

EXECUTIVE SUMMARY

The promise of a strengthening global economy in 2018 has not materialized, with downward revisions for several of our major partner economies including the euro area, the United States and the United Kingdom. While global growth in the second half of 2019 is expected to pick up, among our key markets, India and China - and to some extent the US - would be registering strong growth. Our other key markets (France, Germany, UK and South Africa) are projecting sluggish growth. Sub-Saharan Africa is expected to do slightly better than world average but within this group, our African partners such as Kenya, Mozambique, Cote d'Ivoire, Ghana and Senegal are expected to show strong growth, up to 8.8%. Ethiopia, with whom economic relations could be accelerated, is also expected to have exceptional growth. Madagascar would, as an outlier among IOC countries, grow above 5%.

For the Mauritian economy, the macroeconomic growth projection is positive, at par with world average in 2018 and 0.3 percentage points above in 2019. It would compare favourably with the Sub Saharan Africa region, Seychelles and do significantly better than South Africa.

In the words of IMF, in the context of the delicate situation of the global economy, "it is imperative that costly policy mistakes are avoided". Policy measures to boost output and investments, to support diversification in the higher growth markets and to promote sustainable and inclusive development would need to be bold, relevant and quickly implementable.

At the same time, our macro-economic fundamentals including public debt management, budget deficit, inflation and employment would need to be carefully monitored. The Government's fiscal strategy, which aims at enforcing greater fiscal discipline and financial prudence, particularly in view of the recent rising trend in public debt, would be particularly relevant.

With the common purpose of building a better Mauritius together, the members of Business Mauritius Council and Commissions have developed a National Business Roadmap and identified four key priorities for this Memorandum for the 2019 – 2020 National Budget, namely:

- improving the management of our scarce natural resources
- developing our human capital
- strengthening our governance, and
- addressing our environmental vulnerabilities

Improving the management of our scarce natural resources

The capacity to **sustainably exploit resources in our EEZ** and bring maximum benefits to the population would necessarily require the adoption of an investment framework as well as an R&D strategy. The publication of a concessions framework for the EEZ and the launch of research funding for joint projects between Mauritius and international partners on practical applications are highlighted among several initiatives proposed. The work being carried out on sustainable fisheries also needs to be pursued with the necessary means.

Our strategy in choosing how to make **optimal use of our scarce land** would require investment into a Digital Twin for the country. A national development plan is also a necessity. The injunction mechanism should also be reviewed with clear and reasonable cut-off dates for objections. The implementation of the national biomass framework and the review of labour reforms in the sugar sector are seen as priorities, as well as moving towards greener production of sugarcane. The opportunities presented by the National Wholesale Market are highlighted as well as the creation of long term working linkages between large producers / agro-processors and small producers.

The ability to ensure a **sustainable, cost-effective and reliable energy supply** to the transport industry, businesses and households would depend on appropriate regulatory framework to unlock energy investment and improve visibility for private operators and developers. It would also require improving the quality of imported fuels to reduce consumption and pollution as well as accelerating the energy transition to renewable sources. For the latter, it is desirable to set a more ambitious target on percentage of renewable energy in the electricity mix, currently at 35%, given the advances in more accessible battery storage. It is furthermore recommended to define long-term predictable SSDG and MSDG frameworks to enable investors to plan their investment as well as removing the arbitrary 30% of consumption cap which is a result of financial structuring of CEB (commercial subsidizing industrial). A pilot for Electric Vehicles in mass transportation would be timely as well as the development of a Smart Grid Road Map.

With regard to the country's ability to ensure **quality and quantity of water resources**, it is proposed to rethink the gravitational distribution of water, namely through increased rain harvesting and decentralized water storage in coastal areas. Furthermore, a framework for large desalination plants to be developed for servicing hotel needs, in lieu of individual plants, would bring both investment and environmental benefits. The framework for access to utilities in large projects such as smart cities should be reviewed for utility companies to provide utilities infrastructure and end-user billing and maintenance services.

In terms of **waste management** and evolution towards a circular economy, the creation of a network of waste depots across the island and support to existing waste streams and operators are seen as critical. An ambitious project of replacing PET bottles tax by a full voluntary Extended Producer Responsibility (EPR) mechanism is proposed in order to ensure a better collection of plastic waste. It is also proposed to graduate discussions on waste management to the regional level.

Developing our human capital

In view of the **pressure of demography changes on employment**, the possibility to mitigate this effect by bringing more women into the active labour force is highlighted. In this regard, measures that favour flexible working arrangements and crèche facilities are highlighted. Given the low response from the tax deduction on crèche facilities, it is proposed to work at the supply level for urban crèches which are correlated to working hours of business professionals. The opportunities linked to the silver economy are also highlighted.

Furthermore, a National Consultation on the sustainability of public and private pensions through social dialogue is proposed.

The **pressure of demography on healthcare services** is also highlighted and a key proposal is made for the use of private sector efficiency in the delivery of some of the more cumbersome public health services. Moreover, a joint collaboration on the prevention and reduction of Occupational Diseases and Substance abuse is recommended.

In addition, it is proposed to focus some of the grants under Pole of Innovation Grant Scheme (PoIGS) to incentivise world-class research centres on Diabetes, Cardio-Vascular diseases and Oncology, and attract top researchers to work in or collaborate with Mauritius.

The **quality of primary and secondary education** in the formative years of tomorrow's workforce is highlighted with a key proposition to include new skills such as sustainability, emotional intelligence, values, leadership, confidence or project-based teamwork in the primary and secondary curriculum. SC and HSC hands-on modules are recommended for specific streams. Moreover, the strengthening of links between schools/universities and Industry is highlighted with the recommendation of an interactive Career Information, site visits and placements, as well as the valorisation of technical training by integration in Colleges and Universities.

With regard to **HR Development**, it is recommended that a continuous plan be established to identify talent needs (and fading needs) for the future. A system for industry to participate in curriculum development, the scaling up the Dual Training Programme and the renewal of existing employability

schemes (NSDP, GTES, SWG etc.) with a management objective for greater coherence, are recommended.

In order to ensure **conducive workplace relations**, with the evolving employer-employee relationship, it is recommended that the review of the National Minimum Wage by the National Wage Consultative Council be carried out through a process based on objective criteria in 2020 and thereafter every 5 years.

Furthermore, a proposal is also made for the yearly salary compensation adjustment be determined by the National Minimum Wage Consultative Council which made recommendations for the fixing of the National Minimum Wage; or through an automatic indexation of the basic salary every year subject to a maximum ceiling to be determined based on the increase in the median wage. In addition, a number of specific RO-related issues are also highlighted.

A plea is also made with respect to the Portable Gratuity Retirement Fund (PGRF) so that its setting up should not impose additional financial burden which may affect the capacity to pay.

As regards **attracting talent and talent mobility**, a key proposal is for the development of a Labour Migration Policy which will assist in the setting up of an enabling Act for migration issues, including study-work visas, foreign spouses of Mauritian nationals and broader policy aspects relating to migration policy.

Furthermore, a pensions system is proposed for Freelancers as well as recommendations for a new mechanism for financial lending institutions and insurance companies to cover free-lancers and work from home employees.

Moreover, a rifle approach is suggested for **attracting talent** to develop new niches such as Asset Managers, Specialised AI developers and Innovators. This would involve customised packages beyond the current Occupation Permit system.

Strengthening our governance

Proposals are made with regard to the **development of strong and independent institutions**, including, for those institutions that are critical for business, enabling different entry levels, revamping the Senior Chief Executive position towards its initial purpose of bringing in private sector champions on fixed-term contracts, as well as ensuring security of tenure for the public officers in these institutions.

Furthermore, it is proposed that for relevant parastatals which are critical for business, the law to embed that the private sector representatives on these boards be appointed subject to recommendations by BM and/or its partner members, namely the MCCI and sectoral associations.

Recommendations are also made with respect to targets for the e-Procurement system, collaboration on the implementation of policy measures which are critical for business and the digitalization of processes to improve efficiency in the judiciary and improve speed of justice.

With regard to **addressing security, law and order** issues, the importance of the safe city project is highlighted. Recommendations are made for a centralized anonymized data collection on road accidents which will help in identifying trends as well as curb malpractices. A plea is also made to reinstate taxi meters.

With respect to **Inclusive Development**, it is highlighted that the network of NGOs that are today supported by the foundations, and whose survival depend on the continued financing from these foundations are at risk. It is submitted that the reinstatement of the original CSR terms where this money was used to implement the CSR projects of companies as per their own framework and within agreed guidelines would greatly assist the foundations. It is clear that the quantum of CSR money is a small fraction of total government support to social assistance and poverty alleviation.

With regard to CSR again, it is proposed to develop acceptable minimum standards on housing and include improvement of housing to these standards under CSR guidelines.

Furthermore, it is proposed that the current initiative by Business Mauritius to issue guidelines for businesses on poverty alleviation be enhanced through a public-private collaboration. Moreover, a recommendation is made to institutionalize the priority of Motivation, Attitude, Skills, Courage for recipients in all social programmes.

With regards to a **proper regulation for the financing of political parties**, BM reiterates the need for an Act which would ensure transparency and accountability of the political donation process, and serve to further strengthen good governance. In particular, we would recommend that (i) political parties have a legal locus standi prior to the registration by the Electoral Supervisory Commission, (ii) in-kind donations by private companies be regulated, (iii) private company donations to be capped to a small percentage (say 5%) of a party's total campaign budget and (iv) sanctioning powers of the ESC to be broadened and its report at year-end be made public, highlighting non-compliance cases and the relevant sanctions.

Addressing our environmental vulnerabilities

With regard to **climate change adaptation**, the creation of a Biodiversity Corridor / Network of Forests is proposed to improve migration of species and disseminate information. The implementation of the Port Breakwater and Island Terminal is also seen as a priority to improve business continuity under bad weather.

Another priority that has been highlighted concerns **the rejuvenation of lagoons** with the publication of the Integrated Coastal Zone Management (ICZM) report and establishing a clear process for its implementation. Furthermore, it is proposed to create a tripartite financing mechanism (private, public, DFI) on projects by natural geographical boundaries (cell-treatment) to rejuvenate our lagoon ecosystem in a sustainable manner.

With regards to **heavy rainfall adaptation**, preparedness and business continuity plans adopted by some businesses should be encouraged for all businesses at large. Furthermore, it is recommended that a holistic approach be adopted for the Land Drainage System and for road strips subject to water accumulation and aquaplaning. Finally, the risk coverage, including that of households and small businesses to floods, should be improved.

In addition to the above four priorities, the Memorandum highlights some **tactical measures** as follows:

- **Supporting the local business ecosystem** by identifying strategic local industries, ensuring a level-playing field and maintaining a list of approved suppliers based on previous experience among others.
- **A holistic review of the tax system**, which would take in its stride the integration of global business to the economy and the position of Mauritius as a jurisdiction of substance and an economic and business hub for investments between Europe, Asia and Africa. This model should favour efficiency and certainty (through a long-term fiscal framework).
- **Improving sea connectivity** by (i) encouraging industries with high volume exports (captive export market) to the Riche-Terre Business park and thereby increase the attractiveness of Port Louis as a hub for shipping lines (ii) improving the cargo handling capabilities, particularly in terms of productivity and executive leadership (iii) benchmarking of airport charges and private operator charges at Port Louis with competing destinations and (iv) develop the necessary framework for a regional feeder.

- **Improving air connectivity** by (i) considering a cargo Air Freighter to EU, Africa and Asia, (ii) improving the link to key hubs with high frequencies, particularly Shanghai and Mumbai in Asia and Johannesburg, Nairobi and Addis in Africa, (iii) consider providing incentives for the national carrier to establish a strategic Asia partnership to improve Shanghai connectivity and (iv) establish an independent regulator to keep airport and air navigation charges competitive compared to peer tourist destinations.
- **On digital connectivity**, it is proposed to (i) allow ISPs to use existing international and local infrastructure to provide services, to increase competition and reduce prices, (ii) improve Digital Connectivity to support growing E-commerce for manufacturing sector and (iii) start public-private consultations to set up a Framework for usage of various frequencies (IOT, Mobile, Private networks, etc.).

This budget memo presents a bold and innovative proposal to further strengthen public-private collaboration by **setting up a joint public private research house** which would combine raw anonymized data from public and private source to develop policy papers to guide the instances of public-private policy dialogue such as the Investment Support Programme, Industrial Policy, Agricultural Policy among others. This would also provide data for innovators in the Knowledge Economy, AI and Big Data Analytics field.

Last but not least, a proposal is made to **integrate the national business roadmap to the national economic planning**. While it is understood that the overarching economic development strategy of Government will be broader, encompassing new economic sector development, infrastructure development planning and the societal trends, the National Business Roadmap and its underlying methodology could be shared with the relevant public sector institutions for a joint implementation and monitoring of the progress achieved on the binding constraints as well as the periodical review of the constraints themselves and the enablers to ensure coherence with the local and international context.

For more details on the above points, please refer to our full **Memorandum for the 2019 – 2020 National Budget**. We look forward to discussing our proposals with you and your team.

19 April 2019