels, with institutions promoting renewable energy.

Again an unavoidable partner to be involved with the policy dialogue as far as its area of involvement is one of the key sectors identified for support by the EIP.

- **The Ministry of Foreign Affairs, Regional Integration and International Trade**

The main recent development under this ministry is the setting up of the Mauritius Trade Easy web portal[11] which provides comprehensive information on import and exports statistics, world regulation, Mauritius trade agreements, market intelligence, Intellectual Property policy, sector studies...

3 THE EUROPEAN UNION STRATEGY TOWARDS MAURITIUS AND SUPPORT

Mauritius is amongst the four signatories of the first Interim Economic Partnership Agreement (iEPA) being implemented in sub-Saharan Africa and is the engine of Eastern and Southern Africa (ESA) group (including, Madagascar, Seychelles, Zimbabwe and recently joined by Comoros).

EU's priorities in the Republic of Mauritius for the period 2017-2020 are[12]:

1. Support the development of a partnership with the Republic of Mauritius, beyond the development aid dynamics by promoting common shared values and interests.
2. Promote respect for human rights and gender quality
3. Contribute to addressing climate change and other vulnerabilities affecting Mauritius as a SIDS notably by promoting the benefits of sustainable agriculture
4. Contribute to future growth by supporting research, innovation and tertiary education and culture as a tool for development. Promote trade and investment between Mauritius and EU through the Interim Economic Partnership Agreement (iEPA). Link whenever possible to investment opportunities, if feasible, within a broader Africa region.

[11] http://www.mauritiustrade.mu/en/trading-with-mauritius
[12] As per DEVCP Country fiche Mauritius 22/06/2018

3.1 At the national level*

- **EU Strategy**

EU efforts have been focussed to support the country reforms aiming at transforming from a mono-economy relying on agriculture/sugar to a diversified economy based on manufacturing and services. Due to the graduation as Middle Income Country the assistance under the 11th EDF has been drastically reduced compared to the past financial envelopes. Considering the main challenges faced by Mauritius, including slowed growth, increased unemployment and lack of innovation, the EU is keen to continue assisting the country to stimulate job creation and increasing its growth pattern in view of a transition towards a High Income Country.

Priorities	**Funding Sources**
Priority 1 **Sustainable growth and job creation**	11th EDF NIP – RIP, EIB, DCI, EIDHR
Despite impressive economic and social achievements, unemployment rate has risen since the financial crisis and growth has slowed down. Lack of innovation and bureaucracy are considered as major constraints for the business environment. Expansion of key productive sectors of the country, in particular for the ICT (as a digital hub), will have great potential for growth and innovation. The Annual Action Programme (AAP) 2018 will focus on increasing employability of Mauritians and support growth and transition of Mauritius to a high-income country through innovation and increased competitiveness.	

Based on the above, the focus of the EU in Mauritius is to support sustainable growth and job creation.

The proposed AAP 2018 reflects the priorities agreed under the Mauritius National Indicative Programme (NIP) and reconfirmed in the context of the Mid Term Review (MTR). Moreover, the new ICT Strategy in the Education Sector is an integral part of the wider reform for Mauritius' learning sector. It will help build stronger links between digital economy, innovation and education. At the same time the majority of actions foreseen in this AAP are scoped and planned within the Growth and Jobs Compact.

- **EU Growth and Jobs Compact**

The EU is committed to supporting Mauritius in its objective to graduate from an Upper Middle Income Country to a High Income Country, through its bilateral and regional cooperation (57M EUR until 2020).

The planned EU actions to support the development of a multi-sector Compact 2017-2020 are cross-cutting. EU support is geared at addressing the skills mismatch under the 11th European Development Fund (EDF) National Indicative Programme (NIP) which is focused on the tertiary sector. The support of EUR 9.9 million will improve technological transformation, capacity building and innovation which are of direct relevance to the needs of the country. The EU is keen to further develop human capital in the Republic of Mauritius by enhancing the quality, relevance and equity of tertiary education, while addressing the skills mismatch in the country. In the field of research of innovation, the project will namely support the setting up of a conducive environment for the development of innovative industries in Mauritius as well as agribusinesses and ICT.

These initiatives, if confirmed during the formulation phase, will contribute to promote entrepreneurship and creation of SME. Meanwhile, improvement of the business and investment climate with the implementation of regulatory reforms would enable to create a more enabling business environment with greater transparency that would attract private sector investment. Effective partnership between the public and the private sector is key to unleash the potential for economic diversification and the NIP lays emphasis on such type of cross-fertilisation.

The economic impacts of climate variability and extreme weather events are becoming a cause of concern. Climate change adaptation measures would need to be adopted particularly in enhancing the public infrastructure and utilities sectors given that it impacts directly in terms of productivity and efficiency in resource utilisation. Potential EU support through innovative financing instruments including blending operations and investment guarantee schemes under the EIP could be tapped to enhance the current public infrastructure and utilities network in order to cope to the new challenges.

The projects under the EDF 11 Regional envelope under the Indian Ocean Commission provides for promotion of entrepreneurship in the Indian Ocean region, especially for women and young entrepreneurs. This programme will benefit Mauritius in promoting entrepreneurship and job creation and take advantage of enhancing regional integration.

EU has always been a strong supporter of the regional integration process in the Eastern and Southern African and Indian Ocean region, and is committed to pursue a close partnership with the IOC for the benefit of the population of the region. As member of COMESA, IOC and SADC, Mauritius will benefit from EU funded- regional projects.

Using Mauritius as a platform for investment in Africa is also being actively developed. The Mauritius – Africa strategy has put up a number of valuable tools that could be leveraged on to enhance the competitiveness of the country. Mauritius has started to benefit in terms of its exports (now 16% going to Africa), in terms of dividends from outward investment in the region (some companies are reaping 50% of their profits from the region). The Government has set up the Mauritius Africa Fund as an equity financing for viable projects in any African country. Other initiatives include enhanced Government to Government collaborations in the setting-up of Special Economic Zones in several African countries (e.g. Senegal, Cote d'Ivoire, Madagascar, or Ghana). The coherence of the various initiatives with the EU External Investment Plan could yield win-win partnerships.

Mauritius will also benefit from the Switch Africa Green project which aims at achieving sustainable development by promoting development of green businesses and eco-entrepreneurship, based on the adoption of Sustainable Consumption and Production practices.

More specifically, the National Export Strategy had defined strategic objectives and it is envisaged that the EU will provide support to around 5 strategic areas of focus which will directly and indirectly benefit from improving the value chain and business environment. The bi-lateral and regional EU funding instruments will benefit both the public and private sector in the implementation of the NES.

1. Move to a knowledge-based economy thriving on innovation and value addition

As said, the 11th EDF bilateral programme will contribute to transform Mauritius into a knowledge-based-economy through support to Higher Education, Research and Innovation.

SME development is an area where the EU will support Mauritius under the SADC Trade Related Facility where technical assistance will be provided to increase productivity and competitiveness of enterprises in the manufacturing sector, focusing on in-plant diagnosis of selected enterprises and undertaking appropriate productivity improvement interventions.

Moreover, capacity building of SMEs on Export readiness will be developed which would include undertaking awareness campaigns and training on export procedures to tap regional markets. It is also foreseen to support Mauritius in developing a strategy to develop E-Commerce to improve the business opportunities within the region and beyond.

2. Make Mauritius the reference country and trade partner of choice

To support the Mauritius Customs, EU will provide support to facilitate trade through improving customs and trade facilitation by implementing a risk management framework, setting up non-intrusive inspection technologies, capacity building on investigative and surveillance techniques to strengthen risk management system. This would help to enhance the capacity of the Mauritius Customs in the delivery of its services.

Improvement of the Sanitary and Phyto Sanitary (SPS) environment through the development and implementation of an integrated Phytosanitary Information Management System (e-phyto system) will be developed as well.

Moreover, it is proposed to facilitate import and export of goods and improve the framework for trade facilitation. Technical assistance will be provided to improve the efficiency and delivery of services of entities responsible for the authorisation of import and export of goods and in particular to the Mauritius Standards Bureau which provides testing calibration and certification services to the business community at large and to the Mauritius Accreditation Service (MAURITAS) which provides accreditation to conformity assessment bodies such as laboratories, certification and inspection bodies.

3. Agro-Processing

The Global Climate Change Alliance Plus (GCCA+) project will namely seek to increase the capacity of governmental institutions to provide climate smart agricultural advice and services to small holders as well as assess best climate smart practices and projects. The project will also be supporting the implementation of a series of activities that will inter alia help to promote watershed management, improve soil and water conservation, spur the use of innovative irrigation techniques, develop sustainable farming practices for crop production and preserve agricultural lands under food crop cultivation from erosion.

4. Fisheries

The 11th EDF new Sustainable Fisheries programme (under formulation) will endeavour to improve sustainability in the fisheries and aquaculture sector, by supporting SMEs in the in the Eastern Africa-Southern Africa and Indian Ocean region. SMEs in Mauritius could benefit from this component of the programme.

In addition, under the regional fisheries programme, EU will support initiatives on Training and Research that will see participation of Universities, Research Institutions, Higher Education Institutes and Fisheries Research Institutes of the Eastern Africa-Southern Africa and Indian Ocean region that would enable to improve research, skills and knowledge transfers in the sector to stimulate investment, opportunities development, innovation and product diversification.

Under the new Fisheries Protocol (expected to be signed by the EU Council very soon) , the right access to the Mauritian waters by the EU have been calculated according to an annual reference tonnage of 4,000 tonnes (at the cost of 55 euros per ton) hence reaching 220,000 euros. Equal funding will be transferred to the Treasury under sector budget support operations (220,000 euros). In addition, 135,000 Euros are provisioned to support innovative actions for the development of the blue economy. The total EU's contribution of worth 575,000 euros yearly can be increased with the fishing licenses paid by the European fleets.

5. Promote the internationalisation of SMEs.

One of the projects under the EDF 11 regional envelope for the Indian Ocean Commission provides for the setting up of a European Business Information Centre, which should facilitate the exchange of market intelligence between SMEs in the region and the EU with the aim of enhancing trade and investment.

Finally, under the SADC Trade Related Facility (SADC-TRF), a feasibility study for the Development of an e-commerce platform for regional market development will be undertaken which would pave the way for grater regional integration of Mauritian companies at the regional level.

The EU could also support Mauritius with the sixth priority of the NES, i.e. development of cultural tourism. Tourism, an already very prominent sector in the Mauritian economy, can further increase its value added, with a possibility to create sustainable jobs as well, also in related sectors (e.g. music, events, design, crafts, etc.) and in particular among the youth (including those in poorest communities and the most vulnerable). These activities could build on the lessons learnt from the EU-UNESCO project, various projects funded under ACP CULTURE + programme, projects supported by the European Regional Development Fund and those implemented by the IOC.

- **Existing support programmes at the national level**

- In the area of trade and investment, the EU has provided significant technical assistance for:

- Capacity building to SMEs participation in international trade, through compliance with export market requirement related to rules of origin, quality and standards.
- Support to amend the Data Protection Act for achieving compliance with the EU data protection laws. The revised legal provisions would attract foreign investment through the facilitation of businesses relations with European countries to transfer data and enhances the 'ease of doing business' requirements.
- Reviewing the regulatory framework for the development of a National Quality policy and Infrastructure framework, to enhance investment and trade so as to improve service delivery and coordination among regulatory agencies.

- The Protocol to the Sustainable Fishery Partnership Agreement (SFPA):

The Fishery Partnership Agreement (FPA) signed by the European Union and Mauritius on 21 December 2013 entered into force on 28 January 2014, for a period of 6 years, tacitly renewable for additional periods of 3 years.

A new fisheries protocol was concluded between the European Union and Mauritius to cover the period 8 December 2017 – 7 December 2021 with a financial contribution of 575 000 € out of which 220 000 € for targeted actions for the development of the fisheries sector, and 135 000 € for targeted actions for the development of the maritime policy and ocean economy. It allows vessels from Spain, France, Portugal, and Italy to fish in the Mauritian waters and is part of the tuna network fisheries agreements in the Indian Ocean.

- More recently, the EU provided for a €10M programme focused on improving business climate through e-licensing and intellectual property law reform:

The E-Licencing Platform was launched in the context of the EU Week and the Mauritius independence jubilee year. The objective of the project, which is being implemented by the Economic Development Board (EDB) over a period of four years, is to enhance Mauritius' business and investment climate in line with Government priority. Under this programme, Mauritius will be able to process permit applications through an electronic platform which will be a single point of entry for business permits and licences.

The project will facilitate the business and investment environment by reducing the number of business permit applications and the time taken to obtain business licences and permits. This modern and efficient practice will not only reduce the time and cost to the private sector, but will improve transparency, predictability and reduce uncertainty in the investment decision making process. The EU support will also enhance the policy and regulatory framework to enhance compliance and foster business development.

- **Budget support**

Budget support to Mauritius has been abandoned since 2016 in view of the middle income country development level achieved.

3.2 At the Regional level

- **Strategy**

In relation to the Regional indicative Plan (RIP) funding and the Indian Ocean Commission sub-envelope, there are approximately 91€M of on-going projects. Activities target a wide variety of sectors:

- A programme that promotes renewable energy efficiency (15€M) and better conditions for investment and management of renewable energy.

- A programme on biodiversity protection to and sustainable livelihoods (15€M).

- The second phase support programme (16€M) for the implementation of a Regional Fisheries Strategy for the ESA-IO region.

- Institutional support to the IOC secretariat and Member States (5€M) and support to IMF through AFRITAC Phase II (30M€) to improve the implementation and monitoring of macro economic, financial and fiscal policies.

- For 2018, it is planned to adopt a new programme contributing to sustainable fisheries and blue economy of 28€M and a second one concerning Regional economic integration (8€M) for competitiveness and business facilitation.

- Under the SADC sub-regional envelope, four programmes are also in the pipeline to support industrialisation and productive sectors (18€M), investment and business environment (14€M) and a dialogue facility (3€M).

- Other project under identification (2019-2020) relate to the phase III of support for the implementation of Mauritius strategy for Small Islands Developing States (SIDS) (16€M), a regional food security programme (16€M) and support to maritime safety and security (20M€).

- **EU Support programmes at the Regional level**

The EU has been supporting Mauritius in a wide range of sectors through various instruments, mostly related to Mauritius positioning in the Indian Ocean and its climate and environmental vulnerability (maritime security, climate change, environment sustainability). However, there is currently no broader and coherent Indian Ocean Strategy focussing on challenges such as maritime security aspects, climate change, blue economy, ocean governance and regional economic integration. This has been identified as a strategic priority for 2018/2019.

- EU Trade Com II/ European Business Information Centre (EBIC): This regional programme which supported a number of SME is now terminated. Its legacy in the form of a proposed European Business Information Centre is taking time to be set up.

- The Global Climate Change Alliance (3€M): The project provides farmers with technical expertise to apply smart agriculture techniques, ensuring resilience and productivity against climate change adverse consequences.

- Regional Renewable Energy and Energy Efficiency Programme as well as green credit lines provided through SUNREF. These initiatives are expected to contribute to the government's target of producing 35 % of its energy from renewable energy in 2030.

- In the past, a series of credit lines provided by the European Investment Bank (EIB) have been covering a wide range of sectors, from agribusiness, SMEs, energy, transport and water. New EIB operations are foreseen during 2018-2019, targeting support for SMEs through a regional credit facility (100€M) and a loan (95€M) for the construction of a new high efficiency heat power plant. A bending intervention (with AfD) for the extension of the Rodrigues airport is in the pipeline combined with a EU grant from the RIP (10M€).

- Mauritius benefits from the "Switch Africa Green" (€2M) initiative to support transformation towards an inclusive green economy and the Sustainable Use of Natural Resources and Energy Finance (SUNREF – 6.75€M) programme blending with AfD. The latter, is a set of credit lines and incentives made available to local banks and private companies for financing investments in renewable energy, energy efficiency and pollution.

- The European Union Naval Force Operation Atalanta (EU-NAVFOR Atalanta) operation: Mauritius has played a constructive role in setting regional actions in the fight against piracy under this programme. The country has benefited financial support from the Instrument for Stability (1€M) to provide capacity building for Mauritius's prosecution, police, judicial and prison services.

4 OTHER DEVELOPMENT PARTNERS SUPPORT SCHEMES

4.1 Agence Française de Développement (AFD)[13]

AFD is the largest bilateral provider of support to Mauritius and Indian Ocean Territories with the following priorities:

- Support to infrastructure improvement;

- Support to mitigate climate change risks;

- Support to energy transition;

- Support regional integration;

- Addressing the skills mismatches.

Otherwise, it is supporting SME A2F through a recently renewed Euro 75 million facility through the Mauritius Commercial Bank, linked to a grant mechanism.

Main issue raised concerns the country's government borrowing which is reaching significant levels (as per IMF review). Might it not be time to consider providing more non-sovereign risks, supporting the private sectors endeavours without requesting the government guarantee? This area should be of interest using the new EIP EFSD guarantee tool in this respect.

4.2 World Bank

The World Bank Group (WBG)'s role in Mauritius is evolving, reflecting the country's success in gaining access to capital markets. Because of its relatively high income, Mauritius is one of only a few African countries eligible for International Bank for Reconstruction and Development (IBRD) assistance. While demand for Bank financing has shrunk from previous levels of IBRD lending—averaging over $60 million per year from FY07–FY13—demand for knowledge support is on the rise.

The WBG has completed its new strategy of engagement with Mauritius, known as the Country Partnership Framework (CPF), for the Fiscal years 2017–21. The preparation of the strategy was built on the findings of WBG's Systematic Country Diagnostic, which assessed the country's binding constraints for growth and poverty reduction, as well as opportunities for growth.

The CPF seeks to assist Mauritius to address its national priorities with a focus on promoting shared prosperity in a sustainable manner. Lending will depend on country demand and Mauritius's overall performance during the CPF period, as well as global economic developments that affect IBRD's financial capacity and demand from other IBRD borrowers.

Worth noting is the recent completion of a World Bank supported study: The Ocean Economy in Mauritius: Making it Happen, Making it last - 2017.

4.3 African Development bank (AfDB)

The AfDB is presently preparing its 5 year Country Strategy Paper (CSP) for 2019 – 2023 for Mauritius. Main area of support should target:

- Infrastructure including Sustainable Energy, Transport and Connectivity, and Water and Sanitation;

- Entrepreneurship and Technology Development including the Blue Economy as well as support to Special Economic Zones, Access to Markets and the Mauritius Africa Fund development in Africa.

The tools shall cover sovereign as well as non-sovereign lending and grants, guarantees and Technical Assistance.

It is worth noting that the two EIP Guarantee tools initially proposed under AfDB management concern fresh investment for new sustainable energy projects (Room2Run) and "rent to own" solar

[13] https://www.afd.fr/fr/page-region-pays/maurice#actualites

power kits to thousands of homes (DESCO Financing Program) which fits with their proposed CSP for Mauritius.

- Other areas of support being considered are:

. Support to the financial sectors: SME Access to Finance (A2F) and capital market support (bond issues, participatory receipts, bond index trading…);

. Inclusive growth with a special attention to youth employment and skills mismatches, as well as labour market policies and decent work promotion;

. The "new" economy: ITC, health, Ocean economy, fintech… as opposed to the old economy (sugarcane, textile);

. Assessment of gender gap, development of a gender issue strategy, improving gender A2F, promoting the effectiveness of each ministry gender focal points.

. Governance and Public Finance Management (PFM) related issues.

4.4 United Nations Agencies

- **UN Agencies**

Three of the United Agencies are represented in Mauritius; the United Nations Development Programme (UNDP), International Organization for Migration (IOM) and the World Health Organisation (WHO).

UNDP highlights the areas of potential for cooperation as:

- Gender issues

- Climate change

- The Ocean economy

- Health and demographic issues (population getting older)

- Migrations, both in and out, bearing in mind the estimated 38 000 Bangladeshi immigrants who would make up about 50% of the total immigrants.

- Skills mismatch is another significant issue, not only with menial jobs (decent jobs) that Mauritian are not inclined to take but more importantly, but also with the skills to be developed linked with the 'new" economy.

- Capacity building is another area where UN agencies are involved. Coordination with the IMF AFRITAK scheme is welcome.

- **Donor coordination**

Otherwise, the UNDP is in charge of donor coordination. In this respect it is working on the completion of a donor matrix highlighting the respective support provided by the various Development Partners.

Also, it is planned to ensure that from next year, the government and the private sector be associated with the coordination process. No thematic working group is functioning at the moment.

4.5 Others

- **IMF African Regional Technical Assistance Centre (AFRITAK)**

IMF AFRITAK is represented in Mauritius with regional responsibilities. It is mostly involved with improving the government institutions capacity as far as Public Finance Management (PFM) is concerned.

Other topics include capacity building with regard regional integration, gender and governance issues.

- **The UK Department for International Development (DFID) has no presence in Mauritius**

5 THE MAIN BUSINESS SECTORS AND BUSINESS FLOWS IN MAURITIUS

5.1 GDP structure[14]

Recent Economic Developments

Real GDP growth reached a robust 4% in 2017. The main drivers of growth were the services sector, especially finance, and the trade and accommodation services. The latter benefited from a buoyant tourism sector, a key sector supported by the recent acceleration in the global economy. Tourist arrivals increased by 5.2% in 2017 to reach 1.34 million—a number equivalent to the island's entire resident population.

The inflation rate picked up to 6.9% in February 2018, compared to 1.3% a year earlier. The main price increases affected vegetable products as local supply was hit by bad weather. However, the central bank's core inflation measure, excluding more volatile items (such as food), remained under control at 2.9% in January 2018.

Fiscal policy has been stable with an overall budget balance of -3.2% of GDP planned for the current fiscal year, which ends in June. If achieved, this would be a small reduction from the 3.5% of GDP budget deficit outturn of FY 2017/18. Public sector debt levels are substantial, at approximately 56% of GDP (by the domestic statutory definition).

Mauritius's external balances continued to be supported by abundant financial and capital inflows, including net inflows to the large offshore corporate sector. Thus, although the current account deficit was a sizable 5.9% of GDP in Q3 2017 (slightly narrower than a year earlier), the overall balance of payments remained moderately in surplus, and gross international reserves rose to $ 6.1 billion in January 2018 (equivalent to over 10 months of imports).

Outlook

The baseline scenario is for economic conditions to remain buoyant on the back of favorable external conditions and the pick-up in public investment, notably Mauritius's sizable road decongestion program. Economic growth is projected to remain in the 3.5–4.0% range, broadly consistent with the estimated pace of potential growth in output. Growth could even accelerate if the government's ambitious public infrastructure program gathers pace and stimulates more private investment.

The economy's external financing position should benefit from continued strength in services exports (mainly tourism) and brighter prospects for goods exports due to stronger economic growth in Mauritius's key trading partners.

Development Challenges

Absolute poverty levels in Mauritius are low. Having overcome extreme poverty, Mauritius's key development challenge is to foster more inclusive growth and boost shared prosperity. While inequality in household consumption was stable between 2007 and 2012 (with the Gini index at about 36), income-based inequality, particularly income from labour, has increased rapidly.

Mauritius's relatively large offshore financial sector is grappling with the need to adapt to a fast-changing global regulatory environment, and there are ambitious plans under development to re-position Mauritius as a regional financial hub. Future developments in the sector are critical to the

[14] Source : World Bank Mauritius Overview, 2018

overall economic outlook for Mauritius as it contributes significantly to jobs and income, and to the country's external financing position.

Over the long term, Mauritius faces the challenge of sustaining its model of historically inclusive growth as it progresses toward its government's goal of becoming a high-income economy by the 2020s. As a small island country with a narrow domestic skills' base and an aging population, the realization of this ambition will hinge on improving the education system and addressing current constraints to labour participation and productivity.

Strengthening the role of, and opportunities for, women in the economy could significantly help since, despite relatively strong female educational attainment, the female participation rate in the labour market is low (32% lower than men in 2015) and the gender wage gap remains large at about 30% in the private sector.

5.2 Import export structure[15]

- Overall Exports and Imports for Mauritius 2016
  - The total value of exports (FOB) is US$ 2,194 million.
  - The total value of imports (CIF) is US$ 4,655 million.
- The top five exported products to world by Mauritius along with trade value are:
  - Mauritius exported Prepared or preserved tuna, skipjack and bonito, worth US$ 246,074.88 million.
  - Mauritius exported Cane or beet sugar, in solid form, worth US$ 154,625.93 million.
  - Mauritius exported Men's or boys' shirts of cotton, worth US$ 152,192.28 million.
  - Mauritius exported Men's or boys' trousers, breeches, etc. of cotton, worth US$ 101,414.97 million.
  - Mauritius exported T-shirts, singlets and other vests, of cotton, worth US$ 99,522.68 million.
- The top five imported products from world by Mauritius along with trade value are
  - Mauritius imported Petroleum oils, etc. (excl. crude); preparation, worth US$ 507,026.25 million.
  - Mauritius imported Transmission apparatus, for radiotelephone incorporate, worth US$ 149,798.60 million.
  - Mauritius imported other medicaments of mixed or unmixed products, worth US$ 102,003.84 million.
  - Mauritius imported frozen yellowfin tunas, worth US$ 94,448.40 million.
  - Mauritius imported Automobiles with reciprocating piston engine d , worth US$ 94,362.98 million.
- Mauritius top 5 Export and Import partners 2016

The top five countries to which Mauritius exported 2016 along with the partner share in percentage are:

- Mauritius exports to France worth US$ 325 million, with a partner share of 14.83 percent.
- Mauritius exports to United Kingdom worth US$ 264 million, with a partner share of 12.02 percent.
- Mauritius exports to United States worth US$ 250 million, with a partner share of 11.39 percent.
- Mauritius exports to South Africa worth US$ 179 million, with a partner share of 8.15 percent.

[15] Source: World Bank Country Snapshot

- Mauritius exports to Madagascar worth US$ 161 million, with a partner share of 7.33 percent.

➢ The top five countries to which Mauritius imported goods 2016 along with the share in percentage are

- Mauritius imports from China worth US$ 825 million, with a partner share of 17.71 percent.
- Mauritius imports from India worth US$ 768 million, with a partner share of 16.50 percent.
- Mauritius imports from France worth US$ 365 million, with a partner share of 7.84 percent.
- Mauritius imports from South Africa worth US$ 349 million, with a partner share of 7.49 percent.
- Mauritius imports from Germany worth US$ 144 million, with a partner share of 3.09 percent.

➢ Mauritius Exports and Imports of Product Groups 2016

Exports and imports of products by stages of processing in 2016 are below along with their corresponding Product Share as percent of total export or import.

- Mauritius Raw materials exports are worth US$ 201 million, product share of 9.15%.
- Mauritius Raw materials imports are worth US$ 666 million, product share of 14.31%.
- Mauritius Intermediate goods exports are worth US$ 345 million, product share of 15.73%.
- Mauritius Intermediate goods imports are worth US$ 882 million, product share of 18.94%.
- Mauritius Consumer goods exports are worth US$ 1,471 million, product share of 67.06%.
- Mauritius Consumer goods imports are worth US$ 2,187 million, product share of 46.97%.
- Mauritius Capital goods exports are worth US$ 177 million, product share of 8.05%.
- Mauritius Capital goods imports are worth US$ 920 million, product share of 19.77%.

5.3 Foreign Direct Investments (FDIs)[16]

Mauritius aims to become an investment hub located midway between Africa and Asia. In recent years, the country's economic diplomacy has sought to create and strengthen partnerships with emerging countries (India, Turkey etc.), while also offering technical assistance to several African countries. Agreements with Ghana, Senegal and Madagascar have been approved in order to create special economic zones (SEZ) in those countries and open niche markets for the Mauritanian exports.

In 2017, FDI flows to Mauritius reached nearly US $ 293 million, down 16% from 2016 and below their potential (UNCTAD, World Investment Report 2018) . Flows decreased due to slower tourism and real estate projects. China, after having invested heavily in 2016, divided by two its flows to Mauritius.

At present, 42.5% of inward investment to Mauritius comes from the Americas, with 19.57% from Europe, 11.39% from India, 17.08% from the rest of Asia and 8.08% from Africa.

Meanwhile, 53.5% of the outgoing investment from Mauritius goes to India, with 23.72% going to the rest of Asia, 5.94% to the Americas, 7.43% to Europe and 8.64% to Africa.

A large portion of this inflow is then diverted to India (22% of inward FDI flows to India come from Mauritius) as both countries have signed an agreement to avoid double taxation. A new protocol signed with Mauritius in May 2016 imposes taxes on capital gains on the sale of shares of companies based in India. This could weigh on the flow of FDI to and from Mauritius, especially after the transition period ending in March 2019. Mauritius is the 4th largest destination for FDI in the Small

[16] Source: UNCTAD

Island Developing States (SIDS), after Jamaica, the Bahamas and the Maldives, and at the same level as Fiji. The stock of FDI is growing and reaches $ 5.1 billion (41.8% of GDP) in 2017.

In addition to the Government's incentives for investments (special economic zones, tax incentives, payment facilities, etc.), the country offers investors a stable economic and political environment, modern infrastructure, a solid judicial system, a stable financial system and a highly skilled and dynamic workforce. Only the television sector is subject to restrictions: a foreign company cannot hold more than 20% of the capital of a Mauritian company in this field.

The tourism sector attracts most of FDI, particularly the Integrated Resort Scheme, which deals with the construction of luxury villas, golf courses and other amenities in the resort areas. The main investors are the United States, India, United Kingdom, the Cayman Islands and Hong Kong.

Foreign Direct Investment	2015	2016	2017
FDI Inward Flow (million USD)	208	349	293
FDI Stock (million USD)	4,275.4	4,498.8	5,122.4
Number of Greenfield Investments***	9.0	9.0	4.0
FDI Inwards (in % of GFCF****)	10.2	15.9	n/a
FDI Stock (in % of GDP)	37.1	38.5	n/a

Source: UNCTAD - Latest available data

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

Table 1: Gross Direct Investment Flows in Mauritius by Sector: 2015, 2016 and 2017[17]

Sector (ISIC 1 digit)*	Description	2015	2016	2017 [3]
A	Agriculture, forestry and fishing	3	-	12
C	Manufacturing	91	511	108
D	Electricity, gas, steam and air conditioning supply	-	-	19
F	Construction	332	511	1,051
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	30	23	51
H	Transportation and storage	8	-	-
I	Accommodation and food service activities	860	199	386
J	Information and communication	-	97	73
K	Financial and insurance activities	229	2,150	6,586
L	Real estate activities	8,120	9,931	8,793
	of which - IRS/RES/IHS/PDS [2]	*6,842*	*7,936*	*5,775*
M	Professional, scientific and technical activities	-	40	103
N	Administrative and support service activities	-	-	-
P	Education	-	7	163
Q	Human health and social work activities	4	179	30
R	Arts, entertainment and recreation	-	-	40
S	Other service activities	-	-	76
Total		**9,677**	**13,648**	**17,491**

** The data are in line with the structure of the fourth revision of the UN's International Standard of Industrial Classification (ISIC Rev. 4).*

Details on ISIC Rev.4 are available on the United Nations Statistics Division website at http://unstats.un.org/unsd/cr/registry/isic-4.asp

[3] *Revised.*

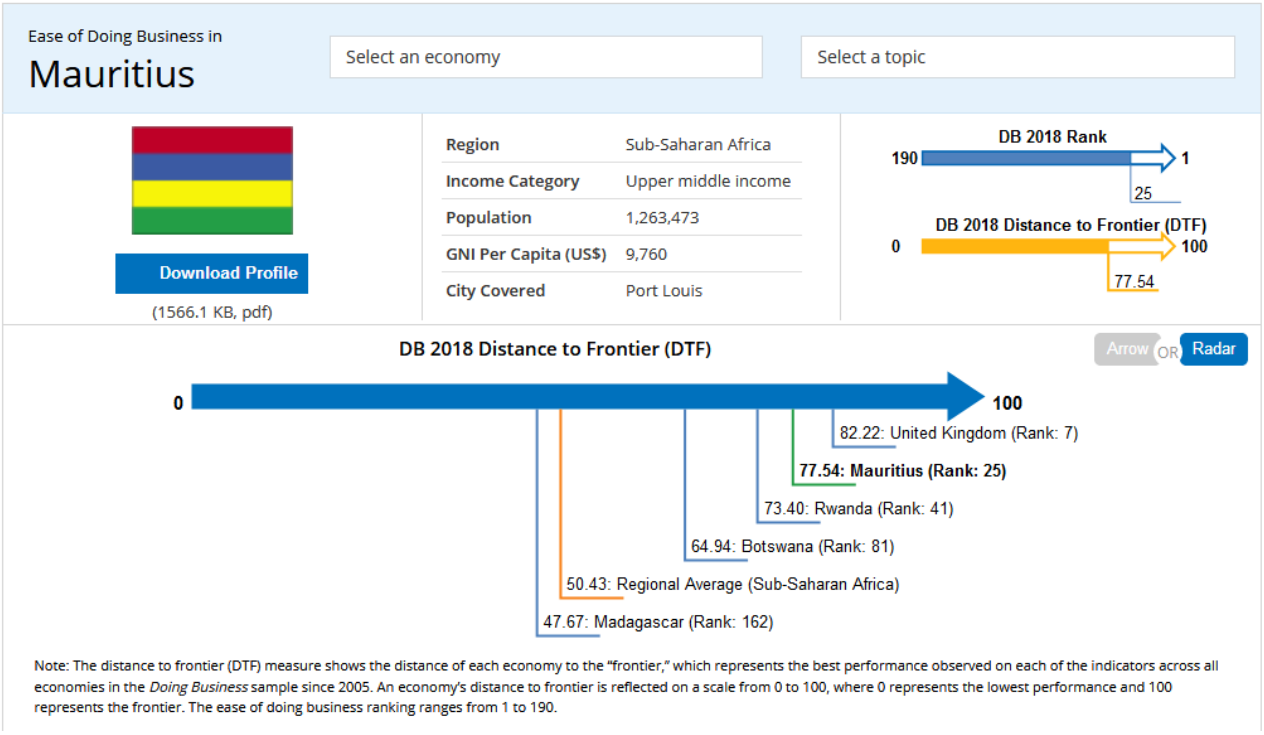
5.4 The Business environment

Over the past two decades, the economic development of Mauritius has been characterised by wide-ranging structural reforms, supported by prudent policies that have established Mauritius as a top regional economic performer in the African region. In particular, the ten-year (2006-2016) economic and social reform programme allowed the country to focus on public sector efficiency and economic reforms boosting investment climate and trade competitiveness.

Mauritius business climate is considered generally very favourable in Africa, but the Global competitiveness index from the World Economic Forum points at the capacity to innovate and heavy bureaucracy as the two major challenges. The government has put in place policies and measures to boost productivity growth and ccompetitiveness particularly by investing in education and skills upgrades and increase efforts to spur innovation and develop the industry that uses Research and Development (R&D) intensive technology in Mauritius. Investment in Research, Technology and Innovation has to be increased in order to have an impact on the economy and contribute to Mauritius graduation into a high-income country

[17] Source : Bank of Mauritius

➢ **Doing Business**



Source: World Bank, 2018 Doing Business report

Grid OR Chart

Topics	DB 2018 Rank	DB 2018 DTF	DB 2017 DTF	Change in DTF (% points)
Overall	25	77.54	75.45	2.09
Starting a Business	40	92.00	91.65	0.35
Dealing with Construction Permits	9	82.45	78.21	4.24
Getting Electricity	51	82.03	81.97	0.06
Registering Property	35	77.89	62.82	15.07
Getting Credit	55	65.00	65.00	..
Protecting Minority Investors	33	66.67	66.67	..
Paying Taxes	10	90.85	90.85	..
Trading across Borders	70	79.90	78.67	1.23
Enforcing Contracts	27	69.58	69.58	..
Resolving Insolvency	36	69.06	69.06	..

✔= Doing Business reform making it easier to do business. ✗= Change making it more difficult to do business.

Click here to see all reforms made by Mauritius.

Starting a Business | Dealing with Construction Permits | Getting Electricity | Registering Property | Getting Credit | Protecting Minority Investors | Paying Taxes | Trading across Borders | Enforcing Contracts | Resolving Insolvency

➢ **WEF Competitiveness index**

Mauritius 45th / 138

Global Competitiveness Index
2016-2017 edition

Key Indicators, 2015

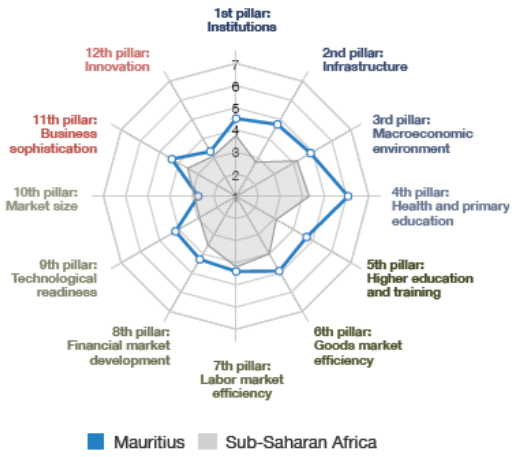
Source: International Monetary Fund; World Economic Outlook Database (April 2016)

Population (millions)	1.3	**GDP per capita** (US$)	9218.4
GDP (US$ billions)	11.6	**GDP (PPP)** % world GDP	0.02

Performance overview

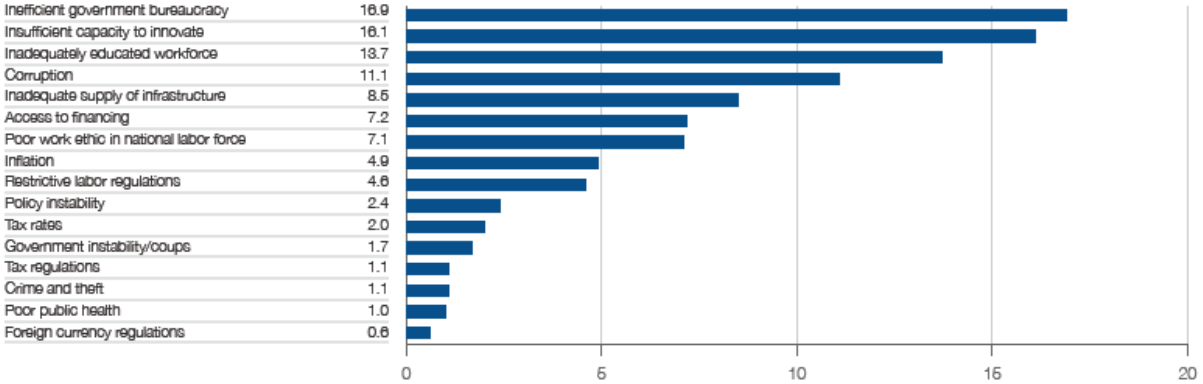
	Rank / 138	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	45	4.5		
Subindex A: Basic requirements	39	5.1		
1st pillar: Institutions	36	4.5		
2nd pillar: Infrastructure	41	4.7		
3rd pillar: Macroeconomic environment	59	4.9		
4th pillar: Health and primary education	48	6.1		
Subindex B: Efficiency enhancers	62	4.2		
5th pillar: Higher education and training	52	4.7		
6th pillar: Goods market efficiency	26	4.9		
7th pillar: Labor market efficiency	57	4.4		
8th pillar: Financial market development	44	4.3		
9th pillar: Technological readiness	66	4.2		
10th pillar: Market size	118	2.7		
Subindex C: Innovation and sophistication factors	48	3.8		
11th pillar: Business sophistication	37	4.4		
12th pillar: Innovation	67	3.3		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17
Rank	54 / 144	45 / 148	39 / 144	46 / 140	45 / 138
Score	4.4	4.4	4.5	4.4	4.5



Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2016



Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their count rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

Source: World Economic Forum: Competitiveness index

5.5 Mauritius: a tax haven for offshore business?

Mauritius is not included in the list of tax havens established by the EU[18]. It has been reviewed and is considered under watch, especially referring to improving fair taxation.

Recent publication of the Finance Act clarifies the off shore tax issue by not differentiating anymore the tax specificities of Offshore businesses and Onshore ones.

In that sense, Mauritius shall not anymore be considered a tax haven. This shall be confirmed in the coming weeks, further to the OECD review of the proposed tax modifications.

- **Special incentives**

Mauritius offers a number of incentives to offshore investors, including an open economy, favourable tax laws and a modern banking system based off French and English law.

- Mauritius has one of the lowest tax platforms in the world. Both corporate and individual income taxes are at 15%. Offshore businesses located in Mauritius that do not do business with Mauritians nor use Mauritian currency are exempt from Mauritian taxes.
- Investors can rely on Mauritius for asset protection as the country is on the OECD 'white list' of countries deemed suitable for offshore investments. This is due in large part to a number of reforms initiated by the government and financial sectors in past years.
- Investment and Protection Agreements are in force between Mauritius and 18 other countries; 16 additional agreements are awaiting ratification.
- Proactive in its intent on being a wealth management centre for sub-Sahara Africa and the Indian Ocean region, the Mauritius offshore jurisdiction is on a par with Liechtenstein, Jersey, Panama, and similar offshore jurisdictions as being a good place to do business.
- Mauritius enjoys preferential access to developed and emerging markets including the EU and USA.
- Foreign nationals who have resided in Mauritius for at least 3 years and are drawing a salary above a certain minimum can obtain permanent residency. A permanent resident can purchase property on the island.
- Among the advantages of Mauritius offshore company (Global Business Companies) is the high level of privacy protection made possible by the way that a company's shareholding structure can be defined.
- The Mauritius offshore financial center is supported by the HSBC Group. The HSBC Group is one of the world's largest banking and financial services organizations and operates 11 full-service branches in the country along with a locally owned subsidiary dedicated to offshore banking.

- **Mauritius, a tax haven[19]?**

In theory, double taxation agreements are supposed to help companies avoid being taxed twice on the same economic activity. In practice, however, signing a double taxation agreement with a low or no-tax country such as Mauritius means that some taxes may not be applied at all. Businesses rushed to set up subsidiary companies in Mauritius and began to take advantage of tax treaties between Mauritius and other countries by channelling revenue through the island haven, a practice that has come to be known as "treaty shopping."

In recent years, Mauritius's African neighbours have complained that the island's gains have come at their expense, and they have taken their case to the international community. In 2013, the UN

[18] Cf. Listing of Tax Havens by the EU: http://www.europarl.europa.eu/cmsdata/147404/7%20-%2001%20EPRS-Briefing-621872-Listing-tax-havens-by-the-EU-FINAL.PDF

[19] Cf. International Consortium of Investigative Journalists (ICIJ): https://www.irishtimes.com/business/rise-of-tax-haven-mauritius-comes-at-the-expense-of-rest-of-africa-1.3282982

Economic Commission on Africa criticised the island as "a relatively financially secretive conduit" that contributes to poverty on the continent. In 2015, the European Commission temporarily placed Mauritius on a Top 30 blacklist of tax havens. Last year, Mauritius made non-profit Oxfam's list of the world's 15 worst tax havens.

"While the full scale of tax losses from treaty shopping are shrouded in secrecy, countries in Africa are potentially losing a fortune," said Dr Attiya Waris, a tax law expert at the University of Nairobi.

Mauritius's tax treaties withstood a landmark challenge in 2012 when India's Supreme Court ruled that the Indian government couldn't collect $2.2 billion from mobile phone giant Vodafone's purchase of an Indian operating company through offshore firms, including one in Mauritius. The way the purchase was structured had the effect of sidestepping Indian taxes.

Government agencies in Mauritius responded to the International Consortium of Investigative Journalists (ICIJ) questions with an 11-page statement that denied the island is a tax haven or secretive.

Where necessary, the agencies said, Mauritius will continue to enhance the country's transparency and strengthen rules against tax evasion, terrorist financing, money laundering and corruption.

The agencies said no party to a treaty can conditions on the other and that a treaty is a "win-win situation" for both sides. Mauritius does not intentionally deny taxing rights to other African countries, the agencies said; some countries choose to forego taxes to attract foreign investment.

However, recent development in the tax environment has confirmed the changes made by Mauritius to comply with the EU recommendations relative to tax havens. On 9 August 2018, the Finance (Miscellaneous Provisions) Bill was approved by the Mauritian Parliament. It is important to note that there was no debate subsequent to the issue of the said Bill so that it was assented without any amendments. The changes are complex, implying different tax treatments based on source of profits, status of the company etc.[20]. Detailed analysis provided by Ernst and Young (EY) as background address changes that were summarized in the EY Global Tax Alert, *Mauritius proposes changes to tax regime for corporations with global business licenses and banking institutions*, dated 5 July 2018.

5.6 Main business sectors

The main business sectors as identified in the National Export Strategy (NES) are: agro-processing, cultural tourism, financial services, fisheries and aquaculture, jewellery, medical services and software development. The textile sector has been added.

The informal sector is not really an issue in Mauritius. A World Bank survey estimated the informal sector at about 19% of the GNP in 2009.

The mission did not have the means to provide for original analysis and assessment of the various sectors and their related value chains which would warrant specialist expertise and dedicated missions. The various economic sectors in the island are well identified in the EU Jobs and Growth Compact document which describes the following:

- Fisheries and Aquaculture (The World Bank finalised recently a study of the Ocean Economy at the Indian Ocean region level)

- Processed Food

- Medical Devices/ Pharmaceuticals

- Jewellery

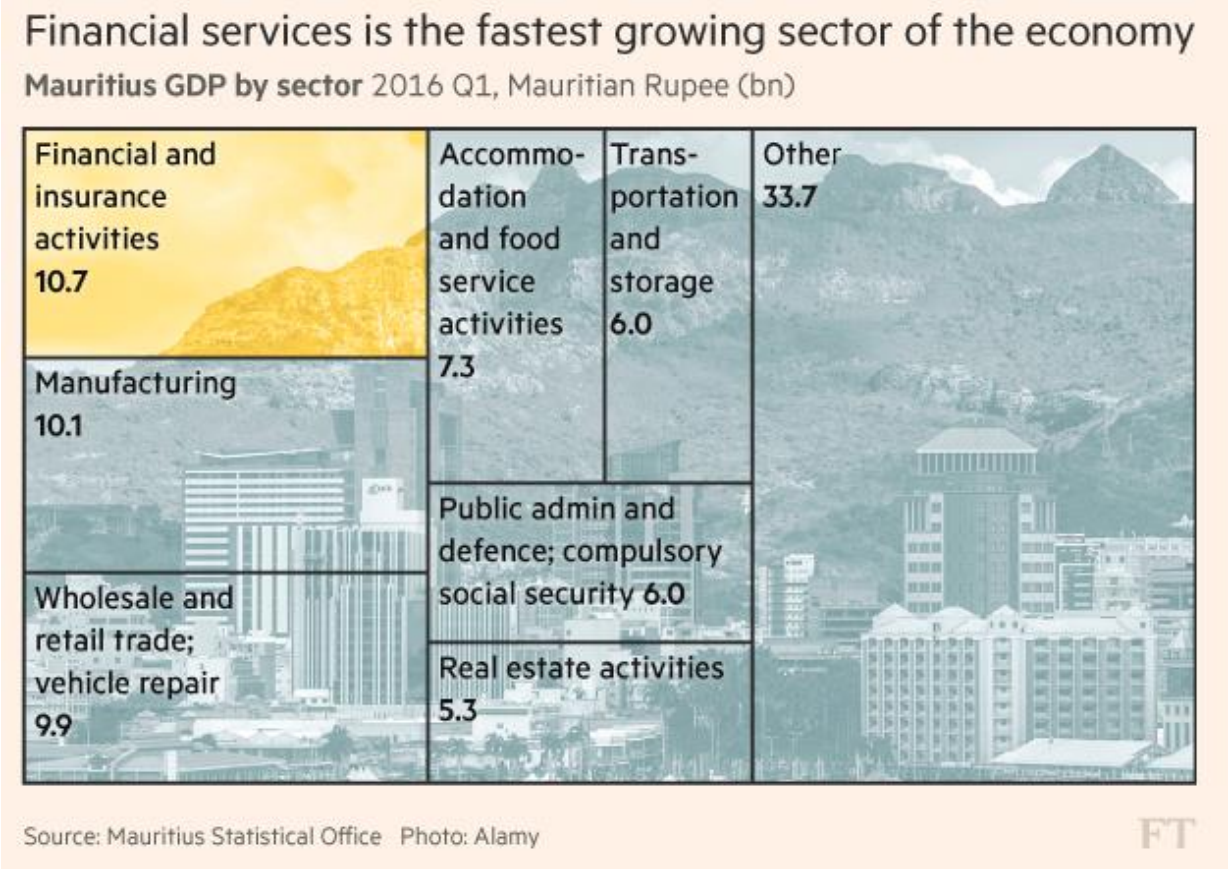
- Financial Services

- Software and Information Technology Development

- Cultural Tourism.

[20] Cf. https://taxinsights.ey.com/archive/archive-news/mauritius-enacts-changes-to-tax-regime-for-corporations.aspx

Table 2: GDP per sector



- **The specific financial sector in Mauritius**

<u>- The financial sector services</u>

- Administration and fund management
- Accounting and auditing services
- International Legal Services
- Jurisdiction on the OECD white list
- World-class anti-money laundering legislation
- A recognized international arbitration center
- A complete ecosystem with the presence of international operators
- The perfect platform for investing in Africa

The Mauritian banking industry comprises of 21 banks, of which 5 local banks, 10 foreign-owned subsidiaries, 1 is a joint venture, 4 are branches of foreign banks and 1 is licensed as a private bank. All the banks are licensed by the Bank of Mauritius to carry out banking business locally and internationally.

The banking industry is characterised by the wide range of services provided. Besides traditional banking facilities, banks offer card-based payment services, such as credit and debit cards internet banking and phone banking facilities. Specialised services such as fund administration, custodial services, trusteeship, structured lending, structured trade finance, international portfolio management, investment banking, private client activities, treasury and specialised finance are also offered by banks. The international banks offer a wide range of global banking and financial services

to corporate, institutional and private clients. Some of the biggest and most reputable international banks are present in Mauritius and actively carry out international cross border activities.

In spite of the various shocks facing the international banking landscape over the recent years, the domestic banking sector has shown satisfactory performance as evidenced by the official figures available from the Financial Stability Report of the Bank of Mauritius.

- The Offshore financial sector[21]

The most striking feature of Mauritius's financial industry is its outsize offshore sector, which it built on a low tax regime and extensive treaty network. The sector, which the IMF describes as "enormous", accounts for more than $630bn of assets, some 50 times the level of GDP. Only Luxembourg has a bigger stock of foreign direct investment relative to the size of its economy.

Even though the offshore industry accounts for only a few thousand jobs and just under 7 per cent of tax revenues, it is critical to the economy, playing a vital role in the balance of payments. Yet its future is now in question, amid a global backlash against tax avoidance. Offshore hubs such as Mauritius facilitate investment but are also responsible for developing countries losing $100bn a year in revenue, according to the United Nations.

New rules have been agreed by finance ministers from around the world to stop companies moving profits to low tax centres. India — which has seen a third of its foreign direct investment flow through Mauritius this century — revised its tax treaty with the island in May. As a result, the traditional tax advantages of using Mauritius to invest in India will not exist by 2019. While tax planners are already eyeing new ways to make use of the India treaty, the offshore sector is reorienting itself to channel investment into mainland Africa as part of a wider attempt to build up the country's links. Vishnu Lutchmeenaraidoo, Mauritius's foreign minister, says there is a need to focus on strengthening ties with Kenya, Mozambique, Zambia, Tanzania, Madagascar, Senegal and Ghana. "Africa is the name of the game now," he says.

Companies are being encouraged to put down more roots in Mauritius with the help of tax incentives designed to attract regional headquarters, treasury management centres, international law firms, funds from wealthy families and asset managers. The new measures were unveiled in the recent budget by Mr Jugnauth, in what he said was "a new thrust to the development of our financial services sector". The plan is to create services that add value to the finance industry, which is already much more than the offshore sector. Employing more than 12,500 people, it includes banking, insurance, global business, capital markets and other support services. Having grown at about 5.5 per cent a year over the past four years, it now accounts for more than an eighth of the economy.

Future success will depend on improving skills, infrastructure and institutions. Last year's collapse of BAI, a financial conglomerate, exposed regulatory failings and there are frequent allegations of corruption among the political elite. While the island is less vulnerable to changes in global tax rules than smaller, less diversified financial centres, the international crackdown on tax abuses presents big challenges to the offshore finance industry. Those shaping it agree it is time to focus on more than tax. "This is an opportunity to reinvent the [financial services] sector and give it substance," says Ravi Yerrigadoo, the island's attorney-general.

The Indian Ocean island nation is making a concerted effort to use its well-established legal and business systems and ties to Europe to market itself as an international financial centre. Mauritius is thus establishing itself as a gateway to doing business in Africa as an "international financial centre for the region and other emerging markets". While it is one of the most regulated countries in the region, it is regulated "in a friendly way" by the **Bank of Mauritius** and the **Financial Services Commission.**

At present, 42.5% of inward investment to Mauritius comes from the Americas, with 19.57% from Europe, 11.39% from India, 17.08% from the rest of Asia and 8.08% from Africa.

Meanwhile, 53.5% of the outgoing investment from Mauritius goes to India, with 23.72% going to the rest of Asia, 5.94% to the Americas, 7.43% to Europe and 8.64% to Africa.

[21] Cf. Financial Times: https://www.ft.com/content/64b083bc-75b1-11e6-bf48-b372cdb1043a

On the legal side, the country is attempting to make itself an offshore dispute resolution hub for Africa, with a partnership between the **London Court of International Arbitration** (LCIA) and **Mauritius International Arbitration Centre** leading to the creation of the **LCIA-MIAC** centre, while it has the first representative office of the **Permanent Court of Arbitration** (PCA) outside of The Hague.

It has already made some progress in attracting the attention of the international legal community, hosting last year's International Council for Commercial Arbitration (ICCA) conference and outposts of international law firms including **Eversheds Sutherland.**

Its position will not go unchallenged though. South Africa, the home to most of the continent's international lawyers and law firms, has made moves to reform its arbitration sector with a view to establishing an international arbitral centre, while Kenya has similar ambitions.

Its position as an access point to Africa and other emerging markets is being promoted, as well as Fintech development and opportunities in Africa. it is a particularly dynamic sector in Africa, where the lack of traditional banking infrastructure means businesses and consumers can leap into mobile banking products with a blank slate, making it a front line for the development of fintech services. International mobile phone and banking businesses including **Orange**, **MTN** and **Vodafone** have all made such moves, through local brands including **M-Pesa** and **Vodacom**.

Developing crowd-funding platforms for Africa may be the next step in the process.

5.7 The software and Digital sector

Ranked in the forefront of African countries by the Global Information Technology Report of the World Economic Forum in 2014, Mauritius has been able to exploit the opportunities of the digital age.

- more affordable costs to access the network
- implementation of optical fiber
- training in the IT sector
- a French and English-speaking country

These are examples of development and progress made by the government to attract even more investors to the island. Some Mauritian companies including Esokia, specialized in web and mobile development, have benefited from this valuation of the digital sector, especially those specialized in the creation of websites and mobile applications

And finally, excellent human resources, bilingual finance professionals are the assets to establish or work with Mauritius in Africa.

5.8 The textile sector[22]

Despite being on a declining trend, this sector not retained in the EU Jobs and Growth Compact review, the textile and clothing industry remains a key contributor to Mauritius' GDP. The United Kingdom is still an important market for Mauritian exports, contributing over 15% of total domestic exports. Over the years, this sector has emerged as a flexible sector that adapts to the latest technologies in order to remain competitive. Mauritius collaborates with major UK distributors including Arcadia Group, Next, Debenhams, Harrods, and River Island, among others.

At present, Mauritius enjoys free access to EU countries rights and quotas under the Eastern and Southern Africa Economic Partnership Agreement. However, after the United Kingdom's referendum on EU accession, Mauritian exporters face new challenges. In order to further encourage exports, the Mauritian government introduced the Speed-to-Market Scheme which is implemented by Enterprise Mauritius.

- Fashion: A dynamic industry

[22] https://fr.allafrica.com/stories/201706150802.html

The fashion industry is very dynamic hence the need to anticipate the new trends of the next season. In this context, Enterprise Mauritius has engaged the services of Trendstop Ltd, a London-based consulting firm whose expertise consists in forecasting the latest trends and creating new models for the UK market.

5.9 The Main business representatives in Mauritius

- **The Mauritius Chamber of Commerce and Industry (MCCI)**

Since its launching, the MCCI has evolved from a purely representative and consultative body to a dynamic actor in the socio-economic development of the country. Throughout its years of existence, it has constantly striven to carry out its fundamental mission of defending and promoting the vital interests of its Members. It has also set up and developed the organisational structures capable of providing a wide range of highly professional services.

Members of the Chamber are composed of about 80 large enterprises as well as about 80% of the SMEs. The MCCI does not differentiate between the origin of the enterprises capital, all of its members being locally incorporated. It also maintain good relationships with the Union of CCIs for the Indian Ocean (UCCIOI) with the CCI France Maurice (CCIFM) as well as with a number of other Associations, the main ones being the Mauritius Bankers Association, Global Finance Mauritius and the Association of Trust and Management Companies.

Furthermore, as the main voice of the Mauritian business community, it has always maintained close links with Government and increasingly contributed to the development process of the country. And just as importantly, it has set up links and affiliations at international level with inter-governmental and private organisations aimed at widening its scope of activities and better promoting Mauritius on the world scene.

As for discussion relating to the development of commercial and industrial activities, the MCCI is regularly solicited and makes submissions directly to representatives of the Government ministries and departments concerned. The public private policy dialogue maintained by the MCCI is permanent at the strategic level as well as at the regulatory level with the line ministries.

Main counterparts in the government regarding the public private policy dialogue are the Economic Development Board, the Ministry of Finance and Economic Development and the Ministry of Foreign Affairs, Regional Integration and International Trade, Trade Department.

- **Business Mauritius (BM)**

Business Mauritius is an independent association that represents over 1200 local businesses and has, through them, a national, regional and international reach. Business Mauritius is the coordinating body and the voice of local business, and delivers services that sustain the progress of both business and community. Sectoral business associations are members of Business Mauritius which acts as a kind of Apex institution for the business sector. Mains such members are: The Mauritius Export Association (MEXA), the Association of Mauritian Manufacturers (AMM), the Building and Civil Engineering Contractors Association, The Agriculture Chamber, the Outsourcing and Telecom Association of Mauritius (OTAM) and the Association des Hoteliers et Restaurateurs de l'Ile Maurice (AHRIM), etc.

Business Mauritius is working closely with the MCCI, both organisations being a board member of the other. BM is more involved with strategic and policy issues, whereas MCCI would be more involved with regulatory and other technical matters.

Main government partners of Business Mauritius are the services of the Prime Minister, the EDB and most ministries, with a special attention to the implementation of the Investment Support Programme, research and innovation and the Mauritius Africa Fund.

Business Mauritius stems from the merger, in October 2015, of two business associations, namely the Mauritius Employers Federation and the Joint Economic Council. Leveraging on over 50 years of cumulated experience of strategic accompaniment to local business in multiple ways, Business Mauritius remains focused on 3 strategic goals, supported by three related commissions led by one of their member. The areas of support are:

- Engage Business in National Economic Development:

As a business advocacy body, the mission of this strategic division of Business Mauritius is to promote the voice of our members. Our strength lies in our ability to understand the challenges of business, link the right individuals, be present in the right forums and at the right time, and proactively participate in policy formulation, to assist in finding the right solutions.

It engages with government officials and local authorities on a daily basis, to ensure that business interests are represented thoroughly, at all levels. It actively contributes to policy formulation in the interest of Mauritian employers by way of various submissions to Government. Through its advocacy role, we ensure that the position of employers on key economic, labour and social matters is brought at the forefront and reflected in the formulation of policies.

- Develop a strong Human capital

With a significant involvement in training delivery and education, with a special attention to the new technologies, including artificial intelligence.

- Promote Sustainability and Inclusive Growth

With a significant involvement in sustainable energy development. In that respect, Business Mauritius is involved with the implementation of the SUNREF 3 AFD programme alongside the local banks (BM being involved in the development and social aspects of the projects as well as provision of TA) while the banks are in charge of the financial screening and financing management for a fee.

Similarly, BM is the focal point for the UNDP 6 energy transition programme as far as TA is concerned for a fee.

- **The Union of CCIs for the Indian Ocean (UCCIOI)[23]**

The Union of Chambers of Commerce and Industry of the Indian Ocean (UCCIOI) is an association created in 2005 on the side-lines of the 1st Economic Forum of the Indian Ocean Islands (FEIOI) in Madagascar.

Its objective is to contribute to the development of the South West Indian Ocean Islands and to promote cooperation in all areas of economic activity.

UCCIOI was born from the will of its founding members (Federation of CCIs of Madagascar, Union of CCIs of Comoros, CCI of Mauritius and CCI of Reunion) to combine their reflections and actions to promote economic growth within the Indian Ocean area through the promotion of the region, the facilitation of international economic partnerships, co-development and common strategies to conquer external markets.

- **The Association of Mauritian Manufacturers (AMM)[24]**

The AMM is a member of the MCCI and as such it and its members shall be indirectly represented in the proposed policy dialogue.

The AMM objective is to promote the Mauritian Manufacturing and accompany its transformation. It is organised through 11 sectors segments[25]:

- Agro-Industrie
- Boissons
- Chimie
- Édition / Imprimerie
- Travaux des métaux

[23] https://www.google.com/search?q=traduction+francais+anglais&ie=utf-8&oe=utf-8&client=firefox-b-ab
[24] https://www.mauritianmanufacturers.mu/fr/qui-sommes-nous/membres-amm
[25] Strangely, the textile and garment industries does not seem to be represented; the mission has not been able to identified such a representative association

- Bois
- Materiaux non-métallique
- Papier et Carton
- Services à l'industrie
- Produits d'hygiène
- Divers

➢ **The Building and Civil Engineering Contractors Association (Baceca)[26]**

BACECA is an association of Building and Civil Engineering Contractors set up in 1996.

The objective of BACECA is to safeguard, encourage and protect the interest of its members, to assist and encourage co-operative matters action and to deal with each and all such matters as may affect the common interest of its members and the construction industry as a whole. BACECA is to promote, encourage, support or oppose any such proposed legislation or any other measures affecting the interest of the association or its members. BACECA is to promote co-operation between Building and Civil Engineering contractors as to terms and conditions of contract upon which they undertake the construction and maintenance works.

➢ **The Agriculture Chamber**

Throughout its history, whilst being fully aware of national agricultural interests and of the vital socio-economic importance of agriculture in the country, the Chamber has spearheaded numerous initiatives aimed at providing the sector with the required resources to rise to the numerous challenges to which it was confronted. Indeed, the initiatives taken by the Chamber have been instrumental at three levels:

- At the international level, it has worked in close collaboration with the authorities towards the establishment, maintenance and reinforcement of trade agreements of strategic importance for Mauritius, namely the Sugar Protocol, the Special Preferential Sugar (SPS), the Southern Africa Development Community (SADC) Trade Protocol, and the Common Market for Eastern and Southern Africa (COMESA) Agreement.
- As concerns sugar, with a view to promoting the interests of the industry in the European Union, the Chamber has been operating jointly with the Mauritius Sugar Syndicate, offices in London and Brussels.
    - At the national level, the Chamber has maintained a permanent and structured dialogue with Government and with various institutions in order to ensure the adoption and implementation of measures aimed at developing the agricultural sector.
    - Finally, at the level of the sugar industry itself, the Chamber has contributed to the elaboration, with other stakeholders, of a common vision for the development of this industry.

➢ **The Outsourcing and Telecom Association of Mauritius (OTAM)**

Outsourcing and Telecommunications Association of Mauritius (OTAM), created in 2004, is the main association for the ICT industry which regroups International Telecom Organisations (ITOs), Business Process Outsourcing (BPOs), International Long Distance (ILD) operators and Internet Service Providers. It represents those with a common interest in promoting and developing the industry both locally and internationally. Its membership is highly representative of the ICT industry.

- Its Mission:

[26] http://www.baceca.org/about-us

To promote a business friendly and competitive environment conducive to the growth of the ICT industry in Mauritius.

- Its objectives:

- Develop and promote the ICT sector in Mauritius
- Create a business friendly environment conducive to the growth of and fair competition in the ICT sector
- Develop successful working relationships with regional and global ICT organisations
- Encourage networking and business opportunities between ICT operators of Mauritius and the Indian Ocean Region, and the world at large

Its Actions:

Since its creation, OTAM has been active on many fronts and participated in various negotiations and projects, namely:

- Participation in national projects (National Information Technology & Communication Strategic Plan, Anti-spam initiative, Data Protection Act)
- Participation in various research studies and surveys pertaining to the sector
- Participation in negotiations at national level with Joint Economic council (JEC)/MCCI and Government
- Assist BOI in promoting Mauritius as an ICT-BPO location
- Participation in capacity building with the collaboration of major institutions and academia
- Negotiations with Mauritius Telecom (MT)/Govt/ICT Authority (ICTA) on various issues (reductions in bandwith costs, call termination, ILD license fees, and IUC costs, etc.)
- Participate in Infotech, ICT Career Fair.

- How it functions:

OTAM'S dedicated team works in collaboration with a Board drawn from member companies. The secretariat of the association is hosted by the Mauritius Chamber of Commerce and Industry. Several sub-committees have been created to address pertinent issues to achieve specific objectives.

- **The Association des Hôteliers et Restaurateurs de l'Ile Maurice (AHRIM)**

An affiliate member of the Association of Inbound Operators of Mauritius, AHRIM's goal is to promote tourism through the creation of a better environment and atmosphere for all those working directly or indirectly in the tourism sector. The vision is to make the tourism industry a viable prospect for the prosperity of the economy, leading to a rise in the quality of living of all local citizens.

- **The CCI France Maurice (CCIFM)**

The CCI France Mauritius represents about 200 enterprises, spread over 40 sectors and employing about 25,000 persons. The list of members is available in the form of a CCI France Maurice brochure. The most significant members in terms of employment have been specifically identified and listed in paragraph 5.1.

It supports its members through variius Commissions:

- Communication and Business Network Committee

- Communication and Information Technologies Commission

- Regional Relations Commission

- Mauritius Business Club.

Other activities include:

- training actions,

- regular debate meetings,

- the publication of an Investor's Guide

- support to companies through the provision of equipped offices

- conducting various studies and finding partners, on demand, etc.

- **The Belgian Mauritius Business Club**

The Belgian Business Club is an informal group of Belgian entrepreneurs based in Mauritius. The list of their members is included in chapter 5.1.

- **The Mauritius Export Association (MEXA)**

The Mauritius Export Association (MEXA), which has been at the forefront to support its members by extending valuable advice, facilitating logistics activities, and implementing training programmes that are highly critical for the export sector, has greatly contributed to the economic growth of the country. MEXA's sense of entrepreneurship and innovation provides great opportunities for economic growth, prosperity and inclusion.

The success of Mauritius is to a large extent the result of its export-oriented strategy since the 1970s. Small and Medium Enterprises are bound to enter the circle in which trade allows them to expand output so as to achieve economies of scale which can be passed on to customers in price-sensitive markets. The Government is committed to formulate policies, such as the National Export Strategy 2017-2021, as well as to revamp its industrial base which will eventually help Mauritius to graduate in the league of high income economies.

The Government is providing new incentives for the export sector in its 2017/ 2018 budget, such as the proposal to reduce corporation tax of exporting firms from 15% to 3%, and the extension of the Speed to Market scheme to a wider range of products. Finally, exporters should take advantage of the COMESA-EAC-SADC Tripartite Free Trade Area, which Mauritius has ratified since April 2015.

MEXA's vision for new export sectors is built around integrated value chains that combine their various components based on its competitive advantage, supported by its favourable business environment that should promote innovation, creativity and high quality.

A constant flow of investment into the manufacturing sector; air and sea connectivity; a better synergy between offshore sector and onshore manufacturing base allowing sourcing of goods and products from local companies; and integration in the e-commerce revolution shall be encouraged to contribute to export expansion.

- **The Association of Trust and Management Companies (ATMC)**

The Association of Trust and Management Companies ("ATMC") was registered in 1997. It is the flagship representative body of the global business industry and currently represents not only its 65 direct members comprising of management companies, lawyers and auditors but also the 71 Corporate Trustee companies and managed trust operations directly associated with its management company members. Accordingly, ATMC represents the interests of over 100 operators in the Global Business industry.

The main objectives of the ATMC are to:

- Support the development of the global business sector
- Encourage closer cooperation between members of the Association

- Provide a forum for discussions and exchange on matters of mutual interest encourage the maintenance of professional and ethical standards within the industry provide training and networking opportunities for its members both locally and internationally; and
- Work in close collaboration with Government agencies, Tax Authorities and the Regulator on industry issues.

➢ **The Mauritius Bankers Association (MBA)**

The Mauritius Bankers Association Limited (MBA) regroups all commercial banks licensed and authorised to conduct banking business in Mauritius.

The Association exists to represent its members, to promote and establish conditions conducive to competitive, sound and responsible banking and finance business.

The MBA was first established in 1967 as an association of commercial banks that were authorised to conduct banking business in Mauritius. Its founding members consisted of the following five banks: Bank of Baroda, Barclays Bank D.C.O., Habib Bank (Overseas) Limited, The Mauritius Commercial Bank Ltd and The Mercantile Bank Ltd. Over the years, its membership increased to all banks operating in Mauritius.

➢ **Global Finance Mauritius**

Global Finance Mauritius, formerly known as the Global Institutional Investors Forum, was set up in October 2010 as a purpose, not-for-profit trust.

- Role

Global Finance Mauritius (GFM), founded in 2010, is the apex body representative and broad-based financial services association in Mauritius. It brings together leading players in the realm of Financial Sector which comprises of banks, management companies, accounting firms, law firms and institutional investors, the Stock Exchange of Mauritius and all other licensees of the Financial Services Commission (FSC), aiming at developing Mauritius as an International Financial Centre of substance.

- Objectives

- Provide a forum for financial services providers to discuss matters of general concern.
- Advance knowledge and learning in areas relevant to the sector and organize conferences and meetings.
- Undertake research and make recommendations to the Government and authorities to promote better understanding and to improve the legal framework.
- Maintain professional and ethical standards through education and training, amongst others.

Global Finance Mauritius is fully recognised by the Government and its regulatory authorities:

- Through its participation in the Financial Services Consultative Council (FSCC).
- By responding to pre-budgetary and other government consultations.
- Acting as a bridge forging linkages between the public and private sectors in Mauritius to contribute to financial services strategy and policy development towards a roadmap.

- Activities

Global Finance Mauritius undertakes activities to provide real and lasting value to its members, and to promote and reinforce the growth of the sector, which include:

- Hosting meetings, policy events and exchanges with senior diplomats
- Organising training events on key topics for the industry, with a focus on professional and ethical standards

- Undertaking members' surveys, intelligence gathering and monitoring on important issues
- Engaging in regular dialogue with government departments, FSC, FSPA, MRA, and other relevant agencies and participating in government working groups and technical forum.

Organising Technical Committees to draft submissions and recommendations, with regards to:

- Taxation,
- Financial Strategy and Development,
- PR and Communication,
- Learning and Capacity Building,
- Legal and Compliance,
- Captive Insurance,
- Capital Market, and
- Ad-Hoc (as and when required).

PART II: BUSINESS MAPPING IN MAURITIUS

This part is the one that has been split out of the mission responsibilities.

Data included in this part have been collected during the mission but do not form a comprehensive response to the requirements.

The information contained herein may serve to facilitate the work of the following research to be conducted later on in this regard.

The main issues identified were:

- The difficulty to conduct a primary research of the European enterprises in the various sectors, in view of the mission time constraints and the absence of easy to consult databases;

- The absence of EU business representative associations apart from the French Mauritius CCI and the Belgian Mauritius Business Club;

- The absence of commercial counsellors in country in the EU Embassies/ Honorary Consulates present locally, except for the United Kingdom. Contacts with the delocalised Member States embassies trade representatives was organised by mail but did not provide and feedback;

- The specific context of Mauritius, being a local market (albeit small) as well as a base for investment in the Indian Ocean and Africa (offshore businesses), supported by a favourable tax framework and professional financial services implies the presence of different types of enterprises with specific concerns.

6 BUSINESS MAPPING IN MAURITIUS

Companies in Mauritius belong to different categories[27]:

- Private companies (minus 25 shareholders);

- Small Private Companies (turnover below MUR 30 million, not having a Global Business License 1;

- Public Company (a company which is not a private company);

- Category 1 Global Business License (non- financial companies operating mostly off shore, while having a minimal effective management presence in Mauritius);

- Category 2 Global Business License (same as above in the financial sector)- GBL 1 and GBL 2 licenses have now been merged and are no more being differentiated;

- Foreign companies (branches of foreign registered enterprises operating in Mauritius).

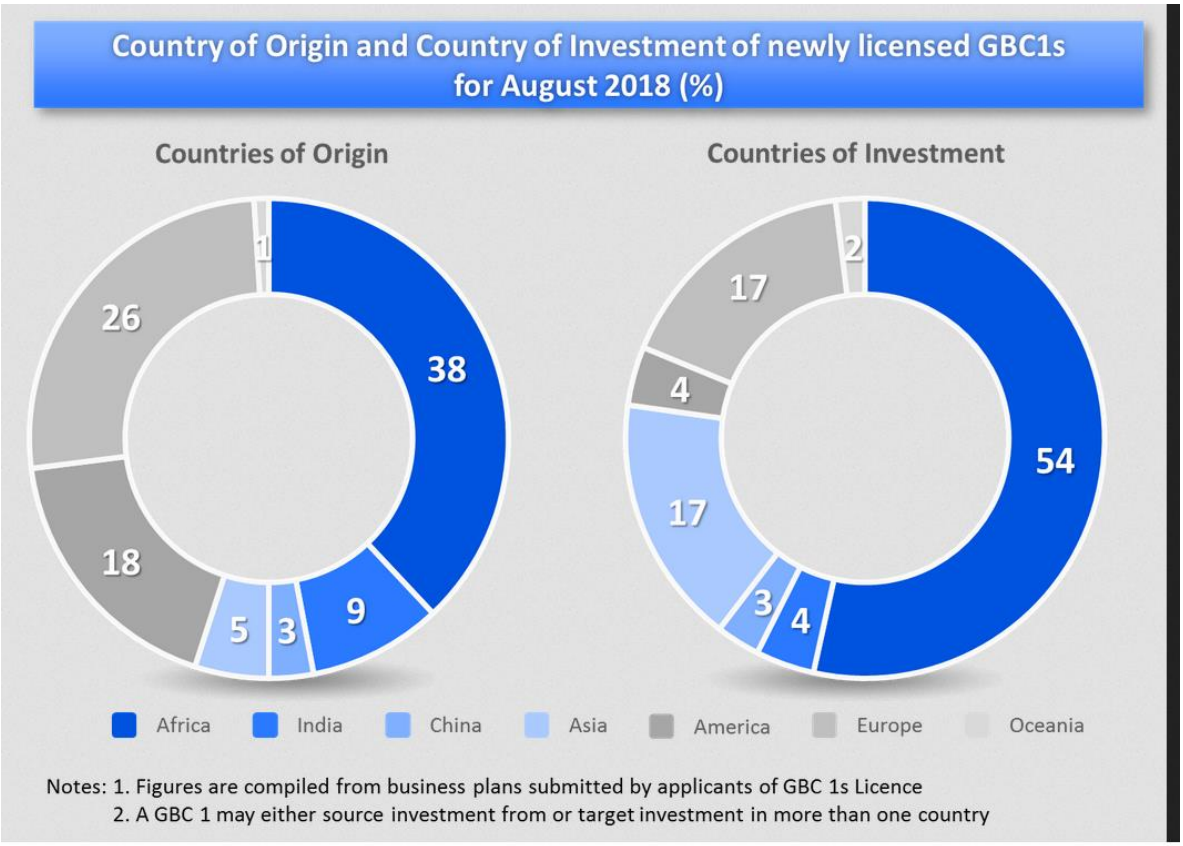
6.1 Sources of Information

- **Global Business companies**

Global Business Companies (GBC) 1 (non-financial) and 2 (financial) represent about 10 600 companies, growing by nearly 1000 yearly. These companies operate mostly offshore. The Table hereafter gives some idea about their origin and their regional investment targets.

The recent fiscal modification, such as the revision of the double Indian taxation agreement as well as the changes into the tax rate of these GBC off shore activities is not yet felt in the evolution of these off shore companies, except through a slow-down of investment from Indian origin.

[27] Cf. https://www.applebyglobal.com/publication-pdf/guide/guide-to-companies-in-mauritius-(january-2016).pdf



Source: FSC https://www.fscmauritius.org/media/67404/aug-2018-english.png

The FSC is not allowed to divulge the name and details of these companies. It publishes nevertheless a statistic report yearly (the 2017 version shall be available early November).

The importance of these non-financial companies is reflected in their total assets computed at US$ 600 billion, plus about US$ 100 billion for the financial GBCs.

To try and identify these enterprises originating from the EU is impossible, unless they come out voluntarily to contact the EU Delegation. The way to organise such "coming out" could be to inform these companies through their Trust and Management companies representation (through their association: the Association of Trust and Management Companies), of the EIP financing possibility and eventual workshops/ Business Commissions described in our hereafter proposed Dialogue framework. It could be hoped that the interested GBCs would contact the EU, and therefore be identified for potential support.

Another channel to contact them could be through the banks which for most of them have dedicated credit officers in charge of this GBC segment of the clientele.

- **The list of the Top 100 enterprises in Mauritius**[28]

Business Magazine published the list of the top 100 companies in Mauritius, however without differentiating the source of their equity (domestic or foreign).

Business Magazine's pre-tax profit ranking shows that five banking institutions were in the top ten. The Mauritius Commercial Bank (MCB) preceded, in order, State Bank of Mauritius (SBM) Holdings (nearly Rs 3 billion), Barclays Bank (Rs 2.1 billion), IBL (Rs 1.96 billion), HSBC Holdings (Rs 1.86 billion), Mauritius Telecom (Rs 1.65 billion), the Mauritius Civil Service Mutual Aid Association Ltd. (1.6 billion), Investec Bank (Mtius) Ltd (Rs 1.3 billion), the CIEL Group (Rs 1.3 billion) and the Alteo

[28] https://www.lemauricien.com/article/top-100-companies-onze-groupes-affichent-des-profits-depassant-rs-1-md/

group (Rs 1.2 billion). The Rogers group, which also recorded pre-tax profits of more than Rs 1 billion, comes in 11th position.

These 11 groups share an amount of Rs 25.4 billion in terms of profits before tax, or 27.7% of total profits made by the top 100 ranking (including banks). This same ranking shows that seven other groups ended the financial year 2015/2016 with pre-tax profits in a range of Rs 500 million and Rs 1 billion: ENL Ltd (Rs 874.9 million), Eclosia (Rs 870 million), AfrAsia Bank (736.7 million), Mauritius Textile Company Ltd (Rs 712.6 million), Cim Group (Rs 708 million), Air Mauritius (Rs 656.4 million) and Medina Ltd (Rs 629 million).

With regard to the classification based on income or turnover (excluding banks), the group IBL dominates again with an amount of about Rs 31 billion. It is ahead of Air Mauritius (Rs 19.4 billion), the group CIEL (Rs 18.5 billion), Eclosia (Rs 14.7 billion), ENL Ltd (Rs 13.4 billion), Mauritius Telecom (Rs 10.1 billion), New Mauritius Hotels Ltd (Rs 9.6 billion), Princes Tuna (Mtius) Ltd (Rs 9.2 billion), Vivo Energy Ltd (Rs 9.1 billion) and Rogers (Rs 8.2 billion).

Business Magazine observes that the total revenues of the "Top 100 Companies" increased by 6%, reaching Rs 373.8 billion this year, against Rs 352.7 billion in the previous edition. "Almost 85 percent of companies listed in the top 100 ranking boasted revenue in excess of Rs 1 trillion. Total profit doubled. It came to Rs 45.80 trillion, representing a growth of 15.6 percent over the 2015 figure. However, we are far from the 30 per cent growgth registered in 2013, "the magazine analyzes. It notes that five companies have for the first time recorded a turnover greater than Rs 1 billion, namely CFAO Motor (Mauritius) Ltd., Sugar Investment Trust, Beau Vallon Company Ltd., Tip Tong & Sons Ltd and Lai Fat Fur Brothers & Co Ltd.

With regard to the classification in terms of assets, the first place is occupied by the CIEL group (Rs 57.3 billion). The latter precedes ENL (Rs 56.9 billion), IBL (Rs 51.1 billion), Swan (Rs 39.5 billion), Mauritius Civil Service Mutual Aid Association (Rs 39.3 billion), New Mauritius Hotels (Rs 35,5 billion), Rogers (Rs 29.4 billion), Alteo (Rs 29 billion), Omnicane (Rs 23.2 billion), Medine (Rs 21 billion) and Sun Resorts (Rs 21 billion). The total assets of the "Top 100 Companies" amount to Rs 665.5 billion. As for the 2016 edition, we note that 27 companies had assets valued at more than Rs 5 billion.

A copy of the Top 100 companies in Mauritius has been purchased by the Mission and left with the EU Delegation. It identifies not only the top 100, but also the largest 500 companies per turnover and other various financial criteria. Unfortunately, foreign ownership is not identified. The mission has met with the Publisher of this database to see if information about the origin of the largest 500 companies in Mauritius could be ascertained and the EU companies specifically identified.

Mr Philippe A. Forget, Chairman of La Sentinelle confirms that there is no simple way to identify foreign controlled companies. His recommendation is to go through the registrar of companies which has one fiche per enterprise, mentioning their shareholders by name, however not by country of origin and try to guess the shareholders' origin from the name, unless the shareholder is a company itself and its origin is unknown. This shall be even more complicated for the smaller companies.

This difficult situation should be further investigated as recommended in this report through the CCIs and the EDB so as to devise a way to identify foreign controlled enterprises in their database which would prove useful to all parties in the long run.

- **The list of the Top 500 companies in the Indian Ocean**

This list has been prepared by the Publisher l' Eco austral in 2015. Again, it does not differentiate between the origin of the equity (foreign or domestic). A meeting with the editor was planned to investigate if such info could be available, but could not be organised within the timeframe.

The list of companies includes:

- Name of the company

- Economic Sector

- Country of incorporation

- Turnover

- Profit

- Date of creation

- Number of employees

This list is being updated. The updated version shall be available early November.

Mr Jean Michel DURAND: jeanmicheldurand@ecoaustral.com, tel.: + 230 211 56 20 is ready to discuss the possibility to identify the enterprises with equity originating from the EU when a meeting can be organised.

- **List from the Economic Development Board**

It is difficult to identify the main EU enterprises in Mauritius, based on the provenance of the equity funds. Neither the MCCI, Business Mauritius does identify such criteria for the moment.

The EDB might have such information based on data collected by the Registrar of companies, but to source this information would require working with the EDB, on a common development project (Cf. our proposed Dialogue framework).

The EU has obtained a list from the EDB of more than 2 000 names and address of companies supposedly originating from the EU. However, the selection criterion for these companies is not clear. No meaningful information is provided apart from the name of the company, of its shareholder (worth noting that only name of individual persons is mentioned) and physical address of the company. No information is available on business sector, country of origin, amount of paid up equity… Finally, only unknown enterprises are listed without any of the larger known ones, which raises questions about the reliability of this list.

In that respect this list is not very useful, while it could provide a base to start a discussion, again if cooperating with the EDB is organised.

Mission could not discuss this issue with the EDB in the absence of the EU greenlight to further discuss the envisaged Policy dialogue framework with the authorities.

- **Members of the CCIs**

As already mentioned, none of the CCIs identify their members' equity funds origin as one of the segmentation criteria. It is therefore difficult to use their membership base as a source of information.

The CCIFM is a special case, regrouping enterprises having a specific relationship with France from which the French controlled enterprises could be identified more easily.

Main drawback in working with the CCIs to identify the EU controlled enterprises rests on their non-compulsory membership which implies that a number of enterprises originating from France would not appear on their membership list.

Furthermore, the Global Business Companies, usually represented through Management companies would most certainly not be member of CCIs, keeping a low profile.

These companies would nevertheless be important entities as far as the EIP is concerned and should be approach indirectly through the Trust and Management companies representing them as discussed earlier on.

The Table above indicates the origin of the Funds invested in these GBCs, 26% coming from the EU. If this percentage is representative of the stock of investment, it could mean that out of the about 10 000 GBC, about 2 600 are originating from EU.

- **International databases**

A couple of international databases exist that track Companies investments in countries worldwide. However, access costs is usually expensive, unless for a large organisation having frequent such needs worldwide. Also the comprehensiveness of the data available per country is not always ensured.

. The Financial Times FDI Market database based on collection of media information since 2003: https://www.fdimarkets.com/contact/?enquiry=1

. ORIBS Crossborder Investment database, maintained by Bureau Van Digk, which can be accessed at a cost: https://www.bvdinfo.com/en-apac/our-products/economic-and-m-a/m-a-data/orbis-crossborder-investment

- **Source from the EU member representations**

The mission did contact by mail the member states representations, most of which are not physically based in Mauritius, investigating if they had any information on the enterprises originating from their countries and having a presence in Mauritius. No answer has been forthcoming.

Meanwhile, we understand that the EU Delegation together with Business Mauritius envisage as a first step to ask the EU enterprises to signal their presence and participate in a breakfast meeting to get to know them.

- **A non-exhausting and non-systematic list of the larger French (as per the CCIFM member list, in terms of jobs created), Belgium (Belgian Business Club members) and UK enterprises per sector is listed hereafter,**

Fr: - Finances and financial services

Fr: . ABAX Corporate Services (French???)

Fr: . Accenture Services (Mauritius) Ltd

Fr: . Allianz Woldwide Partners

Fr: . AXA Customer Services ltd

Fr: . Banque des Mascareignes Ltée

UK: . Barclays Bank

UK: . Standard Chartered Bank

UK: . HSBC

- Technologies (ICT) & Telecom

Fr: . Agileum Ltd

Fr: . LinkeoLtd

Fr: . Orange Business Services Mauritius

Fr: . Maureva Ltd

- Agro Business

Fr: . Convergys Mauritius Ltd (French???)

- Logistics

Fr: . Airport Terminal Operations

Fr: . Brink's Mauritius

- Tourism

Fr: . Blue Connect Ltd

Fr: . Dream Yacht Charter

- Construction BTP Property

Fr: . Chantier Naval de l'Océan Indien (CNOI) Ltd

Fr: . Tansinvest Construction Company

Be: . Mauritius Jan De Nul Dredging Ltd

Be: . BIA MAURITIUS Equipements & services alain.vandenplas@biagroup.com

Be : . AFIX SCAFF (MAURITIUS) LTD, Mauritius

Be : . Yan de Nul Christophe.Beckers@jandenul.com

Be: . Build4you philippe@build4you.be

Be: . Immo Square Ltd immosquareltd@gmail.com

- Outsourcing

Fr: . Euro CRM Mauritius Ltd

Fr: . Intelcia

Fr: . Services Développement et Communications Ltée

- Others, including trading

Fr: . Batch Image Processing Indian Ocean Ltd (French???)

Fr: . CFAO Motors

Fr: . Leal & Co. Ltd

Fr: . Grays Inc. Ltd

Fr: . JCDecaux

Fr: . Pharmacie Nouvelle

Fr: . Total Mauritius Ltd

Fr: . Udis Ltd

Be: . Impact Production Ltd jlm@ipg.mu

Be: . Yuni furnitures bbauwens@yuni-furniture.com

Be : . i-Redac jfcapitte@i-redac.com

Be: . Auxipress christophe.declercq@auxipress.be

Be: . Boostcode yves.dethier@boostcode.org

Be: . Natam natam@intnet.mu

Be: . Africa HR olivier@africa-hr.com

Be: . Alcogroup Julien.Frippiat@ALCOGROUP.com

Be: . Kyclawyers MU xh@kyclawyers.com

Be:	. Afriprotrust	dleon@afriprotrust.com
Be:	. Poseidon	info@poseidon.mu
Be:	. Ipvocateafrica	at@ipvocateafrica.com
Be:	. Talent-Design	tournelj@talent-design.net
Be:	. AAMIL	lverbist@aamil.com
Be:	. PalmBeach Restau	axelpalmbeach@gmail.com
Be:	. Dofiscum	robert.winand@dofiscum.net

6.2 Potential development and challenges

The mission did not have the time to meet sufficient EU enterprises to identify their potential for development and challenges.

This exercise is very time consuming, unless organised through dedicated meetings per sector, each sector post probably having its specific issues and challenges.

The Table hereafter give some idea about the trends affecting the various sectors, based on review of the largest 350 companies in Mauritius:

TABLE II: 2017 Consolidated and selected sectoral figures (Rs'm)

SECTOR		TURNOVER			PROFIT			Total No. of Companies			Number of loss-making companies		
		2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Hotels		37,735	36,760	36,632	1,276	(869)	1,553	31	31	35	13	12	12
Textiles		32,978	35,334	34,496	1,396	2,086	1,437	29	29	29	7	7	7
Construction & Ors		32,666	29,307	25,932	1,646	612	1,154	49	43	43	4	7	7
Oil & energy		31,362	26,392	31,107	723	683	671	4	4	4	0	0	0
Supermarkets/distribution		26,324	26,477	24,612	760	130	368	23	23	22	2	3	4
Insurance		16,707	16,120	15,278	1,687	1,211	1,422	13	13	13	2	0	1
Commerce(retail)		15,259	11,083	7,794	1,253	698	164	33	22	17	0	4	3
Automotives		14,317	12,282	9,797	846	273	306	8	8	10	0	1	4
Telecommunications		13,719	15,619	14,760	1,829	2,164	2,414	6	7	6	0	1	0
Betting & lottery *		6,933	5,369	4,978	272	158	200	17	12	14	4	3	3
Medical & health		5,307	4,328	4,830	603	311	(7)	17	13	12	1	1	3
Logistic/Freight	new!	5,307			187			24			5		
Media**		3,266	3,127	2,932	258	110	85	12	13	13	3		4
Printing & Editing		2,688	2,370	2,612	169	125	98	27	23	23	4	6	6
Advertising		1,420	1,439	1,445	66	62	206	22	23	24	5	4	3
Total		**245,988**	**226,007**	**217,205**	**12,972**	**7,754**	**10,071**	**315**	**264**	**265**	**50**	**49**	**57**
Parastatals	new!	51,822	56,969		1961***	1,216		20	18			8	
Offshore Mgmt Cos ****	new!		8922	7851		3,178	2,585		158	161			

* including Caudan Casino, Grand Casino, Casino de Maurice
**including MBC (2012)
*** CEB alone accounting Rs 1,766.71 M
**** USD Parity@Rs 34

Source: The Top 100 Companies, by Business Magazine

PART III: THE PROPOSED POLICY DIALOGIE FRAMEWOK

This part was supposed to be developed based on the proposed dialogue framework structure presented in the Inception Report. However, the green light from the EU Delegation to officially discuss and detail the proposal with the local stakeholders was not granted and the mission was curtailed.

7 STRUCTURING AN EU/ PRIVATE SECTOR POLICY DIALOGUE

7.1 The Sustainable Business for Africa (SB4A) framework

In relation with the EIP, the EU has set up a new platform – the Sustainable Business for Africa (SB4A in short), as indicated in the 'Joint Communication for a renewed impetus of the Africa-EU Partnership'.

The SB4A will ensure the link and coherence between investments proposed under the External Investment Plan (EIP) pillar 1 and the policy reform agenda under pillar 3. It is key for the success of the EIP.

The SB4A was conceived to provide an overarching framework for structured dialogue with the private sector under the EIP. It is an essential building block of pillar 3 of the EIP and will operate at country, sector and strategic levels to pull in African and EU private-sector perspectives and ownership of the EIP.

The purpose of SB4A is to help identify and prioritise investment climate reform needs, particularly those that are country or sector-specific. Only sustained dialogue with the key players can help identify the most important barriers to private investment and ways of addressing them. Structured dialogue will enable more effective political dialogue with governments and the design of a tailored (best-fit) package of TA, programmes, budget support and financial instruments.

The SB4A also enables a wider multi-stakeholder approach, where necessary bringing together other stakeholders, including other donors, CSOs, and international and regional organisations. As a rule, and in order to provide adequate support for the implementation of the EIP, European and international financial institutions should play a role in the SB4A dialogue structures.

7.2 Structuring a possible Policy dialogue for Mauritius

7.2.1 Challenges

Structuring a policy dialogue involving the EU business enterprises (the EU enterprises based in Mauritius as well as the EU enterprises interested in the country), the local private sector and the public sector, including the regional dimension faces a number of challenges:

- Absence of a potential leader locally to represent the EU private sector in Mauritius, in the absence of an EU CCI/ business association;

- Limited capacity of the EU Delegation, which shall rather act as a facilitator rather than a leader; eventually, capacity and ability of the EU Delegation with respect to Private sector support might have to be reinforced to promote the EIP and engage with the private sector through the proposed Dialogue framework;

- A potential leader to eventually structure the EU businesses representation will have to be identified over time, probably based on the initial successes and information gathered from the policy dialogue framework recommended hereafter;

- Importance of a link with the local and regional business representatives and existing efficient public private policy dialogue, despite some potential for conflict of interest which the mission considers as limited;

- A representative of the European private sector (meaning the European businesses in Europe) as a partner in the proposed framework needs to be identified. It could be the Enterprises Europe Network (EEN) and/ or the planned EBIC. Support from the European Business Organisations World Wide Network or Euro Chambers might not be forthcoming in view of their own strategy and the apparent limited size of Mauritius (if the offshore businesses are included in the picture, Mauritius becomes an important economy with regard its regional potential impact); the mission did not had the time to further investigate the involvement of these organisations in the proposed dialogue format in view of the interruption of the mission.

7.2.2 General principles for the proposed Policy Dialogue

The general principle of the mission proposed Dialogue Framework shall be based on the EU signing an MOU with Business Mauritius, the MCCI, the UCCIOI, the IOC and the EDB to define a dialogue mechanism and involve the EU in the private public policy dialogue, with a specific attention to improving the business environment linked to EU investments/ businesses in the country and the region and promoting the EIP.

Other Mauritius institutions which could be interested to join in the process shall be involved as sub-participants behind the "APEX" identified main parties.

Main responsibilities of the various partners in the proposed cooperation agreement could be:

- **On the Mauritius side:**

- Supporting the identification of the main foreign enterprises (out of which the EU enterprises could be segmented) in Mauritius, per sector, in line with the thematic workshops;

- Identifying the specific issues related to the business environment for these EU/ foreign controlled enterprises;

- Keeping the EU informed of the main sectors/ projects retained for development/ investment in Mauritius as well as in the region.

- **On the European side:**

- Supporting the development of links between the Mauritius private sector and EU enterprises based in Mauritius or interested in Mauritius;

- Providing Technical Assistance support to further assess the issues identified through the dialogue structure and make recommendations on processes;

- Promoting the EIP for Mauritius and the region with the support of the participating institutions, including the involvement of the European Financial Institutions (EFIs); in that regard, interaction with the EFIs will have to be formalised to ensure that the proposed Dialogue framework complement and does not duplicate existing EFIs for a or investment platforms, such as the AfDB Africa Investment Platform developed alongside its Africa Investment Forum scheme.

- **Implementation**

- Implementation should be based on regular thematic workshops organised along specific agenda with the participation of the relevant stakeholders;

- Involving the EU Delegation in the process through a co-chairing of the process alongside the EDB.

- Involving the EFIs as much as possible along the different hematic approaches retained and their EIP approved facilities.

The different responsibilities should be allocated to the participating institutions as per their area of competency.

7.3 Objective of the proposed private sector policy dialogue

The objective of the EIP pillar 3 is to improve the investment climate and promote an enabling business environment by[29]:

• Promoting investment climate analyses:

- market intelligence work and diagnosis to identify key constraints related to investment climate and business environment;

- structured dialogue with the local and international private actors, including the promotion of private and public dialogue (business and government);

• Promoting and facilitating policy and political dialogue with local and international private sector and national/regional governments to better identify key investment and business constraints and implement conducive investment climate reforms; and

• Strengthening the capacities of private sector and public authorities — supporting governance, strengthening specific value-chains, promoting innovation, quality and international standards and entrepreneurship. Monitoring and tracking impact measurement in terms of job creation, women's empowerment and youth entrepreneurship.

➢ **Overall objective**

The objective of the Mauritius Policy Dialogue Platform shall be to promote and intensify the structured dialogue with the private sector, as well as with key players in the field of employment and the improvement of the investment climate, with the ultimate objective of creating sustainable and decent jobs in Mauritius and the region, especially for young people and women.

➢ **Specific objectives**

To inform and promote the External Investment Plan towards the business community and other stakeholders, ensuring that its financial and technical assistance instruments are well understood and used to promote the private sector development and related employment.

7.4 Stakeholders in Mauritius

7.4.1 The stakeholders and their representatives

➢ **At the local level**

The main stakeholders identified to participate in the proposed dialogue framework as "APEX" institutions are the MCCI, Business Mauritius (BM) and the UCCIOI on the private sector side. The EDB and the IOC on the public sector side, and the EU as provider of the EIP and supporter of the EU enterprises.

Should the EU enterprises in Mauritius be organised in time through an UE CCI, it would be an obvious partner in the Dialogue. In due course, and based on the expected early results from this dialogue platform, the promotion of such EU CCI could be envisaged.

<u>- Other Mauritius private sector sub-partners to be associated to the dialogue framework, based on specific thematic workshops:</u>

A number of institutions shall be concerned and involved with the Dialogue structure, depending on the thematic approaches developed over time. Obvious institutions linked to different subjects are mentioned hereafter as potential important partners:

- Specific representative organisations:

[29] As per the EIP Guide 2017

- The specific business sector representatives described in Chapter 5.9, such as the AMM, the ATMC, the AHRIM, the OTAM, the Bankers Association, Global Finance… when discussing specific sector issues;
- The various public institutions again when discussing relevant subjects described in paragraph 2.3.2, such as SME Mauritius, the Financial Services Commission, the State Investment Corporation, the Mauritius Africa Fund, The Africa Centre of Excellence, the Development Bank of Mauritius, the MARENA, the Agency in charge of smart cities development.

- EU local enterprises involvement in the framework

Mauritius is a small country which only has one representative association: the CCI France Maurice with about 200 members. Getting the EU enterprises involved in the proposed policy dialogue could be organised as per the following two main options:

. Option 1: to support the creation of an EU CCI which could serve as the conduit for a private public dialogue with the EU and the authorities, in relation with the specific needs of this enterprise segment.

Favourable element would be to have a dedicated institution representing the interests of EU enterprises vis a vis the EU and government.

However, it would duplicate the existing efficient private public dialogue conducted through the MCCI, the Business Mauritius and the EDB (as well as through the UCCIOI and the IOC as far as the Indian Ocean region is concerned).

Also, the limited number of the larger EU enterprises and their diversity of interest might render the setting up of an EU chamber problematic, with no natural promoter for such institution.

At this stage this option is not recommended while it may be revived in time when the situation evolved, possibly if the second proposed option is successful, provides for the missing information on EU businesses, and demonstrates the advantages of such policy dialogue.

. Option 2: to support the identification of "foreign"/ "EU" enterprises within the existing CCIs (MCCI and BM), allowing for these institutions to represent these specific members' needs through their present policy dialogue process and suggested thematic workshops, with the involvement of the EU delegation.

Identifying these "EU" enterprises should be the responsibility of the CCIs/ UCCIOI and EDB/ IOC along criteria to be defined in relationship with the available information in these organisations database.

- **At the European level**

A few institutions described hereafter should be encourage to liaise with the proposed dialogue as per the various thematic issues discussed. It shall be the EU Delegation responsibilities to support their involvement when required.

- The European Business Organisations World Wide Network[30] (EBOWWN) is a common platform for European Business Organisations to share information and best practices among the network and its stakeholders in order to provide first-rate services to European businesses, in non-EU markets.

Its mission is:

- To provide a common platform for European Business Organisations to share best practice and facilitate European businesses in third markets.
- To provide access to local market knowledge for stakeholders in Europe.

[30] Cf. https://www.ebowwn.com/

- To advocate European best business practices and standards in third markets.
- To network at the regional and global level in providing best practices for common interests.
- To provide input on Free Trade Agreements (FTA) and FTA monitoring.

Its services are:

- Advocacy and Government Engagement
- Business Networking
- Business Matching
- Information and Research
- Social and Community Activities
- Business Promotions: Fairs and Exhibitions
- Business Advisory Services
- Capacity Building
- EU Promotions

- EuroChambres: The Association of European Chambers of Commerce and Industry

Eurochambres was established in 1958 as a direct response to the creation of the European Economic Community, EUROCHAMBRES acts as the eyes, ears and voice of the business community at EU level. EUROCHAMBRES represents over 20 million businesses in Europe through 46 members (42 national associations of chambers of commerce and industry and two transnational chamber organisations) and a European network of 1700 regional and local chambers. More than 93% of these businesses are small and medium sized enterprises (SMEs). Chambers' member businesses employ over 120 million.

Key activities of the Eurochambres related to the proposed dialogue are:

. Raising skills

. Internationalisation of companies

. Provider of innovation services

. Catalysts in improving energy efficiency.

- The Enterprise Europe Network (EEN)[31]

The Enterprise Europe Network helps businesses innovate and grow on an international scale. It is the world's largest support network for small and medium-sized enterprises (SMEs) with international ambitions.

The Network is active in more than 60 countries worldwide. It brings together 3,000 experts from more than 600 member organisations – all renowned for their excellence in business support.

Member organisations include:

- technology poles
- innovation support organisations
- universities and research institutes
- regional development organisations
- chambers of commerce and industry

[31] Cf. https://een.ec.europa.eu/about/about

Individual businesses can't become Network members, but they can enjoy the many services offered: Enterprise Europe Network leaflet (.pdf).

Business services proposed:

Teams of Network experts in each member organisation offer personalised services to businesses. They know the local business environment and have contacts for business opportunities worldwide.

The Network can also offer a targeted approach aimed specifically at your business sector. Its expert groups cover all key economic sectors, from healthcare to agrofood, from intelligent energy to fashion and textile.

7.4.2 The Regional dimension

Key partners in the dialogue related to the Indian Ocean regional aspect are included as "APEX" institutions: the UCCIOI and the IOC.

The EU is currently formulating a project with the IOC on business facilitation, inter alia for the setting up of a European Business Information Centre (EBIC). The EBIC is expected to provide services to the private sector in the Indian Ocean region to bridge the gap in business intelligence between the EU and the region, and also encourage the entrepreneurs in the region to take advantage of the various trade opportunities offered under the preferential agreements that the EU has signed with the Indian Ocean Member States. The EBIC will also guide European SMEs on business opportunities in the Indian Ocean region. It is expected that the EBIC will be in operation late 2019.

Using this proposed EBIC in the context to support the proposed dialogue with the private sector in the region and in Mauritius shall be considered once the EBIC is operational.

7.5 Activities and expected results

The success of the EIP will depend on the extent to which it mobilises investments that promote sustainable and inclusive growth and create decent jobs for all. The contribution of the EIP to the objectives shall be measured against specific targets with a series of outcome and impact indicators as regards:

- the contribution to the achievement of the SDGs;
- generating inclusive and sustainable growth;
- creating decent jobs;
- promoting gender equality and the empowerment of women and young people;
- a positive impact on climate change;
- contributing to poverty eradication; and
- addressing root causes of (irregular) migration, fostering the sustainable re-integration of migrants returning to their countries of origin, and strengthening transit and host communities.

All the above elements are crucial if the EIP is to achieve the expected results while ensuring coherence with EU policies.

As far as Mauritius is concerned, only SDGs 8 and 9 are really significant, in view of the Middle Income status achieved by the country. To measure results linked to the proposed policy dialogue framework, the indicators should target mostly:

- creating decent jobs;
- promoting gender equality and the empowerment of women and young people;
- positive impact on climate change;
- addressing root causes of (irregular) migration, fostering the sustainable re-integration of migrants returning to their countries of origin, and strengthening transit and host communities.

- **At the organisation of the Policy Dialogue level**

The proposed framework shall operate as a demand led structure for which it is difficult to envision results linked performance indicators, meaningful at the end results levels mentioned here above.

Indicators of the results achieved at the end beneficiary level should be identified/ retained at the individual support financing and TA support provided through the EIP/ EFIs specific operations.

- As far as the policy dialogue is concerned, the expected results could be listed as follows:

- A Policy dialogue structure is agreed upon by the relevant stakeholders through a signed MOU detailing its objectives, proposed activities, expected results and performance indicators. Responsibilities of the stakeholders are clearly defined.

- Workshops are organised regularly and at least four times per annum, based on thematic agenda with the relevant participants.

- Further to the workshops, follow-up developments are organised under the responsibility of a designed lead institution to implement the recommendations originating from the workshop and depending on the recommendations, leading to:

. Improvement of the business environment, possibly with the support of EU Technical Assistance;

. Promotion of the related EIP specific facility in coordination with the relevant EFIs;

. Identification of the public sector and private businesses investment needs and application for the specific financial support under the lead of an accredited EFI.

- **At the EU enterprise mapping level**

- Potential criteria to define "Foreign" and "EU" enterprises are defined, possibly linked to the Mauritius investment registration handled by the Board of Investment (now part of the EDB) based on the origin of the enterprise equity funds. Initial idea would be to identify enterprises with:

- i) the largest equity percentage among shareholders, from one of the EU (foreign) countries (to identify the foreign invested companies);

- ii) a second category for minority foreign shareholding above 10% or 20% of the equity (to identify the significant Mauritian controlled joint ventures); and possibly

- iii) the enterprises with exports (including to the EU) above a minimum amount (to identify the "champion" exporters)[32].

This shall be further investigated with the EDB and MEXA, as far availability of information is concerned re the proposed criteria. The Registrar of companies as well as the SME Registration Unit could prove a source of valuable information.

- The special case of the "Global Business Companies"

These companies usually without a physical presence in Mauritius are operating mostly offshore, being registered locally for a number of reasons linked to the favourable business environment.

These companies will probably not appear as members of the MCCI or BM and would not usually look for visibility.

The only way to approach them would probably be through the ATMC which could relay to their management and trust company members, and possibly onward to their final enterprise clients the information that wishes to be passed over, inducing a kind of "coming out" of these enterprises looking for EIP support.

[32] Mission is to investigate existence of this information when they next meet with MEXA

Another channel to relay the information towards these Global Business Companies could be through the banks in Mauritius which do have these companies as clients.

- **At the EIP promotion level**

Promotion of the EIP/ EFSD in Mauritius and possibly the Ocean Indian region shall be a significant component of the above policy dialogue framework. Its promotion should proceed through three steps:

- First step: Inform the potential Mauritian/ Region partners (EDP, IOC, CCIs, financial representatives, ATMC…) of the EIP characteristics and potential for support; this information and promotion of the EIP shall as much as possible include EFIs. The format for such promotion process, institutions to be involved, and their respective responsibilities is to be further defined. The modus operandi shall probably rest on the above mentioned regular thematic workshops.

- Second step: Identifying the investment/ financing needs in Mauritius/ Region (public and private) linked to the domestic economies and to Mauritius offshore investments/ developments in Africa; this second step shall most probably be the responsibility of EDP/ IOC and the CCIs in the various sectors (eventually supported by EU TA). These institutions could possibly be declared focal points for the EIP in areas to be defined, leading to the identification of potential prospects. The above mentioned policy dialogue framework could provide for an exchange of information in this regard.

- Third step: Promoting the EIP shall be the responsibility of the focal points under the guidance of the EU Delegation through their active involvement with the EFIs, to support the implementation of the identified projects, either through the 12 already approved guarantee tools (and other to be approved) or through newly design guarantee tools to be proposed via one of the EFIs in accordance with the EFSD pre-defined five windows.

- Issues to be considered

. Main issue with respect to the implementation of the EIP in the context is to differentiate between supporting i) in-country public and private development needs (including the Indian Ocean region), limited as far as Mauritius is concerned by its market size and its middle income country status with ii) the larger investment requirements of the neighbouring African countries, a number of enterprises with African development plans being based in Mauritius, however often as" shelf" companies.

. Secondary issue shall be the promotion mechanism for the EIP/ EFSD in Mauritius, only two of the potential EFI implementers having a local office (AfDB and the AFD).

. Third issue is the absence of most of the Member States Embassies and Trade Commissioners locally. Apart from the British representation, all Member States economic and commercial services are based in various other Eastern African countries. Mobilising the support of the Members State in this regard might prove difficult as exemplified by the limited response received by the mission, further to its request for information on these countries national businesses presence in Mauritius.

7.6 Using the EFSD Guarantee tool to support economic development in Mauritius

7.6.1 Identification of investment needs

Identifying the country investment needs cannot be done through a one-man short term mission, without the expertise of the various sectors (as an example, the AfDB session on identifying the financing needs of Mauritius for its next Country Strategy Paper involves a 10 men team mission spending nearly three weeks in country).

As detailed in Paragraph 2.3.1, the Mauritius Government has detailed its plan for development and does rely on the cooperation with the Development Partners to implement their strategy.

This points out to the importance of developing the Policy Dialogue framework, not only with the private sector and EU enterprises but also with the relevant Government institutions. This shall be all the more important that the Development Partners coordination under the leadership of UNDP is not involving the Mauritius public and private counterparts for the time being.

In the long run, their might be some overlap between the proposed dialogue framework and the expected donor coordination framework. The agenda of the EU dialogue framework shall then be redefined, probably with a bigger emphasis with the EU originated enterprises.

Meanwhile, our proposed dialogue framework would have the advantage of structuring the dialogue with a view, not only to improve the business environment for EU enterprises, but also to gather investment requirement information in a structured way, sector based, through the proposed thematic workshops, with the involvement of all stakeholders, especially the EFIs.

7.6.2 Using the EFSD Guarantee tool linked to such investments

Describing the possible guarantee tools which could be provided through the EFSD as required is not a very relevant exercise, since all types of guarantee can be envisaged under the EIP framework, as long as the financing they support is in line with the EIP objectives.

To give some ideas of such type of guarantees, one has identified in the already 12 authorised EFI facilities under the EIP in the following paragraph, the type of guarantees involved.

On a theoretical basis, the possible types of guarantee could be classified as follows:

- Project finance type of guarantees usually providing cover for political risks, counterpart risks, performance risks, commodity futures/ foreign exchange risks…

- MSME and other segment of enterprise Access to Finance risks would cover partial individual credit risk, portfolio type of credit risks based on agreed clientele segments (women, youth, rural, agribusinesses…), possibly including first loss risks, foreign currency risks…

- Equity finance support risks which again could cover the political risks, the foreign exchange risks or even the performance risks through some kind of junior invested shares in the investment support funds/ vehicles…

- Local markets Bond underwriting could also be supported through various types of underwriting guarantees, or through plain credit risks or even through asset covered bonds supported by guarantees…

On top of the listed potential types of guarantee, specific guarantee could be designed to meet each financing requirement scheme, on a case per case basis, as can be seen form the 12 cases described hereafter.

7.6.3 Type of guarantee included in the 12 initial EFI approved guarantee facilities[33]

1 The NASIRA Risk-sharing Facility

[33] Outline of the following 12 schemes is described in Annex

Portfolio type of partial credit risk guarantee possibly with a first loss mechanism targeting identified segment of undeserved entrepreneurs.

2 The African Local Currency Bond Guarantee Programme (ALCBGP)

Risk guarantee on a bond issue in local currency possibly involving a first loss instrument.

3 InclusiFI: Financial inclusion driven by diasporas Key info

A guarantee instrument to cover risks involved with incoming fund transfers from the diaspora, possibly linked to investment vehicles and saving schemes.

4 Africa GreenCo : Boosting green electricity generation and financing Key info

Counterpart risk in a project finance scheme, based on ensuring that the counterpart does meet its obligations over time without altering the terms of the contract through "fait du prince". Performance risk of the equipment could probably be also included.

5 DESCO Financing Programme: Bringing 'rent-to-own' solar power kits to thousands of homes

Similar to the above guarantee scheme but targeting home investment in renewable energy/ solar panel kits.

6 Room2Run: Helping to raise up to €2 bn fresh investment for new sustainable energy projects

Again, a similar type of guarantee as above, which mostly targets the counterpart risks.

7 Sustainable Logistics and Interconnectivity Guarantee (SLIG): Encouraging investment to make the transport industry greener and more sustainable

This type of guarantee covers portfolio type of risks, based on the logistics segment of clientele, possibly involving first loss type of guarantee as well as foreign exchange risks if the loans are provided in foreign currency.

8 Energy Efficiency and Sustainable Cities in EU Neighbourhood: For low-carbon industries, green buildings and sustainable urban development

Similar type of portfolio guarantee on this specific segment of the clientele to achieve increased competitiveness of the segment.

9 Boosting investment in renewable energy: More clean power generation thanks to more certainty for investors

This Facility seems to provide for both counterpart guarantee as well as portfolio credit guarantee on the retained segment of investments.

10 Resilient City Development (RECIDE): Making investment in urban infrastructure more compelling

The type of guarantees covers not only the counterpart risks, but also in this case performance risks of the investments as well as support to the interest rate costs (not a guarantee per se).

11 European Health Guarantee Platform for Africa: Improving healthcare with high-quality health screening labs

This guarantee is again a counterpart risk guarantee, based on the contracts provided by the local government to the local health providers.

12 Digital Transformation Platform and Broadband Investment Programme: Increasing the use of digital technologies, and widening rural access to broadband

This is a kind of equity investment risk guarantee facility to reduce private investors' risks in the sector. This could be delivered through different format such as junior share subscription in dedicated equity funds or other.

8 CONCLUSION AND RECOMMENDATIONS

In view of:

i) the absence of an organised representation of the EU enterprises in Mauritius (only the French and in a lesser way the Belgian have a local CCI, while only the British have a locally based trade commissioner);

ii) the effectiveness of the existing local Public Private Policy dialogue;

iii) the weak capacity and abilities of the EU Delegation with regard support to the private sector; and

iv) the limited presence of the EFIs in the country;

the mission recommends to rely on a close cooperation with the local CCIs and the EDB to help structure the EU Dialogue framework with the private sector among which the EU enterprises.

The proposed framework should ensure to achieve the expected results in a professional and sustainable way such as:

- Identifying the EU origin enterprises as per proposed criteria to be further defined in line with available information;

- Identifying the various issues affecting EU enterprises in Mauritius and the region, relying on the proposed thematic workshops to be organised regularly with relevant EU and Mauritius stakeholders, including the EFIs;

- Identifying the investment needs and financing requirements which could be supported by the EIP and notably the EFSD guarantee instrument.

To try and identify in a non-systematic way information about the EU enterprises present in the country will not only give a partial view of their presence, but will not allow to exploit the gathered information in a constructive way thereafter, without the means and capacity to follow-up on collected information, through a sector based approach (in terms of improving the business environment and identifying the investment/ financing needs) and to address those requirements in cooperation with the government.

Furthermore, not contributing to include criteria about the enterprises' origin in the various CCIs and EDB/ related institutions databases will not allow for a clearer understanding and knowledge of this enterprise segment in the future by all parties concerned.

Finally, to collect this type of information without accompanying such information by the enterprises' position in their respective value chains/ sectors will limit the usefulness of the information collected. Relying on the CCIs to provide such information would help the EU Delegation limited capacity in this regard.

In a second stage, when the proposed framework will have allowed a better identification of the EU enterprises and their requirements, setting up a proper EU CCI to represent these businesses will have to be considered, so as to lessen the dependency on the local partners.

9 ANNEXES

9.1 List of persons met

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9.2 List of documents consulted

Documents already consulted

- EU Economic Diplomacy
- Devco Country Fiche Mauritius

- EU Economic Partnership Agreement with Eastern Africa
- First 12 Guarantee Tools accepted under the EFSD
- 2014 – 2020 Regional Indicative Programme for Eastern Africa
- 2014 – 2020 National Indicative Programme for the Republic of Mauritius
- EU Delegation - Mauritius Annual Action Programme, Year 2018
- EU Delegation - Supporting Job Creation and Economic Growth in Africa, Jobs and Growth Compact for Mauritius
- EU SB4A, Sustainable Business for Africa Platform
- EFSD Investment Window: Energy and Connectivity Window
- EFSD Investment Window: Sustainable Agriculture, Rural Entrepreneurs and Agribusiness
- The Mauritius Business Facilitation Act 2017
- National Export Strategy (NES) - 2017
- Ten year Master Plan for the SME Sector in Mauritius (2017)
- Mauritius Investment Support Programme
- World Bank Doing Business Survey
- Wold Bank: The Ocean Economy in Mauritius: Making it Happen, Making it last - 2017.
- World Economic Forum Competitiveness index
- L'Eco austral Supplement: Investir à Maurice – February 2018

Web sites of the main stakeholders

9.3 Annex: The EU Nigeria example

A well-established annual EU-Nigeria Business Forum (EUNBF), running for 7 years now. Topics reflect issues tackled under the EU Development Cooperation and the aegis of the European Economic Diplomacy:

- Business Environment; Empowering Women business; Integrating Nigerian SMEs into Global Value Chains; Textile: Plugging into the Global Value Chain; Circular Economy
- Access to Finance and Infrastructure Development; Leveraging Innovative Financial Instruments to Attract Investments
- Electricity: Financing; Maximising Investments/ and Benefits to Citizens
- Nutrition and Health: Identifying innovative solutions and supply chains; Opportunities for local production of high energy nutritious foods
- Supporting Nigeria's Diversification through EPA
- Agriculture: unlocking opportunities in agribusiness; Land administration and ownership
- Investing in Youth; Digital Economy, the role of Youth in Economic Transformation through ICT; Youth and Agri-business: Developing Value Chains and Job Creation

More on the EUNBF at https://www.eunbf.com/

Newly established European Business Organisation World Wide Network (EBOWWN), which links the European companies with high-level policy dialogue and private sector to improve Nigeria's business/investment climate, as well as business and trade relations with the EU. The EUD facilitated its establishment and its official launch will be at this year's EUNBF. It is part of EBO Worldwide Network, including EBOs in Ivory Coast, Ghana, Senegal, Ethiopia and Tanzania.

More on EBOs at https://www.ebowwn.com/

The Trade and Economic Counsellors Group, which meets regularly (at least every quarter) to discuss economic, trade and business issues. This network is very useful for effective sharing of information and appreciated by colleagues from MS Embassies. Until the establishment of the EBO, it was the main way through which the EUD would gather information about trade and investment bottlenecks from businesses operating in Nigeria.

Sector-specific dialogue, e.g. renewable energy, especially around new facilities like ElectriFI and SUNREF and agriculture value chains.

9.4 Annex: The EIP[34]

9.4.1 The EIP main principles

The EIP is structured around three pillars of interventions:

- investments are mobilised through the EFSD, which features two regional investment platforms and the new, innovative EFSD Guarantee ;

- technical assistance (TA) is provided to develop bankable projects and help improve the investment climate and business environment in partner countries; and

- the investment climate and business environment are also improved through structured dialogue with the private sector and enhanced policy dialogue.

9.4.2 The EIP main tools

- **Pillar 1: the EFSD and the EFSD Guarantee**

The EFSD integrates two regional investment platforms – the Africa Investment platform (previously the Africa Investment Facility) and the Neighbourhood Investment Platform (Previously the Neighbourhood Investment Facility). It combines these platforms with the new EFSD Guarantee, for a total of EUR 1.5 billion.

The main feature of the first pillar is the creation of the EFSD and the EFSD Guarantee that has its legal basis in Regulation (EU) 2017/1601 of the European Parliament and of the Council establishing the European Fund for Sustainable Development, the EFSD Guarantee and the EFSD Guarantee Fund. It started operations in September 2017, when the Regulation was adopted.

The EFSD aims to support investments, to foster inclusive and sustainable economic and social development, in sub-Saharan Africa and the European neighbourhood, maximising additionality, delivering innovative products and crowding in private-sector funds.

The regional investment platforms will use the same forms of EU financial support as the current blending investment facilities. In addition, there is now the new EFSD Guarantee.

The EFSD Guarantee will mitigate investment risk and attract private investment to activities that would not take place otherwise. The investor will need to prove the additionality of the investment. Within the African Investment Platform, a significant share of the EFSD Guarantee shall be allocated to fragile and conflict-affected, landlocked and least developed countries, where the perceived risk is higher and there is a great need for private investment. The Guarantee can cover a wide range of financial instruments that eligible counterparts may propose to use, with the aim of achieving development impact:

• loans, including local currency loans;

• guarantees;

• counter-guarantees;

• capital market instruments; and

• any other form of funding or credit enhancement, insurance, equity or quasi-equity participations.

Eligible counterparts include a broad range of actors:

a) the EIB and the European Investment Fund;

b) public law bodies;

c) international organisations and their agencies;

d) bodies governed by private law but with a public service mission (subject to adequate financial guarantees);

[34] As per the EIP Guide 2017

e) bodies governed by the private law of a Member State (subject to adequate financial guarantees); and

f) bodies governed by the private law of a partner country (subject to adequate financial guarantees).

To be able to sign an EFSD guarantee agreement with the Commission, eligible counterparts must undergo a 'pillar assessment', a screening process that enables the Commission to entrust budget implementation tasks to certain countries, organisations and bodies.

At present, pillar-assessed eligible counterparts for the guarantee are mainly:

- financial institutions such as the EIB and the EBRD;
- bilateral development banks in the Member States, such as the AFD, KfW, CDP, AECID;
- European development finance institutions, such as Proparco, FMO, DEG, COFIDES; and
- other regional and multilateral development banks, such as the AfDB.

- EFSD windows

A first set of investment windows includes:

- Sustainable energy and connectivity — targeting sectors such as renewable energy, energy efficiency and transport, enhancing energy security and sustainable development, while addressing climate-change risks and helping partner countries to deliver on their commitments under the Paris Agreement;
- Micro, Small and Medium-sized Enterprises (MSMEs) Financing — addressing the main constraints hampering MSME development by means of a differentiated approach. This will result in more job opportunities, especially in countries affected by conditions of fragility, while promoting innovation and the gradual transition of businesses from the informal economy;
- Sustainable agriculture, rural entrepreneurs and agribusiness — responding to the lack of financing mechanisms serving farmers and agri-entrepreneurs, particularly smallholders, cooperatives and agribusiness MSMEs, in order to promote inclusive and sustainable growth;
- Sustainable cities — exploring innovative mechanisms to address the challenges of sustainable urban development faced in partner countries; and
- Digital for development — focusing on innovative digital solutions, especially those addressing local social needs and financial inclusion, and promoting the creation of decent jobs.

- **Pillar 2: Technical Assistance**

Pillar 2 is essential for the EIP as a means for scaling up technical assistance (TA). This will help national and local authorities in partner countries and companies to develop sustainable and financially viable projects and attract potential investors (link with pillar 1). TA will also improve analysis of the investment climate and help partner countries to put in place economic reform programmes aimed at improving the investment climate and business environment (link with pillar 3). TA is crucial to the successful implementation of pillars 1 and 3.

- **Pillar 3: Policy Dialogue**

The objective of pillar 3 is to promote necessary reforms and value chain improvements in order to have in place framework conditions that are conducive for doing business and investing. In the first place, it will be based on a structured dialogue with the private sector at country, sector and strategic level, depending on the subject matter and the country's needs. The EU delegations will play a key role to support such a dialogue. The Sustainable Business for Africa (SB4A) platform will be rolled

out for this purpose. The SB4A, launched at the EU-Africa Business Forum in Abidjan in November 2017, will be instrumental in promoting structured dialogue with the private sector in Africa.

Structured dialogue with business will improve the overall country-analysis, provide market intelligence, highlight investment opportunities and promising sectors and value chains. It therefore helps improving the evidence-base for a policy dialogue with the government and allows for better targeted support interventions.

The policy dialogue could cover inter alia, the fight against corruption, organised crime and illicit financial flows, good governance, the inclusion of local markets, the boosting of entrepreneurship and local business environments, respect for human rights and the rule of law and gender responsive policies, with the aim to creating the conditions for sustainable economic and social development.

These discussions will aim at promoting policy reforms that contribute to a better investment climate for local and foreign investors. In parallel, the Commission will also promote a stronger engagement with European businesses and strengthen local coordination mechanisms, both in Europe and in partner countries. This engagement will aim at reinforcing the voice of the private sector towards governments in partner countries, thus contributing to a participatory identification of priority reforms and areas for investments.

9.4.3 Blended finance instruments: The Africa Investment Platform[35]

The main purpose of Africa Investment Platform is to support sustainable growth in Africa. It aims at fostering investments which will have a positive impact on the socio-economic development such as infrastructures in transport, communication, water, energy as well as agriculture and private sector development, in particular SME's.

In September 2017 the Africa Investment Facility became an integral part of the European Fund for Sustainable Development (EFSD) as the Africa Investment Platform (AIP). The EFSD is the first pillar of the EU's External Investment Plan. It keeps most of its original features.

The AIP was created in August 2015 and started operating in November 2015. It is an innovative financial mechanism that combines grants (non-refundable financial contributions from the European Union) with other resources such as loans from Development Finance Institutions in order to leverage additional financing for development and increase the impact of EU aid.

Similarly to the other EU blending facilities, the AIP acts as a catalyst to pool resources and improve the coordination and coherence of donor actions, thus conforming to the principles of ownership, partnership and shared responsibilities set out in the Paris Declaration on Aid Effectiveness and the subsequent Accra Agenda for Action (link is external) and Busan Partnership Agreement (link is external).

Resources can be made available from the different EU financing instruments (EDF and DCI), in coherence with the priorities established in the EDF Regional Indicative Programme, relevant EDF national indicative programmes, the intra-ACP programmes as well as the Pan-African Indicative programme. AIP interventions should focus on the following sectors: energy, agriculture, transport, environment, water and sanitation, climate change, SMEs, information and communication technologies (ICT) and social services, support to private sector development, in particular Small and Medium Enterprises (SMEs).

AIP support is provided through:

- Investment grants
- Technical assistance
- Risk capital and other risk sharing instruments.

The final beneficiaries of the AIP will be the partner countries, either directly or indirectly through their central, regional and local administrations or public or semi-public institutions. Other final

[35] https://ec.europa.eu/europeaid/regions/africa-investment-facility_en

beneficiaries can be the private sector and in particular households and SMEs for categories of operations dedicated to the private sector development.

The AIP sets up partnerships, pooling grant resources from the EU and using them to leverage loans from multilateral and bilateral European Finance Institutions as well as from regional and multilateral Development Banks. These resources can often be pooled together with contributions from partner countries and beneficiary institutions in Africa.

9.4.4 EFSD Guarantee and Technical Assistance tools

Out of the twelve Facilities[36] under the EFSD guarantee recently awarded to Pillar assessed European Development Financial Institutions, the following may have some relevance to the Mauritius context:

- The NASIRA Risk-sharing Facility

Portfolio risk guarantee

Supporting undeserved entrepreneurs

Lead financial institution: FMO

EFSD Guarantee: Up to €750 m

Technical Assistance: Up to €8 m

Total investment expected: €500 - 1 000 m

- The African Local Currency Bond Guarantee Programme (ALCBGP)

Developing local currency capital markets in Africa

Lead financial institution: KfW (Germany)

EFSD Guarantee: Up to €100 m

Technical Assistance: Up to €2 m

Total investment expected: €1 bn

- InclusiFI: Financial inclusion driven by diasporas Key info

Lead financial institutions: AECID (Spain), COFIDES (Spain), CDP (Italy)

EFSD Guarantee: To be determined

Technical Assistance: Up to €11 m

Total investment expected: To be determined

- Africa GreenCo : Boosting green electricity generation and financing Key info

Lead financial institution: Agence Française du Développement (AFD)

EFSD Guarantee: Up to €28 m

Technical Assistance: Up to €0.9 m

Total investments expected: Over €450 m

- DESCO Financing Programme: Bringing 'rent-to-own' solar power kits to thousands of homes

Lead financial institution: The African Development Bank (AfDB)

[36] Cf. https://ec.europa.eu/europeaid/sites/devco/files/gti-factsheet-180720_en.pdf

EFSD Guarantee: Up to €50 m

Technical Assistance: Up to €6 m

Total investments expected: To be determined

- Room2Run: Helping to raise up to €2 bn fresh investment for new sustainable energy projects

Lead financial institution: The African Development Bank (AfDB)

EFSD Guarantee: Up to €50 m

Total investments expected: €1-2 bn

- Sustainable Logistics and Interconnectivity Guarantee (SLIG): Encouraging investment to make the transport industry greener and more sustainable

Lead financial institution: European Bank for Reconstruction and Development (EBRD)

EFSD Guarantee: Up to €50 m

Technical Assistance: Up to €5 m

Total investments expected: To be determined

- Energy Efficiency and Sustainable Cities in EU Neighbourhood: For low-carbon industries, green buildings and sustainable urban development

Lead financial institution: European Bank for Reconstruction and Development (EBRD)

EFSD Guarantee Contribution: Up to €100 m

Technical Assistance: Up to €7 m

Total portfolio budget: €750 m

- Boosting investment in renewable energy: More clean power generation thanks to more certainty for investors

Lead financial institutions: The European Bank for Reconstruction and Development (EBRD),

Association of European Development Finance Institutions (EDFI)

EFSD Guarantee: Up to €100 m

Technical Assistance: Up to €4 m

Total investments expected: €2 bn

- Resilient City Development (RECIDE): Making investment in urban infrastructure more compelling

Lead financial institutions: AECID (Spain)

EFSD Guarantee: Up to €100 m

Technical Assistance: Up to €20 m

Total investments expected: To be determined

- European Health Guarantee Platform for Africa: Improving healthcare with high-quality health screening labs

Lead financial institution: European Investment Bank (EIB)

EFSD Guarantee Contribution: Up to €80 m

Technical Assistance: Up to €12.5 m

Total portfolio budget: To be determined

- Digital Transformation Platform and Broadband Investment Programme: Increasing the use of digital technologies, and widening rural access to broadband

Lead financial institutions: The European Investment Bank (EIB), The European Bank for Reconstruction and Development (EBRD)

EFSD Guarantee: Up to €70 m

Technical Assistance: Up to €4 m

Total investments expected: €350 m