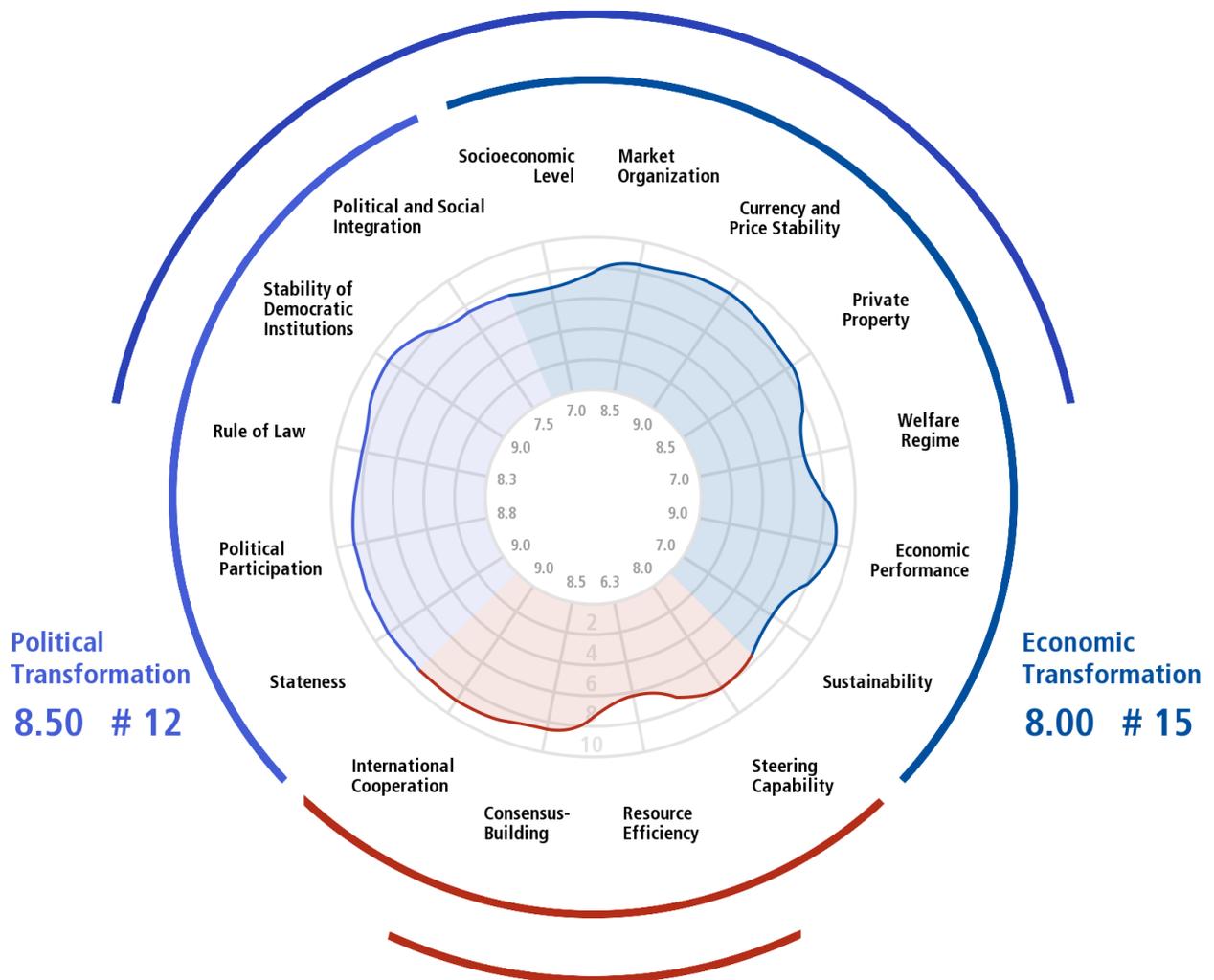


Mauritius

Status Index

8.25 # 13

on 1-10 scale out of 129



Governance Index

6.64 # 13

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report – Mauritius. Gütersloh: Bertelsmann Stiftung, 2018.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

| | | | | | | |
|--------------------------|--------|------|--------------------------------|-------|----------------------|-------|
| Population | M | 1.3 | HDI | 0.781 | GDP p.c., PPP \$ | 21088 |
| Pop. growth ¹ | % p.a. | 0.1 | HDI rank of 188 | 64 | Gini Index | 35.8 |
| Life expectancy | years | 74.4 | UN Education Index | 0.758 | Poverty ³ | % 3.2 |
| Urban population | % | 39.5 | Gender inequality ² | 0.380 | Aid per capita \$ | 60.6 |

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Mauritius is not a transformation country in the classic sense. The island state that lies in the middle of the Indian Ocean, some 1,100 kilometers away from Madagascar and 2,300 kilometers from mainland Africa, has established a viable democracy and market economy since its independence from Britain in 1968. The country benefits from stable and mature institutions and a stable multiparty parliamentary democracy, characterized by shifting coalitions. The president is the head of state and the prime minister has full executive powers and heads the government. The legislative elections held in December 2014 were won by the Alliance Lepep, a coalition comprising the Militant Socialist Movement, the Mauritian Social Democrat Party (PMSD) and the Liberation Movement. The coalition secured a comfortable parliamentary majority (now 53 out of 69 seats) with the Militant Socialist Movement (MSM) founder, Sir Anerood Jugnauth, becoming prime minister. He had previously occupied this function for more than 16 years since his first appointment in 1982. In January 2017, he resigned and designated his son Pravind Jugnauth as new prime minister, confirmed by the president, and a new government was established. This shift has been defined by the opposition as “immoral” although legal, and reflects a dynastic arrangement that affects the Mauritian democracy. The impact of this shift in terms of policy implementation still has to be evaluated but probably the current government will further implement the 2015-2019 government program. The priorities of this program are to promote inclusive and sustainable economic growth by taking into account the environment, social equality, unemployment, corruption and poverty eradication. Eradicating poverty is one of the top priorities and the country ratified the United Nations Social Development Goals (SDGs) and a Marshall Plan against poverty has been elaborated with the participation of United Nations experts present on the island. The objective is to realize Mauritius’ second economic miracle and transform the country into a high-income country. Statistics show a slight decrease in economic growth over the last years and the country’s current account deficit is expected to remain smaller than in recent years. The country continues to maintain and further develop cordial relations with several states, and it has made efforts to strengthen its relations with other African countries, Asian countries,

China and India in particular, as well as the European Union. Mauritius has become a bridge between Asia and Africa and is a gateway for investment in Africa. As such, the political leadership actively and successfully builds and expands cooperative neighborly and international relationships and promotes regional and international integration.

History and Characteristics of Transformation

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

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

France had shipped slaves from mainland Africa, Madagascar and some from India, among other sources, to Mauritius. More Indians arrived, mostly as indentured laborers, following the abolition of slavery. Chinese also came, mainly to open shops and as local traders. The descendants of these

settlers, together with those of the European colonizers who chose to remain on the island, form today's multicultural and ethnically diversified society. The Hindu community constitutes the largest ethnic group on the island nowadays. Together with the small Franco-Mauritian minority, they are the most influential group and dominate business and politics. The Creoles, mostly descendants of slaves, drifted into the background, giving rise to what was termed as the "malaise créole." However, over the past decade or so, some notable improvements have been made to advance their situation. This includes the introduction of Creole as a formal language taught in certain schools on demand and the introduction of February first as a public holiday to commemorate the abolition of slavery. The second of November has likewise been decreed a public holiday to commemorate the arrival of the first indentured laborers. What is more, a Truth and Justice Commission was established in 2009 to investigate the country's past and the consequences of slavery. This commission published its report in 2011 and made some further recommendations on how to deal with the challenges that arose. As a matter of fact, the economic success of Mauritius and its relative prosperity, having the world's 64th highest GDP per capita according to World Bank data overshadows the situation of the Creoles, who for various reasons cannot yet participate in the country's prosperity to the extent that other groups can, despite some significant improvements in their situation in recent years.

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

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

Transformation Status

I. Political Transformation

1 | Stateness

The State has the monopoly on the use of the force and it covers the entire territory of the country. Mauritius is one of the countries that does not have an army. Security is entrusted to the Mauritius Police Force (MPF) responsible for policing in Mauritius, Rodrigues and outer islands. The MPF is placed under the orders of the Commissioner of Police. It is composed of 12,500 police officers posted in divisions, branches and paramilitary units: Special Mobile Force (SMF); Special Support Unit (SSU); Police Helicopter Squadron (PHS); Maritime Air Squadron (MAS); and National Coast Guard (NCG).

The MPF are considered well trained and disciplined, despite minor incidents over the past years.

There is a growing perceptible dissatisfaction among the population over government political interference in the work of the Police Force, despite the fact that the independence of the office of the Commissioner of Police is guaranteed by the constitution.

The vast majority of the population accepts the nation-state as legitimate. The constitution recognizes four communities or ethnic groups: Hindu community, Muslim community, Sino-Mauritian community and the General Population (i.e., essentially a Christian community, or those who do not belong to one of the other three communities)

The criteria for defining the four communities are heterogeneous. The Hindu and Muslim communities are defined according to the religious criteria, the Sino-Mauritian community by the religious and ethnic criteria, and the General Population community is defined by default in relation to other communities. According to the 1972 census, the last using ethnic terms, the Hindus represent 51.8%, the General Population 28.7%, the Muslim 16.6% and the Sino-Mauritians 2.9%.

Question
Score

Monopoly on the
use of force

10



1

State identity

9



1

The Hindu community is made up of the speakers of the following languages: majority Hindi (of Northern India ancestry), Tamil, Telegu and Marathi. These subgroups play a consequential political role. This community is further divided into castes: Brahmins/Kshatriyas, Vaish (all prime ministers since independence were Vaish except for Paul Bérenger 2003-05), Rajputs and Raviveds, the last two being considered lower castes.

The General Population can be divided in Franco-Mauritians (with major holdings in sugar industry and the economy in general), Creoles (descendants of slaves) and the Mulatres. A few years ago, the Creole community considered itself sidelined from the mainstream economy leading to the expression of Malaise Creole.

Communalism and caste-based relations are a prominent feature of politics. Social divisions become accentuated during elections. Candidates are generally aligned by virtue of their ethnic appurtenance. Otherwise harmony among the various communities prevails and all efforts are deployed to maintain this peaceful co-existence.

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

The constitution enshrines freedom of thought and religion, to change religion or belief, and to manifest and propagate religion or belief in worship, teaching, practice and observance.

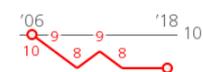
The 2011 census reported about 50 religions, with the largest being 48.5% Hindu, 26.3% Roman Catholic and 17.3% Muslims (95% are Sunni). In Rodrigues, the majority of the population (90%) is Catholic. A parliamentary decree recognizes six religious groups that were present prior to independence: Catholics,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

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

Religion, religious groups, social-cultural associations, communalism and caste play an important role in politics. During the elections, they have a strong capacity for mobilization. Candidates are selected on the basis of their ethnic and religious background. Besides, the constitution imposes on each candidate to indicate his/her community on the electoral form. But before the general elections of December 2014, the group Rezistans ek alternativ lodged a complaint against the government to the U.N. Committee on Human Rights (UNHRC) over the declaration of ethnic group.

No interference of religious dogmas

8



1

The UNHRC said Mauritius should either carry out a fresh religious-based census (the last was in 1972) or amend the constitution to do away with this exigency. To satisfy this recommendation, the constitution was amended in July 2014 to enable each candidate to freely decide whether he/she wanted to include his/her community.

However, this possibility creates room for discrimination on the grounds of ethnicity against candidates who may opt against declaring their ethnic group.

On the other hand, all the prime ministers since independence come from the Vaish caste, except for the period 2003 to 2005 when Paul Bérenger, a Roman Catholic, became prime minister.

Mauritius has developed a differentiated administrative structure throughout the entire country, providing all basic public services. Due to the small size of the state, there is no center-periphery problem regarding access to state administration.

Mauritius's administrative division is a legacy of its colonial past and shows nine administrative districts (Black River, Flacq, Grand Port, Moka, Pamplemousses, Plaines Wilhems, Port Louis, Riviere du Rempart and Savanne) and four dependencies (Agalega Islands, Cargados Carajos Shoals, the Chagos Archipelago and Rodrigues).

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

2 | Political Participation

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

Basic
administration

9



1

Free and fair
elections

9



1

General Population. The official percentage of each community is based on the 1972 census, according to which the Hindu community accounts for 51.8% of the population, the General Population for 28.7 %, the Muslim community for 16.6% and the Sino-Mauritian for 2.9%.

This system is combined with a coalition system as a result of the FPTP system and has led to the monopolization of power by the major political parties. Political parties set up alliances before the elections because no political party has so far been able to win the elections on its own.

In the last elections in December 2014, the alliance Lepep (including MSM, PMSD and the Movement Libérateur (ML)) led by Sir Anerood Jugnauth won the elections against the PTR-Mouvement Militant Mauricien (MMM) alliance. The results have been accepted by all the political parties.

There have been several discussions about electoral reform. These include the Sachs report on the electoral commission in 2001, the Collendavelloo committee in 2003, the Sithanen report and Carcasonne report in 2011, the Labor Party-MMM White Paper in 2014 in January 2016, and an inter-ministerial committee led by the then Deputy Prime Minister Xavier Luc Duval (who has resigned in December 2016 and he is at the time of writing the new Leader of the Opposition). All these projects recognized the deviant and disproportionate distortion of the prevailing FPTP system and pledged for the introduction of more fairness in representation. However, the political parties are yet to agree on the right formula for revising the Best Loser System and the electoral system. The successive attempts of political elites to embark on electoral reform have met resistance from the vested interests of the various partners unwilling to let go of their perceived constituent safety nets. The Duval Committee, as was expected, failed to deliver on any proposal. Electoral reform is unlikely during this legislature.

The Independent Broadcasting Authority (IBA) regulates access to television and radio through the IBA Act. A guideline for private and public broadcasters was issued by the IBA for the 2014 elections.

The private media (radio and social media) play a significant role during the elections to inform the public. It is now common for all major parties to have their own internet-based TV network. Television broadcasting is still monopolized by the state-controlled MBCTV. The use of social media is fast catching up for political campaigns. The 2014 elections were to a large extent determined by the very imaginative clips and videos posted and shared during the campaign.

The democratically elected government can effectively govern the country, and in fact does so. There are no individuals or groups, which have a veto power. The aforementioned tendency to form alliances of political parties means that the government usually comprises two or more political parties – a necessity for

Effective power to govern

10

obtaining a majority in parliament. Such coalition governments are dependent on inter-party consensus. The opposition is an important pillar in Mauritius's political system, with the post of the opposition leader being explicitly provided for in the country's constitution. This position confers some consultative powers to the leader of the opposition when it comes to certain institutional appointments, such as the members of the Electoral Supervisory Commission, the body which bears general responsibility for the electoral process and determines the "Best Losers," based on the current law.

Article 3 of Mauritius's constitution guarantees freedom of assembly and association. There are occasional incidents when the freedom of assembly has been challenged. In May 2016, nine men and two women from the Rastafari movement were arrested by the police during a demonstration for the legalization of cannabis.

There are also known cases of police forbidding political demonstrations and such actions are generally understood to be politically motivated.

Requests for a particular venue for holding political rallies are not always approved by the Municipal Councils in power, very often denied for political reasons.

While the right to form associations including parties or NGOs is guaranteed, very often certain NGOs find themselves unable to operate because of lack of funding or the application of certain regulations, especially when it is perceived that the NGOs may be critical of government action.

Articles 3 and 12 of the constitution guarantee freedom of expression but the government does not always respect this right.

The State owns the only television network (MBC TV). All the regimes have used this media to convey their program and propaganda, a practice constantly criticized by the opposition. The opposition parties have also been consistently critical of the MBC TV for its unfair and inequitable coverage of opposition messages as well as alleged interference in the network's daily operations by the minister in charge of MBC TV. As an example, the director changes with each change of government.

Promises to avoid such misuse or abuse of national television are never fulfilled. It is also the same with the Freedom of Information Act, a law for the Mauritian press to be more transparent and professional, but this still remains at the stage of electoral promise.

There are several private media (newspapers, radios and internet-based media) that can freely express themselves but face restrictions. Debates are organized by those media.

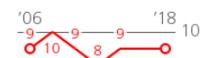
The Information and Communications Technologies Authorities (ICTA) Board is run by government cronies.



1

Association /
assembly rights

9



1

Freedom of
expression

7



1

3 | Rule of Law

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

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

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

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

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

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

Separation of powers

9



1

Independent judiciary

9



1

Supreme Court are also appointed by the president, acting in accordance with recommendations from the Judicial and Legal Service Commission. Mauritius's colonial past and its British Commonwealth membership are still reflected by the fact that the country's supreme court of appeal is the Privy Council in London.

There is a general consensus concerning the establishment of a Court of Appeal, separate from the Supreme Court. However, access and recourse to the Privy Council will most likely be maintained.

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

Corruption in Mauritius is low by regional standards but nepotism and cronyism nevertheless remain of grave concern and constitute a source of public frustration. To try and contain corruption, the then-government in 2002, adopted various laws, including the Prevention of Corruption Act which led to the establishment of an Independent Commission Against Corruption (ICAC). It has the power to investigate corruption and money-laundering offenses and can seize the proceeds of corruption and money laundering; in 2015 several laws were adopted: (i) the Asset Recovery Bill, which transfers enforcement authority in asset recovery cases from the Director of Public Prosecutions to the Financial Intelligence Unit; (ii) the Good Governance and Integrity Reporting Bill, which aims to disclose malpractices and recover unexplained wealth.

There are a number of cases of corruption involving politicians. In February 2015, the former Prime Minister, Navin Ramgoolam was arrested on money-laundering charges. In July 2015, the Technology Minister Pravind Jugnauth resigned after a court found him guilty of conflict of interest in a government procurement contract. But in May 2016, he won an appeal against his sentence at the Supreme Court, and he was appointed in the same month Minister of Finance and Economic Development. He is now prime minister since January 23, 2017, as the son of prime minister at the time Sir Anerood Jugnauth, In March 2016, the Environment Minister was forced to resign due to corruption allegations.

Paradoxically, the minister at the Head of the Ministry of Good Governance has resigned from the government, mainly on personal political calculations. While he was minister also responsible for financial services, his father was appointed Chairperson of the Development Bank of Mauritius. His cronies from his former law practice were given high profile positions in institutions falling under his ministry's purview.

Prosecution of
office abuse

7



Civil rights are codified by law. Several institutions are working on this issue. The Ombudsman who has to investigate against public servants, including police officers and prisons guards; the Equal Opportunities Commission (EOC) investigates allegations of discrimination and promotes equality of opportunity in both the private and public sectors; the National Human Rights Commission (NHRC) has to promote and protect human rights.

During the last year, the main human rights problems were abuse of suspects and detainees by security forces and violence and discrimination against women. But there were also cases of civil liberties being repressed. For example, a political group was denied the right to demonstrate against the passing on of the prime ministership from father to son. Cases of detainees having died in suspicious circumstances while in police detention are not unknown.

Another case concerning civil rights is the one surrounding the government decision to close down the British American Insurance (BAI) allegedly on grounds of running a ponzi-like scheme. This led to the closure of other affiliated entities with dire consequences for thousands of clients. Today, some have not recouped their investments, for many their life savings.

The Human Rights Commission has little credibility and the EOC has had cases dropped by the simple dismissal of the head of that body along with his assessors. As a consequence and following the revocation of the previous commissioners and the appointment of cronies who are perceived to do the bidding of the authorities, the EOC has now become an entity with few impact and the trust in that body has fallen to a very low level.

Arbitrary arrests and detention of citizens were carried out by the police with the seizure of their equipment on mere statements filed by ministers, following certain social media posts.

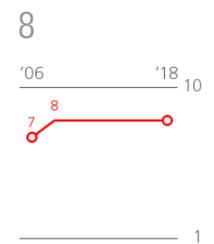
The attorney of a girlfriend of former Prime Minister Ramgoolam, whose extradition from Italy is being sought, was detained on arrival at the airport and his documents and laptop seized.

4 | Stability of Democratic Institutions

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

Mauritian politics is nevertheless tied to a few families, undermining the legitimacy of the country's political leadership to a certain extent. Family roots matter, if a name is not associated with the political elite, it is generally difficult to obtain top government positions. Also, individuals remain in power for decades, shifting

Civil rights



Performance of democratic institutions

9

positions regularly either following elections or as tactical maneuvers to eventually win elections. The resignation of Sir Anerood Jugnauth as prime minister in January 2017 with the passing of his position to his son Pravind Jugnauth is a case in point.

Democratic institutions are accepted as legitimate by all relevant actors. Notwithstanding, political actors use some institutions to serve their political interests. As such, the public media, the Mauritius Broadcasting Corporation in particular, has been widely seen as a tool of the formerly ruling party. This situation has hardly changed under the new regime. A change of management at top level has not led to the desired and expected improvement.

Since January 2017, there is a new prime minister, Pravind Jugnauth, the son of the former prime minister Sir Anerood Jugnauth who resigned in January 2017. The legitimacy of the new prime minister is being called into question. One of the members of the new government refused to take the oath. He left the ruling party and created his new political party, more as a result of personal strategic interest. The opposition is calling for general elections to be held as soon as possible.

Sir Anerood Jugnauth has been retained as Minister Mentor with responsibility for Defense, Police Matters, Law and Order and Rodrigues.

The opposition, mainly the MMM, contests this appointment to the extent that defense and police matters have always been, and rightly so, under the control of the prime minister. In fact, under the new distribution, the prime minister still controls internal security and national intelligence services, a situation bound to create confusion and even a turf fight. It should be noted that all these attributes fall under the Commissioner of Police, per se.

A number of parliamentary questions, mainly from the opposition have remained unanswered by ministers known to have crossed swords against each other with accusations of corrupt practices to boot.

5 | Political and Social Integration

The party system of Mauritius is stable and socially rooted. It is, by and large, able to articulate and aggregate societal interest with low fragmentation.

In the 2014 elections more than 40 parties participated. The elections were won by the Alliance Lepep (Alliance of the People) comprising the Mouvement Socialiste Militant (MSM), the Parti Mauricien Social Démocrate (PMSD) and Muvman Liberater (A dissident group from the MMM), against the alliance comprising the



Labor Party (Parti Travailleiste Mauricien, PTR) and the Mouvement Militant Mauricien (MMM).

These alliances together won almost 88% of the total vote. The Mauritian Solidarity Front achieved third place with only roughly 2% of votes.

Since independence, alliances have been the practice to win elections. The main political parties are the PTR, MMM and MSM and to a lesser extent the PMSD. Notwithstanding their democratic credentials, it remains true that these parties are leader-centric and are guided by a few families: Ramgoolam in the PTR, Bérenger in the MMM and the Jugnauths in the MSM. Sir Anerood Jugnauth was prime minister after the 2014 election until January 2017. He has handed power over to his son, Pravind Jugnauth. Even in the smaller party PMSD, the Duval family has always been party head.

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

Notwithstanding, it is also true that the two other parties in alliance with the MSM, the Parti Mauricien Social Démocrate and the Mouvement Libérateur, have non-Hindus as leaders, but these are minor parties on the national scoreboard.

The political parties in Mauritius are heavily dependent on ethnic and communal divides. The distribution of political positions and power-sharing within alliances reflect the four communities as determined by the constitution.

A good dose of clientelism exists in the political system. The traditional parties each have a vote bank on which they depend heavily but are nonetheless subject to the mood of the electorate come election time. The more generous the promises of the party the more likely it is to attract the voter. The 2014 elections are a case in point with a generous promise by the Lepep Alliance to increase substantially the age-old pension and a few other such perks, notwithstanding economic impact.

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

Interest groups

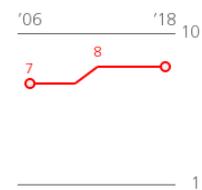
8

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

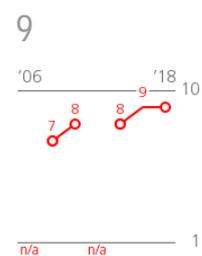
Approval of democratic norms and procedures is very high. Mauritius is the only "full democracy" in Africa in 2015 and 2016 in the Democracy Index. 82% of Mauritians support democracy according to the November 2016 Afrobarometer's report and disapprove of other types of regimes. The demand of democracy is around 74% in Mauritius. 63% of Mauritians say they both live in a democracy and are satisfied with how it works.

The high voter turnout of 74% in the December 2014 national elections is an indication. It must be noted, however, that the voter turnout was previously higher (roughly 85% in 2005 and roughly 78% in 2010). The lower figure in 2014 is largely explained by the fact that a considerable number of traditional MMM supporters opted to abstain from voting to demonstrate their rejection of the alliance between their party and the Labor Party, which they had criticized for the past nine years when it led the government.

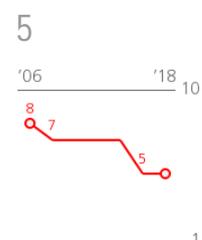
Trust in other members of the society is rather low, as Afrobarometer data from 2012 indicates. Until now no more recent data have been published on the level of trust within Mauritian society, but the 2012 figures show that trust is mostly present within family circles and much less in general society. The existence of a rather vibrant civil society and recently also trade unions reveals some solidarity among citizens but relatively few people adhere to social interest groups. As such, there is no doubt as to the existence of a large number of interest groups, but these are formed on the basis of demands of the time. That is, there is no consistency in the interests that they purport to represent and defend. Mass adherence to and support for such groups cannot be said to be the norm. The Mauritian society is not known to visibly and publicly demonstrate its support for interest groups, even when they are sympathetic to the cause.



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Mauritius is known as one of the wealthiest countries of the African continent, not facing serious challenges related to poverty and major inequality. According to the World Bank data, the international poverty rate based on the \$3.1 a day poverty line (in PPP 2011) is projected to fall by 1.3% points between 2012 and 2018 as the moderate economic growth is expected to cut poverty. The Mauritian economy grew by 3.7% in 2015 – slightly more than the 3.6% recorded in 2014 – and is projected to grow by 3.8% in 2016 and 3.7% in 2017 on the back of stronger domestic and external demand. Mauritius was rated as the best performing economy in Africa and was ranked 46 out of 140 economies in the latest edition of the World Economic Forum Global Competitiveness Report. One of Mauritius’s largest asset bases is its exclusive economic zone covering an expanse of more than 2.3 million km to develop its ocean industry. The seafood sector will be further developed and the ocean will be explored for a range of other activities, including the production of renewable energies.

Smart cities and techno parks constitute another pillar, which the government believes can contribute to turning Mauritius itself into a smart island.

As such, in his Economic Mission Statement in 2015, then-Prime Minister Sir Anerood Jugnauth announced to target an average growth rate of 5.5% annually as from 2017 and to meet the objective of a GDP per capita of more than \$13,500 by 2018. (That growth rate, by all counts, is unlikely to be met.)

Concerning the Human Development Index, Mauritius is in ranked first in Africa with a Human Development Index (HDI) of 0.777 in 2014, according to the 2016 report and is ranked 63 out of 188 countries. Despite these successes, several important challenges remain, especially in terms of relative and extreme poverty and inequality. Relative poverty is at 9.8% up from (in 2016 UN Human Development Report) compared to 7.8 % throughout 2001-2012 and extreme poverty (measured by the number of people living on less than \$1.90 purchasing power parity a day), though still low, is also rising from 0.4% in 2007 to 1.4% in 2014.

The Gini coefficient, which measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution, moved from 0.35 in 2012 to 0.44 in 2014, mostly due to widening differentiation in remuneration, including between the formal and informal sectors, and increased demand for highly skilled labor. Gender inequality went also up from 0.375 in 2013 to 0.419 in 2014 which is explained by the fact that women have less

Question
Score

Socioeconomic
barriers

7

'06 '18 10



1

access to high positions and face more poverty. Most notably, the income of the bottom 40% of the population has been growing at an annual rate of 1.8% compared to 3.1% for the rest of the population, indicating that prosperity is not equally shared as growth dynamics are tilted toward high-skilled services sectors and against the most vulnerable and uneducated. This also explains the unemployment figures, expected to remain at around 8%, and is considered being more the result of an accentuating mismatch of skills and a lack of trained human capital rather than insufficient job creation. This is mostly affecting women and low-educated people, among them especially Mauritians of African origin. According to the World Bank, the Mauritian middle class is already thinning down. Other challenges include a rapidly aging population and a declining worker-pensioner ratio, as well as a rapidly rising national debt, to mention but a few. Mauritius may well achieve higher growth, but addressing the growing inequality and poverty will need a rethinking of the current development model. An important development is the government preparation of Vision 2030, aimed at transforming Mauritius into a high-income country by 2030, which supports the 2030 Agenda for Sustainable Development. As part of that process, through UNDP support, the Marshall Plan Against Poverty was developed with the aim of promoting sustainable development including poverty eradication and social inclusiveness.

| Economic indicators | | 2013 | 2014 | 2015 | 2016 |
|---------------------------|----------|---------|---------|---------|----------------|
| GDP | \$ M | 12129.6 | 12803.4 | 11681.8 | 12164.2 |
| GDP growth | % | 3.4 | 3.7 | 3.5 | 3.7 |
| Inflation (CPI) | % | 3.5 | 3.2 | 1.3 | 1.0 |
| Unemployment | % | 7.6 | 7.7 | 7.9 | 7.8 |
| Foreign direct investment | % of GDP | 2.4 | 3.3 | 1.8 | 2.9 |
| Export growth | % | -5.9 | 10.9 | -0.3 | - |
| Import growth | % | -0.5 | 8.5 | 6.2 | - |
| Current account balance | \$ M | -750.3 | -714.3 | -587.3 | - |
| Public debt | % of GDP | 53.9 | 57.5 | 62.3 | 61.5 |
| External debt | \$ M | 13316.7 | 15202.1 | 14642.6 | 17952.1 |
| Total debt service | \$ M | 3386.1 | 3505.7 | 3401.3 | 2105.8 |

| Economic indicators | | 2013 | 2014 | 2015 | 2016 |
|---------------------------|----------|------|------|------|------|
| Net lending/borrowing | % of GDP | -3.4 | -3.2 | - | - |
| Tax revenue | % of GDP | 18.3 | 18.3 | - | - |
| Government consumption | % of GDP | 14.6 | 14.8 | 14.8 | 15.2 |
| Public education spending | % of GDP | 3.6 | 4.9 | 4.9 | - |
| Public health spending | % of GDP | 2.4 | 2.4 | - | - |
| R&D expenditure | % of GDP | - | - | - | - |
| Military expenditure | % of GDP | 0.2 | 0.2 | 0.2 | 0.2 |

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

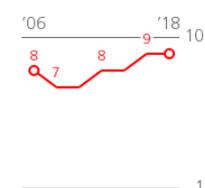
7 | Organization of the Market and Competition

Market competition has a strong institutional framework. There are state-guaranteed rules for market competition with equal opportunities for all market participants. The World Trade Organization considers Mauritius's investment regime as "open and transparent." Mauritius, despite its unfavorable geographic location in the middle of the Indian Ocean far away from other markets, has been highly successful over past decades in attracting investors and foreign capital. One reason for this is the business-friendly environment. In the World Bank's Doing Business 2017, Mauritius, an upper middle-income country, ranking 49 out of 190 countries. This means the country went down from its 28th position in the 2015 report but remains largely above other sub-Saharan countries, according to the Doing Business report 2015. It continues to be among the freest and most business-friendly countries in Africa, according to a number of global surveys. The 2015 Index of Economic Freedom, published annually by the Wall Street Journal and The Heritage Foundation, ranks Mauritius as the 10th "freest" economy in the world and first out of the 46 countries of sub-Saharan Africa. For the third consecutive year, the World Economic Forum, Global Competitive Report (GCR) 2015-2016 ranked Mauritius as the most competitive in Africa. The new government has also announced several measures to further simplify the start-up process and improve the business climate in the country.

In terms of the Global Business Sector, Mauritius remains a well-established and reputable international services and global business center for investment flows into the emerging markets of Asia and Africa. Structuring investments through the Mauritius global business sector presents foreign investors and investment funds with significant fiscal planning opportunities. This is mainly because Mauritius is a low-

Market-based competition

9



1

tax jurisdiction and it has double tax avoidance treaties with several countries. The value proposition includes the absence of exchange controls and a low corporate tax.

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

Efforts are also being deployed to turn the capital city, Port Louis, into a major seaport connected with other Indian Ocean islands and ports in the Southern African Development Community (SADC) region. One area that could contribute a boost to the Mauritian economy is in the higher education sector. Mauritius seeks to attract reputable educational institutions from different parts of the world in order to receive students mostly from the African continent. However, an absence of strict control on the bona fide of certain institutions have brought certain obscure universities, resulting in unrecognized qualifications granted to students in these universities. Another objective is to expand the financial services industry and turn it into a vibrant and sophisticated international financial services center of substance and excellence. The government also intends to boost the economy by exploiting its strategic position in the Indian Ocean to act as a gateway to Africa in attracting investments from China, India and Asia, in general. Several memoranda of understanding were also signed with a number of countries in Africa for the development of Special Economic Zones, including Ghana, Senegal and Madagascar. However, some challenges are identified in the fact that the country is identified as encouraging tax evasion and money laundering (for example by the European network on debt and development, Eurodad). Moreover, the country's reputation as an offshore center is getting increasingly tarnished.

The 2015 Economic Mission Statement and the 2015-2019 government program have the objective to improve fiscal transparency by abolishing special funds and boosting sustainability with the creation of a "Legacy Sovereign Fund."

The informal sector is relatively small, though a phenomenon, which has had an impact on politics and continues to do so, is the complex issue of "street vendors." The number of these street vendors increases near the end of the year, practically constituting an invasion of the main streets of the capital and other major towns. This obviously affects the licensed traders, many of whom have had no alternative but to close shop.

The government established the Competition Commission of Mauritius in 2009 with the aim of promoting competition in the interest of Mauritian consumers, businesses and the economy. The commission is linked to the prime minister's office, yet is independent from the government in its decision-making, which is performed by five commissioners. According to its website, the commission has heard 22 cases,

Anti-monopoly
policy

7

including alleged abuse of monopoly power in the supply of secondary school books, the cement market and mergers of businesses and 12 cases are ongoing.

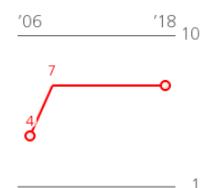
While this commission's work has gained some momentum, it remains true that a few oligarchic families continue to dominate the Mauritian economy. This is specifically true for the agricultural sector, as well as the trade and telecommunication sectors. Moreover, there are instances where mergers, within established parameters, have taken place giving quasi-monopolistic control of the market.

Mauritius has a fairly liberalized economy and is in line with WTO regulations, to the extent that authorities are often accused of being overly generous with an open market to the detriment of local enterprises.

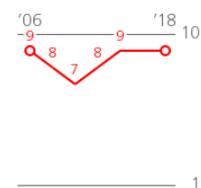
Trade has been more liberalized recently. Measures include tariff cuts, dismantlement of several subsidy schemes, and reduction in imports licensing. Moreover, foreign equity caps have been removed in the tourism sector. Yet, such caps remain in television broadcasting, sugar production and for diving centers. Overall, however, as the World Trade Organization reports, there have been efforts made to improve the environment for trade and investment. This includes measures to improve the processing of permit approvals for large investment projects by introducing a fast-track option. Also, the legal protection of investors has been strengthened. Mauritius has so far not been part of any dispute settlement case at the World Trade Organization. Notwithstanding this record, Mauritius continues using an import permit system in order to protect the producers of some agricultural products, such as chicken, pork and tea. Moreover, the imports of some products, such as onions and potatoes, are controlled by the Agricultural Marketing Board, which implements an import quota system.

Mauritius's economic outlook is broad. It is member of two international trade agreements (WTO, Generalized System of preferences), six regional trade agreements, including the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), Indian Ocean Commission (IOC), Indian Ocean Rim Association (IORA), African Growth and Opportunity Act (AGOA), and it entered into an interim Economic Partnership agreement with the European Union in 2009, which came into effect in 2012. This agreement provides duty and quota free access to the market of the European Union for exports from Mauritius (and from Madagascar, Seychelles and Zimbabwe, which signed the agreement together with Mauritius). Inversely, the Mauritius market is open to practically all EU goods. In general terms, 90% of tariffs for goods, from all sources, have already been eliminated in Mauritius. As a consequence, only 5% of tariffs remains to be liberalized under the Economic Partnership Agreement signed with the EU.

Mauritius has also bilateral trade agreements with the United States, Pakistan and Turkey and is currently finalizing a Comprehensive Economic Cooperation



Liberalization of foreign trade
9



Partnership Agreement (CECPA) with India, rekindled after the recent review of the Double Taxation Avoidance Agreement it has with India, to the latter's advantage.

The banking system is solid and oriented toward international standards with functional banking supervision. There are 22 banks operating in Mauritius, of which five local banks, 10 foreign-owned subsidiaries, one is a joint venture, four are branches of foreign banks and two are licensed as private banks. All the banks are licensed by the Bank of Mauritius to carry out banking business locally and internationally. The Bank of Mauritius is modeled on the Bank of England. Senior officers of the Bank of England assisted in setting up the bank some decades ago. The functions the central bank has to fulfill are, among others, the formulation and implementation of monetary policy, the issuing of currency, the provision of efficient payments, the settlement and clearing system, the management of the public debt and of foreign exchange reserves, as well as the regulation and supervision of Mauritian banks.

Mauritius is among the first countries to have implemented the BASEL III guidelines in July 2014, and by doing so is in line with international regulatory standards. In general, Mauritian banks are well-capitalized and carry excess liquidity.

As regards non-performing loans, these are within acceptable norms. A high proportion of bad loans is linked to trans-border exposure.

8 | Currency and Price Stability

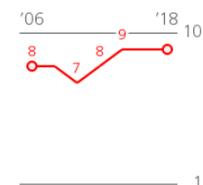
Over the last decade, Mauritius succeeded in decreasing its inflation rate from 9.7% and 8.9% in the years 2006 to 2008 to 1.3% in January 2016 and dropped to a historic low of -0.5% in February 2016, before rising to 1.1% in June 2016 and to 1.5% in October of the same year on account of base effects and hike in the prices of non-food products. The central bank forecasts an average rate of around 1.0% for 2016, rising gradually to 2% to 3% in 2017.

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

The Mauritian rupee is a floating currency. The Bank of Mauritius is mandated to conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius. The central bank has over past years demonstrated independence of action and resisted government interference. Under the previous governor, there was a clear demarcation between the central bank and the government, leading quite often to a tussle between him and the minister of finance. A new governor, Ramesh Basant Roi, was appointed

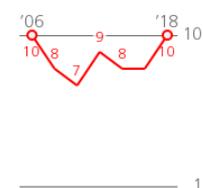
Banking system

9



Anti-inflation / forex policy

10



by the new government in 2015, having held this position between 1998 and 2006 as well. Given his long experience, this appointment boosted confidence in his ability to control inflation, boost investment and maintain currency stability.

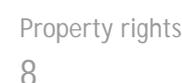
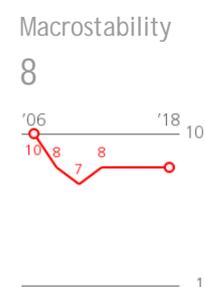
Mauritius's account balance, which is the sum of net exports of goods, services, net income and net current transfers, stood at \$-565.6 million in 2015, according to World Bank data. Mauritius' current account deficit fell to 4.9% in 2015, compared with 5.9% in 2014, largely due to the impact of weak oil prices on merchandize imports and a booming tourist sector on service exports. International reserves increased.

However, according to the data from the International Monetary Fund, public debt continued to increase (by more than 2% of GDP, to 63.7% at end-2015), reflecting the government's intervention in the financial sector and the impact of the depreciating rupee on external debt. The objective of the Public Debt Management Act of 2008 to reduce public debt to 50% of its GDP by 2018 seems difficult to achieve. The objective of the new government is to reduce the share of public debt for payment within one year, by bringing down the share of short- and medium-term debt and increasing long-term debt. Moreover, the country is determined to reduce its external debt stock and raise domestic debt instead as rupee rates are currently low given the excess liquidity in the banking system. There are ongoing consultations between the Ministry of Finance and the Bank of Mauritius to introduce benchmark securities and deepen the secondary markets by issuing new debt instruments. But according to the African Development Bank analysis, the objectives seem to be overly ambitious especially as fiscal consolidation has been put on hold for the short term, in order to fund the social programs and infrastructure projects identified in the 2015-2016 budget. The Bank of Mauritius's (BoM) liquidity management program had a positive effect on the Mauritian rupee, slowing down the strong depreciation against the U.S. dollar, which had been witnessed in the first semester of 2015. In nominal effective terms, the rupee depreciated by 10.2% in the first semester of 2015 and weakened also against the euro. The liquidity measures by the BoM to reduce high excess liquidity helped to support the currency.

According to the IMF data, Mauritius's foreign debt went up in 2015 to 13.4% of GDP compared to 13.3% in 2014 and is projected to go down in 2016 and 2017.

9 | Private Property

Private property is protected through Article 3 of the constitution which postulates "the right of the individual to protection for the privacy of his home and other property and from deprivation of property without compensation." There has been no tampering with these revisions in the past. While property is protected in general terms, the constitution nevertheless allows for deprivation of property in case of higher national interests, including defense, public safety, public health, as well as



town and country planning. Under such circumstances, compensation is offered and also the right to appeal to the Supreme Court is provided.

Real property rights are respected in Mauritius. Ownership of property is legalized with the registration of the title deed with the Registrar-General and payment of the registration duty. The recording system of mortgages and liens is reliable. Traditional use rights are not an issue in Mauritius as there were no indigenous peoples present at the time of European colonization. As such, Mauritius continues to demonstrate high standards on the continent when it comes to property rights. The process of securing and registering property on the island-state is relatively smooth and contracts are regularly enforced. The country maintained its high ranking in international benchmarks in the area of property rights – ranking 32 out of 140 economies in the Global Competitiveness Index (GCI) 2015-2016 and 40 out of 178 economies in the 2015 Index of Economic Freedom in the sub-category of property rights. Similarly, the country performed well on the issue strength of investor protection in the Global Competitiveness Index (GCI) 2015-2016, ranking 28 out of 144 economies in this sub-category. There was, however, a slight decline in the property rights sub-category in the Ibrahim Index of African Governance 2015. According to the World Bank's 2016 Doing Business Report, Mauritius ranks 99 out of 189 countries in registering property. According to the International Property Rights Index (IPRI), Mauritius' score remained the same in 2016 at 6.1 placing it third in the Africa region and 34th in the world.

According to the Non-Citizen Property Restriction Act, non-citizens cannot hold, acquire or purchase property in Mauritius. There are, however, some notable exceptions to this rule, such as for a spouse of a Mauritian and, more importantly, the acquisition of property for business purposes. Following a government reform more than a decade ago, non-citizens can also purchase property through the so-called Integrated Resort Scheme. This scheme allows non-Mauritians to buy luxury villas which cost \$500,000 or more. Furthermore, non-Mauritians working in Mauritius, who have resided in the country for more than three years, can also purchase apartments. Particularly the acquisition of luxury villas needs approval of the Board of Investment of Mauritius. When it comes to property for business purposes, it is also this board and also the prime minister's office, which can grant authorization to acquire property.

The issue of state land being granted to cronies of the past government has become a public scandal. Attribution of such lands was made mostly to people with a close affinity to the previous government (principally the then-prime minister), but who had no capital for the development of such lands. Some of them conveniently used their title deeds to attract investors, who then paid heavily for acquisition of said lands for development purposes. Prominent cases in this respect are the cases of Jin Fei and Neotown. In both cases, Chinese and Indian investors did not keep their promises to develop prime land they received when the former inhabitants were ejected from it.



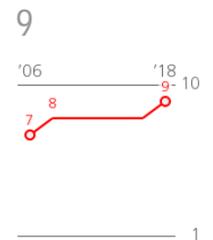
Heavy government infrastructure investment was lost because the investors did not use the land properly.

According to the different existing statistics, Mauritius is among the freest and business-friendliest countries in Africa. For example, in the World Bank's 2016 report, *Doing Business*, Mauritius is ranked 32 out of 189 economies, with the fact that to start up a business, five procedures are needed, it will take six days at a cost of 2% of income per capita, which remains well above the African average and is high by OECD standards in terms of efficiency. The 2015 Index of Economic Freedom, published annually by the Wall Street Journal and The Heritage Foundation, ranks Mauritius as the 10th "freest" economy in the world and first out of the 46 countries of sub-Saharan Africa. For the third consecutive year, the World Economic Forum, *Global Competitive Report (GCR) 2015-2016* ranked Mauritius as the most competitive in Africa. The actual government has ushered in a series of measures to further simplify the start-up process and improve the business climate in the country. As such, private companies are viewed institutionally as primary engines of economic production and are given appropriate legal safeguards. The privatization of state companies proceeds consistently with market principles.

As early as the 1980s, large-scale privatization took place in different sectors such as telecommunications and tourism, with successes and failures. There are further privatization plans, including the privatization of the National Transport Corporation, the main transport enterprise with a fleet of 518 buses. However, up to today, the privatization did not happen. In October 2016, there was a strike within the company to protest the decision to grant eight-month temporary leadership to private operators to manage six lines, due to the withdrawal of 30 defective buses.

The unions saw the decision as an outline of privatization and feared that this choice would lead to the dismissal of personnel. The same protest happened in the water sector as there have been talks about the privatization of the Central Water Authority (CWA). In September 2016, a coalition of trade unions organized a peaceful march to sensitize public opinion on the privatization of water services and to protest against a potential privatization of the sector. Among the arguments against this privatization is that in Mauritius privatization has caused marked increases in the price of services, such as the postal service and the sewage tax. Another argument is that privatization of basic services such as water, may not be compatible with the U.N.'s 2030 Agenda as one of the goals is to ensure access to water and sanitation for all, which is difficult to guarantee when this service is in hand of private companies.

Private enterprise



10 | Welfare Regime

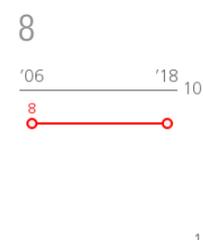
Mauritius has a well-developed and well-functioning social welfare regime with a comprehensive social protection system made up mainly of universal pensions and social assistance to the needy. There is a three-tiered pension system with a universal non-contributory basic old age pension (60 years and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

Mauritius achieved 82% of the targets for Millennium Development Goals. The government developed its Vision 2030 with the objective of transforming the country into a high-income country by 2030, which supports the 2030 Agenda for Sustainable Development. The government announced in its 2016 to 2017 budget speech that budget allocated to health care will increase to 12% when compared to the last year's allocation and the sector currently contributes 4.4 % to GDP.

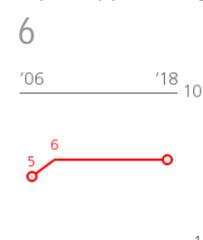
The social welfare regime has helped to significantly reduce poverty. It was estimated that the 2012 poverty rate of 9.4% would have been 19% without the government transfers associated to social protection. However, in practice, social protection schemes are fragmented and to cope with this, the government has established a Social Register of Mauritius with a view to providing a comprehensive database of beneficiaries and improving eligibility assessments and effectiveness of social protection.

Notwithstanding the well-elaborated social welfare system in Mauritius and efforts in the area of equal opportunity, equal opportunity remains a challenge and poverty and social inequality mostly affects female headed households with low education and the Creole community. Moreover, poverty is also concentrated among children and youth, with important implications for inclusion and inter-generational transmission of poverty. To face this challenge, jobs for the young has emerged as a priority area for the Mauritius authorities. In 2015, the government of Mauritius extended the Youth Employment Program (YEP), a joint public-private initiative introduced in 2013 which supports youth employability by sharing the costs of youth placement and training with the private sector. In terms of gender inequality, the Social Register shows that roughly 50% of the poorest households are female-headed, compared to 21.3% female-headed households in all of Mauritius. In general, women

Social safety nets



Equal opportunity



are under-represented politically, for example, in parliament (11% of the seats) but also in the economic sphere. For example, they represent only 5.6% of people on the corporate boards. Female labor participation rate is also significantly low, with 45.3% of women in work against 75.2% of men. The latest World Development Indicators (2016) show a general literacy rate of 90.6% with a slight difference between men and women, scoring respectively 92.9% and 88.5% of the population, placing Mauritius among the countries with the highest literacy rate of the African continent. Gross enrollment data (103.7% primary, 97.9% secondary and 38.7% tertiary) show that most of the population starting primary school, continue secondary, and that a large part realizes also higher education. According to the World Development Indicators (2016) gender parity has been achieved at the primary and secondary levels, and at tertiary levels women are even more represented. In the Global Gender Gap Index 2015, Mauritius is ranked 120 out of 145 countries and regressed compared to other years. Different programs have been established to deal with gender inequality such as the creation of gender strategies in 20 ministries, the implementation of a Back to Work Program for women over 30 years who wish to rejoin the labor force by giving trainings to prepare women for specific occupations such as child care or cleaning, for which hiring needs have been assessed. As the program has just been launched, no impact analysis has yet been carried out.

Creoles have been and still are disadvantaged. The “malaise Creole” is a term that was invented in 1993 by Father Cerveaux, a Creole priest, to describe the deplorable conditions in which working-class Mauritians of African descent live. Although no official data exists as Mauritius does not include ethnicity as a variable in its census so as to avoid the fracture of the multi-ethnic nation, it is a fact that social inequality still affects the Creole community.

An Equal Opportunity Commission has been established and is operational. It should also be noted that with a view to creating the necessary conditions for an inclusive policy, a few years ago, under the previous regime, a Ministry of Social Integration was created.

11 | Economic Performance

Mauritius’s economic performance is remarkable against the background of its isolated location and the fact that the country has no natural resources. Its major strength has been its human resources. When the country became independent it was a mono-crop, sugar-based economy.

Its GDP per capita based on purchasing power parity (PPP) has grown steadily over the past decades, reaching \$19,481 in 2015. The Mauritian economy grew by 3.7% in 2015 – slightly more than the 3.6% recorded in 2014 – and is projected to grow by 3.8% in 2016 and 3.7% in 2017. In his economic mission statement in 2015, then-Prime Minister Sir Anerood Jugnauth announced a target of an average growth rate

Output strength

9



of 5.5% annually as from 2017 and to meet the objective of a GDP per capita of more than \$13,500 by 2018, recorded in 2015 at \$11,511.

Mauritius was rated as the best performing economy in Africa and was ranked 46 out of 140 economies in the latest edition of the World Economic Forum Global Competitiveness Report. Among the assets are its ocean industry, with another pillar being smart cities and techno parks. The 2015-2019 government program also places special emphasis on infrastructure development and promoting the “Blue Economy” as well as enhancing human capital development as the country looks to reduce the stubbornly high levels of unemployment, which remain in the 8.5% to 9% range. Foreign direct investment (i.e., net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor) stood at 1.8% of GDP in 2015.

Three main sectors capture FDI enterprises: real estate, tourism and construction. Mauritius’s government expects foreign direct investment to increase as much as 46% in 2016, even as the United Kingdom’s decision to leave the European Union may decrease inflows as the UK is the third-biggest source of FDI flows into Mauritius, accounting for about 9% of the total, according to a U.S. State Department report.

Mauritius’s tax revenues, that is to say, compulsory transfers to the central government for public purposes, decreased to 18.7% of GDP in 2014 compared to 19.0% of GDP in 2012. Urgent attention is needed regarding the public debt ratio, which is still above 60% of GDP. The objective set is to bring it down to 50% by 2018.

A factor that has led to a slowdown of foreign direct investment and investment in general remains the very volatile nature of the local political scene.

12 | Sustainability

Environmental pressures are very important in Mauritius, especially in urban areas where population density is very high. Mauritius was unable to meet all of the criteria for MDG 7, Environmental Sustainability, but it is conscious about the consequences resulting from degradation of the already fragile ecosystem of the island.

Urbanization in Mauritius faces multiple challenges of environmental vulnerability, water and chemicals management, coastal zone erosion, reduction in forest and coral coverage. It affects even more biodiversity as agricultural and protected lands are being replaced by construction. According to the Statistics Mauritius 2011, only 43% of the land remains under agriculture with the number of endangered plants and animals increasing. Together with the pressure of the tourist sector and general economic performance, the ecological system is very vulnerable.

Environmental
policy

7

'06 '18 10



1

The 2015-2019 government program translates the government's objective to work for sustainable and eco-friendly development so as to contribute to a cleaner, greener and safer Mauritius. The 2015-2016 budget provides measures and incentives aiming to improve the environment in Mauritius. As such, the Environment Protection Act of 2008 and the Beach Authority Act were reviewed in 2015 in an attempt to firm up environmental policy and regulations. Plastic bags were prohibited by law in March 2015. The National Energy Commission, chaired by the prime minister, was revived in 2015 to improve coordination and synergies between the various stakeholders to address environmental issues and concerns. A National Disaster Management Center was also established, under the aegis of the Ministry of Environment, Sustainable Development and Disaster and Beach Management, to ensure rapid response to unforeseen natural events. With regards to renewable energy, the government set up a Mauritius Renewable Energy Agency in 2015 to promote the development of renewable energies. Government is aiming to raise the share of local renewable energy in the electricity generation mix to 35% or higher by 2025. The target is deemed feasible given that renewable energy already contributes 26% to overall energy generation in the country and should reach 30% by 2020. There are vibrant civil society organizations focused on protecting the environment and often are very vocal in their condemnation of projects that do not respect the environment. They very often have recourse to the court. Such organizations are known to have taken position on hotel projects in the south and south west as well as the CT Power energy project in Albion on the west coast. The same is true for an announced refinery project at the same site. Wetlands, as described by the Ramsar Convention, have also been the subject of controversy of late and the government has had to pull back from projects which would have adversely affected the wetlands. A case in point is at Bain des Dames in Port Louis for a Central Electricity Board (CEB) project.

Mauritius's education system follows the worldwide found model of primary and secondary schooling. There are two optional years of pre-primary schooling, six years of compulsory primary schooling and either five years of compulsory secondary schooling or three years of pre-vocational education. According to official Mauritian statistics, in March 2016, the number of schools providing pre-primary education stood at 911 in March 2016: 878 in the Island of Mauritius and 33 in Rodrigues. Girls represented around 49% of the pre-primary school population. Concerning the primary schools, according to the same statistics and period, there are 318 schools providing primary education: 303 in the Island of Mauritius and 15 in Rodrigues, and enrollment rate for boys was 51%. There are 173 secondary schools, with 166 in Mauritius and seven in Rodrigues and enrollment for girls at 52%. There are also tertiary institutions, including primarily the University of Mauritius and the University of Technology of Mauritius. In 2015 there were 55, and enrollment was 48,970 in December 2015 compared to 50,608 in December 2014, representing a decrease of 3.2%. The majority of students (77%) were enrolled in tertiary education locally in both public-funded institutions (44%) and private institutions (33%). The

Education policy /
R&D

7

'06 '18 10

7

1

remaining 23% of the students were enrolled in tertiary education overseas. The higher education sector is seen as a potential boost for the economy as different educational institutions from different parts of the world set up campuses on the Island to attract students mostly from the African continent. However, some of these institutions are often below standard with the result that the certificates issued by them are not recognized. In general, the Mauritian institutions cannot compete with larger and better-financed institutions in Europe, North America and Australia. University enrollment is in reality socially based, although education is free, in principle.

According to official Mauritian statistics, the total government expenditure on education as percentage of total government expenditure was 11.8% in 2015/2016. The total government expenditure on education as percentage of GDP at market price is estimated at 3.5% for 2015-2016. The total budget on education and training, has been allocated as follows for the same years: 53% to secondary education, 24% to primary education, 8% to tertiary education, 3% to technical and vocational education, 2% to pre-primary education and the remaining 10% to other expenses. In terms of percentage of GDP, public expenditure on education increased to 5% in 2014.

Not much importance has been accorded to research and development. Figures available are from 2012 and represent 0.2% of GDP.

There is in general a slight improvement in figures concerning public expenditure on the education sector and on equal enrollment rates between girls and boys. A challenge for the sector is to satisfy employment market demands as there is a mismatch in the supply and demand side.

Governance

I. Level of Difficulty

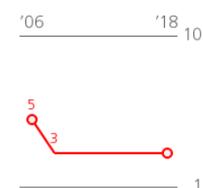
The structural constraints on governance are fairly limited and restricted to Mauritius's unfavorable geographic location in the middle of the Indian Ocean, the risk of natural disasters and the lack of natural resources. Indeed, Mauritius is far away from other countries and thus also from other markets. It lies some 1,100 kilometers away from Madagascar and more than 2,300 kilometers away from mainland Africa. This structural constraint is, however, transformed into an advantage for Mauritius's economy as Mauritius is positioning itself as gateway from Asia into Africa. The fact that the vast majority of its population has roots in Asia, India in particular, helps to promote such a strategic orientation as a bridge between the two continents, as does the fact that Creoles, the country's second-largest group, have their origins mainly in Africa. Mauritians, for instance, assist investors from Asian countries with their businesses in Africa. As a matter of fact, benefiting from this strategic location, Mauritius is rapidly developing into the primary trade, distribution, re-export and logistics hub servicing inter-regional commerce between the two high-growth geographies, while providing a launching point for local and international companies looking to move into the African trade space. In the 2015-2016 budget, the government announced further initiatives to open up Mauritius to Africa and the world, such as reconfiguration of the Mauritius-Africa Fund to concentrate on developing Special Economic Zones in countries such as Ghana, Madagascar and Senegal. Another major initiative announced was the setting up of the regional shipping line to expand regional trade and the role of Port Louis in the region.

Moreover, Mauritius is close to the European Union, in so far as it is located next to the French department Réunion. It has a long-time association with the EU market through the various instruments of cooperation, but principally the erstwhile Lomé Conventions and the Cotonou Accord, among others. It has signed an interim economic partnership agreement with the European Union.

Its location in the middle of the Indian Ocean also makes it vulnerable to natural disasters, especially cyclones. In 2015, a National Disaster Management Center was established, under the aegis of the Ministry of Environment, Sustainable

Structural
constraints

3



Development and Disaster and Beach Management, to ensure rapid response to unforeseen natural events.

Apart from some fishing grounds, some agricultural production – sugar in particular – and its natural beauty, Mauritius has no natural resources. Its citizens and its economy, to a large extent, depend on imports and Mauritius has thus turned into a “nation of traders,” with the aforementioned export processing zones being just one example. In terms of other potential constraints, such as extreme poverty, uneducated labor, lack of infrastructure or epidemics, Mauritius is not exposed as the country invested heavily, as mentioned under the respective indicators, to avoid these types of constraints, contrary to other countries of the region such as Madagascar.

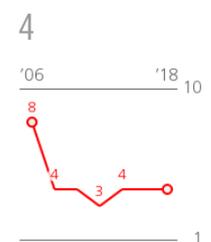
There is a vocal civil society and its tradition is fairly strong. It is not only the vocal parliament and active NGOs, which are mostly based on ethnic or special interests, that are expressions of that but more lately trade unions are also gaining some strength, having been fragmented and marginalized for decades. The rising popularity of the trade union movement arrived amid the harsher economic climate over the past few years. For example, in 2016, they protested against potential privatization of water and transport.

In general, however, protests of high intensity are rather rare in Mauritius. The Afrobarometer reveals a key reason for this: a fairly limited interest among Mauritians in actively participating in civil society organizations. While 78% claim not to be a member of a voluntary association or community group, 15% say they are active members in a voluntary association. What is more, 6% say they often attend a community meeting, 13% say several times, 15% say once or twice, 28% claim they would do so if they had the chance, and 37% say they would never do this. In other words, despite having a vocal civil society, a significant number of Mauritians tend not to become actively engaged in civil society activities.

Civil society organizations are consulted by the government, for example on budgeting. They are recognized as having an important role in improve social conditions in Mauritius. The country is indicated as free in terms of civil liberties and political rights by the Freedom House report 2016.

In terms of social capital, as indicated earlier in the report, trust in other members of the society is rather low and is mostly present within family circles and much less in society in general. The existence of a rather vibrant civil society and recently also trade unions is showing some solidarity among citizens but relatively few people adhere to social interest groups.

Civil society traditions



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

Conflict intensity

2



II. Governance Performance

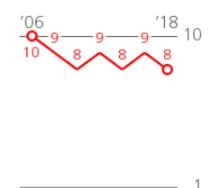
14 | Steering Capability

With regard to long-term political and economic strategies, there has been a remarkable continuity among the various ruling parties since independence. They proved to have the political capability to take on a long-term perspective, often going beyond the immediate concerns of electoral competition. Moreover, the governments have shown their strategic capacity to prioritize and organize policy measures without putting off domestic and international partners. The long-term strategy has always been to move the economy forward and increase and protect the country's economic wealth. This goal came into conflict with another goal, environmental protection. Another challenge is widespread corruption. The government elected in 2014 presented the government program 2015-2019 stressing the need to improve environmental sustainability and the fight against corruption and drug trafficking as necessary conditions for a vibrant economy and a fairer society. Initiatives have been taken to work for a more sustainable and equitable social environment, but challenges remain. However, the general vision to affirm Mauritius as an economic miracle remain the priority. The change of the prime minister that happened in January 2017 from father (the 86-year-old Anerood Jugnauth resigned) to son (Pravind Jugnauth, leader of the main political party), will probably not change the general government program. This change has been criticized by the opposition party as a "Father-Son Deal" and treasonous as the population never voted for this dynastic arrangement. According to the country's constitution, the president appoints a member of the National Assembly as prime minister who will have the support of the majority of members. Pravind Jugnauth's party is the majority in the National Assembly with 32 members.

Question
Score

Prioritization

8



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

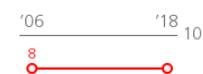
However, the issue of political appointees as ambassadors and chairpersons of parastatal bodies, mostly on account of cronyism, nepotism and clientelism rather than recognized competence, contributed to a large extent to the poor image of the outgoing government, as policy objectives became skewed. This image has further deteriorated with the latest change of the prime minister from father to son, defined by the opposition party as a dynastic arrangement and accusing the Jugnauth family of turning the island into a “Banana Republic.”

Appointments in parastatal bodies continue to suffer on account of politically motivated placements. The scourge of nepotism and cronyism unfortunately continues to hold sway despite severe criticism from the opposition and the general public.

Mauritians’ ability to be innovative and flexible – both politically and even more so in the economic realm – is part of the country’s success. When Mauritius became independent, its economic and political outlook was bleak, and many thought it would eventually turn into a poor and ill-performing state. Notwithstanding this outlook, Mauritius’s economic development soon began. It started with sugar trade deals negotiated with the European Community, the European Union’s forerunner. These favorable deals for Mauritius laid the financial basis for further development. Mauritius then copied parts of the Taiwanese economic model and built an export-oriented economy. The textile industry emerged and became the backbone of the secondary sector. In developing the third sector of the economy, Mauritius had an eye on Singapore, also a small state like Mauritius with a strong financial services sector, which Mauritius started fortifying. Moving further ahead, Mauritius has taken some steps to copying the Indian Bangalore experience by building up a cyber-industry. This economic development was coupled with the establishment of post-colonial democracy, and arguably, each reinforced the other. These trends are further confirmed in the government program 2015-2019, having the main objective to “achieve meaningful change” and further transform the country in a forward looking, innovative, sustainable and vibrant economy by improving the quality of life for all segments of society. An example of an innovation is the Smart City Scheme that has been introduced in the 2015 to 2016 budget to boost the economy and drive the

Implementation

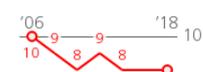
8



1

Policy learning

8



1

competitiveness of Mauritius. The Smart City Scheme is an ambitious economic development program intending to consolidate Mauritius as an international business and financial hub by creating ideal conditions for working, living and spurring investment. Part of the program includes attractive fiscal and non-fiscal incentives to investors for the development of smart cities across the island, supporting the transformation of Mauritius into a sustainable, inclusive and high-income economy – one of the main objectives of the “Vision 2030.” The promised second “economic miracle” depends on investment, economic reforms and innovation. Various measures have been announced and the implementation phase is ongoing, albeit at a very slow pace.

15 | Resource Efficiency

The government makes efficient use of all available human, financial and organizational resources. Nevertheless, there is some space for improvement. This includes channeling more money into the education system and establishing a more efficient public administration (as some Mauritians request) and dealing with unemployment, social inequalities and corruption. Boosting shared prosperity will require more growth and a more pro-poor pattern of growth. Structural labor market weaknesses are a key ongoing concern and translate a disconnect between the labor demand and supply side and education and training challenges in the context of rapid structural economic change responding to changing needs. These challenges need to be dealt with to achieve the second “economic miracle” and transform Mauritius into a high-income country as envisaged by the current government. Various measures are implemented and major projects are planned to contribute toward job creation.

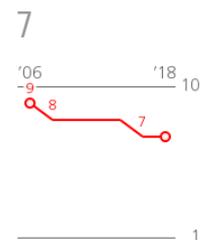
Among the measures is the adaptation of the National Code of Corporate Governance for Mauritius (2016), endorsed by the National Committee on Corporate Governance. The main objectives of the code are to introduce and encourage organizations to comply with good governance practices, and empower participation of stakeholders in ensuring that these practices are effectively implemented. This code should contribute to transparency and the fight against corruption.

In terms of financial efficiency, an example is the fact that Mauritius does not maintain a standing army.

In terms of audit, there is a National Audit Office in Mauritius, outlined in section 110 of the constitution. This office was established at the time of independence and audits government spending and publishes an annual report. In general, it does a good job, but, more often than not, the report is only used as a political instrument.

Despite this efficiency, the budget deficit and public debt is still high, but the country’s current account deficit is expected to remain smaller than in recent years,

Efficient use of assets



as is consistent with some persistent slack in Mauritius' economy, coupled with strong tourism earnings and favorable global energy prices.

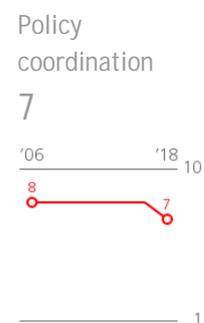
On the critical side, it is true that over the past few years there has been a growing tendency toward political interference in the administrative and general managerial system. The incidence of political appointments at the expense of the permanent administrative cadre has been on the rise, with poor performance results. Quite often, foreign nationals are preferred for certain important assignments, even when the expertise they bring is available locally.

At the local government level, the powers of elected officials have been curtailed and centralized in the Ministry of Local Government.

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

At the formulation and implementation level, there are, however, some frictions. Politics is institutionalized in Mauritius and there is coordination among the various actors involved, including the prime minister and the relevant ministry, its minister and public servants. More recently, there have been some accusations that politics became more centralized in the prime minister's office under Prime Minister Ramgoolam. The returning Prime Minister Jugnauth faced the same accusations during his rule in the 1990s, when he also served as head of government. Also within some political parties, there are strong party leaders who hold on to their power as hard as they can. With the recent change of prime minister from father to son, this rather negative image has been confirmed. Political opposition calls this act immoral although they recognize it is legal. As such, frictions among politicians are common, as they are among ministries and parastatal bodies, particularly if these institutions' chairpersons are political appointees. They are also often in conflict with the directors of parastatal institutions, pointing to internal frictions. The firing of Chief Executive Officer of Air Mauritius Megh Pillay eight months following his appointment is a case in point. One reason for this was disagreements with the company's chairperson, highlighting differences of opinion within government and the political class. For example, the Minister of Financial Services announced that the dismissal of Megh Pillay was not done within the norms of good governance practices. However, the political calculations of that particular minister overrode the judiciousness of his position.

Various members of the government also expressed their dissatisfaction with the decision, as did the members of the Parti Mauricien Social Démocrate.



There have also emerged major conflicting policy approaches, leading to denunciations in public of ministerial colleagues, often with unpalatable trading of insults.

Mauritius is presented as sub-Saharan Africa's shining example of democracy, good governance and economic success, with a status of one of the least corrupt countries of the African continent. However, the country faces serious challenges of a strong imbedded tradition of corruption.

The current government, as well as previous governments, lists the fight against corruption as a priority in its government program and initiatives are taken to tackle this challenge, but progress in this sector needs still to be seen.

Among existing measures, Mauritius was one of the first 30 states to sign the United Nations Convention Against Corruption in 2003. More importantly, the Independent Commission Against Corruption was established under the Prevention and Corruption Act 2002. This commission enforces laws against corruption, eliminates opportunities for corruption from systems and procedures, and prevents corruption through public education and support. The commission organizes different events of public interest to sensitize the large public on the fight against corruption.

Different platforms exist to tackle corruption such as the Public Private Platform Against Corruption (PPPAC), Private Sector Anti-Corruption Task Force (PACT) and the Construction Industry Anti-Corruption Committee. In 2016, the National Code of Corporate Governance for Mauritius was endorsed by the National Committee on Corporate Governance. This code should contribute to transparency and the fight against corruption.

Despite these initiatives, corruption at the highest levels has characterized the political sphere. 2015 saw many corruption scandals. The general election of 10 December 2014 marked the beginning of a highly turbulent year marked by the arrest of a number of politicians, civil servants and businesspeople, accused of corruption and money laundering. Former Prime Minister Navin Ramgoolam's arrest constitute the prime example. Another example, was the arrest of the actual Prime Minister Pravind Jugnauth, who replaced his father in January 2017.

There is yet to be a Freedom of Information Act, though there is a general political consensus that such an act should be passed. Party political funding has been an ongoing debate and during the last general elections, both political alliances pledged to address the issue conclusively.

Anti-corruption
policy

5

'06 '18 10



1

16 | Consensus-Building

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

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

Extra-governmental, anti-democratic veto actors do not exist. Mauritius is a country without an army and the Special Mobile Force is not active in politics. Moreover, 82% of the population is in favor of democracy, there is a consensus on the political system and its basic principle, still with the unrealized will to reform the electoral system.

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

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

Consensus on goals

10



1

Anti-democratic actors

9



1

Cleavage /
conflict
management

8



1

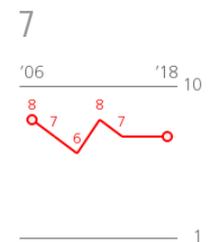
Civil society organizations have some influence in some policy realms, while in other realms their impact is marginal. At the positive side, the government consults civil society organizations when preparing the national budget and recognizes their role in the fight against social inequality and poverty. As such, CSOs play mostly a role in service provision and charitable activities. Another very large group of CSOs are active as sport clubs, sociocultural, women, elderly and youth organizations which largely carry out social and cultural activities. They often receive funds from government ministries. In some cases, organizations and associations are also created as a means for individuals to gain representation on councils related to the government, and thus access to political positions. Monitoring and evaluation of government performances is not systematically done by CSOs, and sector and geographic umbrella organizations and coordination bodies are weak. General platforms or umbrella organizations exist under the name of MACOSS (the Mauritius Council of Social Services). MACOSS focuses largely on the implementation of activities, which potentially places it in competition with member organizations.

In specific sectors such as the environment, environmentalists have by and large a difficult stance – despite some successes in protecting the country’s flora and fauna. The business community, on the contrary, also seen as part of civil society, has some influence on political actions bringing the above-mentioned tensions between economic and environmental interests to the fore.

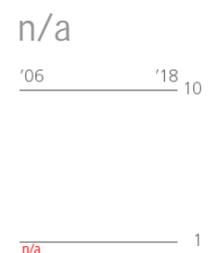
Past injustices in Mauritius are different from injustices in several other African countries in the sense that there were no violent clashes after independence between ethnic or religious groups, let alone a civil war or civil unrest. The only exception is the ethnic-based riots of 1999. The riots were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

To deal with the long-term effects of the colonial period, in which several see the root causes of the continued marginalization of the Creole community, Mauritians established a Truth and Justice Commission in 2009. This commission published a 2,800-page report in late 2011. The commission assessed the consequences of slavery and indentured labor from the colonial period to the present. One of its findings was

Civil society participation



Reconciliation



that people of slave descent are still poorly represented in all spheres of public life and in government institutions and that “people of slave descent are among...the less envious citizens of the Republic,” as they are poorly housed, their literacy rate remains low and because, “due to their low level of education and poor performance at school, few can get employed in government services and parastatals.” Moreover, the commission stated that there is an “over-concentration” of this group in the field of hard manual labor.

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

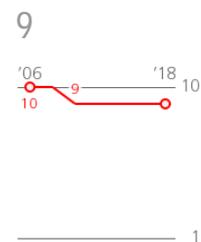
17 | International Cooperation

The political leadership makes well-focused use of its international partners to implement its long-term strategy of economic development. The government program 2015-2019, focuses on international relations with the following objectives: Establishment of an embassy in Saudi Arabia, conclusion of comprehensive economic partnership agreements and preferential trade agreements, enhancing market access in traditional markets, pursue deepened economic engagement with Africa, conclusion of the comprehensive Economic Partnership Agreement with Europe and Tripartite COMESA (Common Market for Eastern and Southern Africa)/SADC (Southern African Development Community)/EAC (East African Community)/ FTA (Foreign Trade Association) and develop strategic economic partnership with emerging economies, particularly the BRICS.

The ambition is also to work closely with like-minded countries to ensure that the concerns of Small Island Developing States are fully addressed in the global fora, that peace and security is preserved in the region and that more convergence is established with the policies among the Regional Economic Communities to which Mauritius belongs.

The 2016-2017 Budget, themed “A New Era of Development,” also has a specific focus on economic diplomacy with the objective to expand the economic space. Seven more economic counselors will be posted around the world to promote the country and explore new markets for the country’s products and services. Ties with India through the Comprehensive Economic Cooperation Partnership Agreement (CECPA) will be consolidated. E-commerce will be given a boost as well.

Effective use of support



Given this vision and initiatives, Mauritius understands it has an active role to play regionally and internationally in order to secure desired outcomes at national level and opportunities abroad

In its international relations, the country aims to communicate with its partners at eye-level and, instead of receiving development aid, Mauritius has turned into an important portal for Britain to channel development aid destined for Africa.

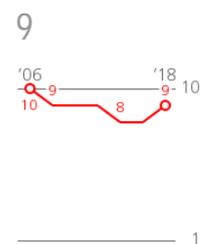
Mauritius's foreign policy concentrates on its role as bridge between Asia (China and India, in particular) and Africa, as well as its cooperation with Europe. This also reflects the country's population, with people of African, Asian and European descent living on an island that had no inhabitants when it was discovered.

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

Moreover, Mauritius has signed all international treaties with respect to industrial and commercial properties and impedes brand piracy on its territory. It cooperates with the World Bank and the OECD with respect to money laundering, financial terrorism and international tax evasion. The country is also a member of the United Nations and the African Union. It has ratified many U.N. human rights protocols and thus has made binding international commitments. As such, its citizens can complain at the different existing international and regional commissions (UNESCO, ILO, the African Commission on Human and Peoples' Rights, Embassies of EU Member States and the Delegations of the European Commission, National Contact Point in an OECD member state).

Mauritius has also joined the International Criminal Court and it may thus be called upon in case of severe crimes.

Credibility



At the center of the country's foreign policy at the regional level is the Chagos Island issue, with Mauritius trying to regain the island and to resettle its former inhabitants. The issue took a new turn in 2013 when the U.N. Tribunal on International Maritime Arbitration challenged Britain's refusal to allow the exiled inhabitants to return. The issue is, however, still pending and the current government is very concerned about the lack of progress made to resolve the long-standing dispute over the Chagos Archipelago. The objective is to speed up diplomatic talks with the U.K. and U.S. governments and actively seek the support of the international community.

Otherwise, the political leadership actively and successfully builds and expands cooperative neighborly and international relationships. It promotes regional and international integration. Mauritians have a keen interest in any regional economic cooperation and hence have multiple memberships to several subregional organizations, such as the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), Indian Ocean Commission and the Indian Ocean Rim Association for Regional Cooperation (IOR).

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

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

From 2016 onwards, Mauritius entered into a new era of cooperation with Madagascar and will work in close collaboration in the fields of agriculture, textile, maritime, communication and technology, among other issues. Special economic zones, encouraging more investment between the two countries are to be signed.

Regional cooperation

9



1

Strategic Outlook

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

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

When reconfiguring the country's political leadership, women should be promoted. They remain under-represented in parliament but are also victim of economic discrimination as the gender wage gap is very large. As such, the gender-based disparities have contributed to a regression in Mauritius ranking in the World Economic Forum Global Gender Gap Index 2015 (120 out of 145 countries). However, some positive changes have been recorded. The Local Government Act already stipulates that at least one-third of all candidates be one gender or the other. All major parties agree on more female representation, but the much-flaunted electoral reform has not occurred. Other initiatives are the establishment of a gender caucus in the National Assembly and gender cells in different ministries.

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

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