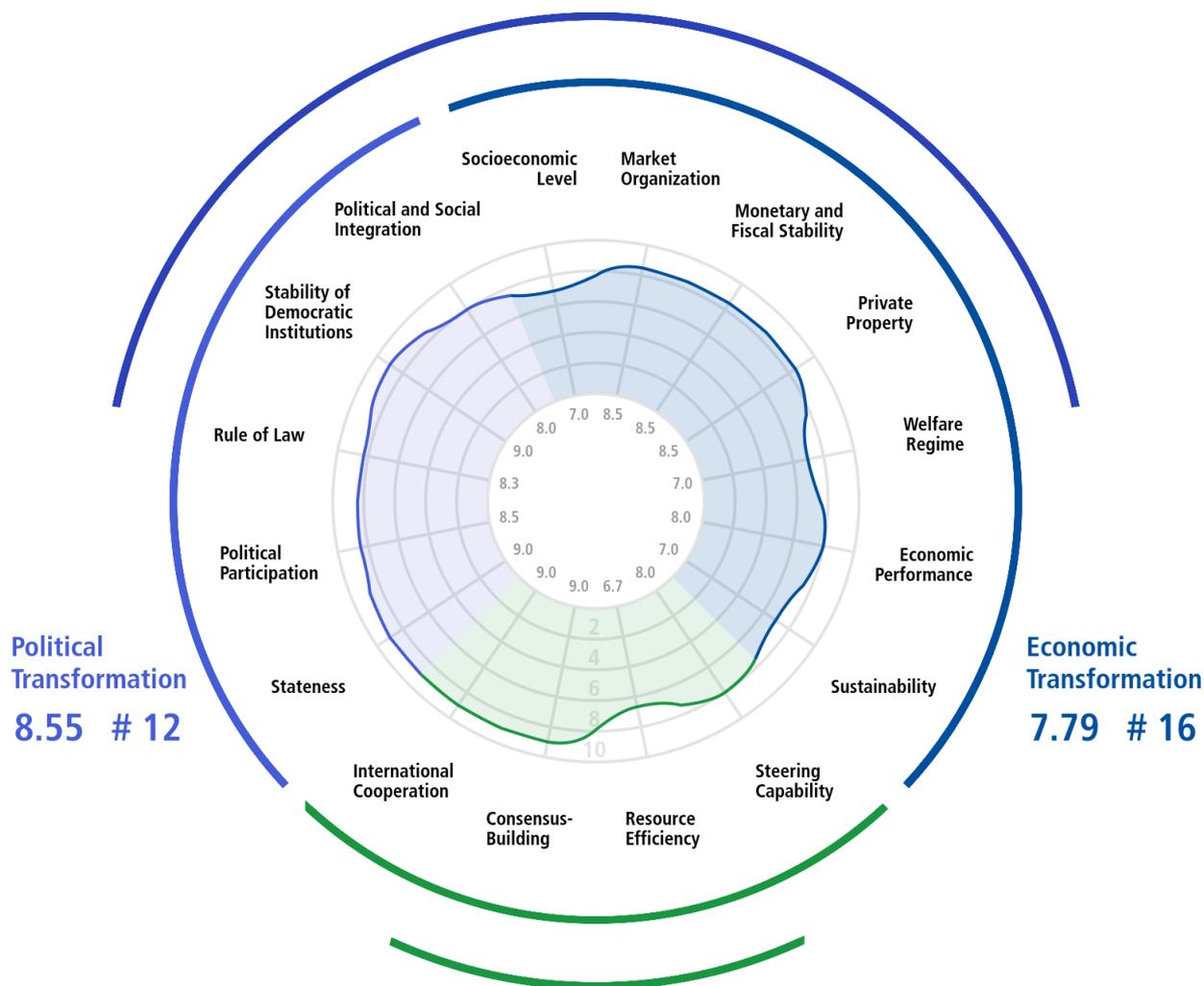


Mauritius

Status Index

8.17 # 12

on 1-10 scale out of 137



Governance Index

6.76 # 11

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Mauritius. Gütersloh: Bertelsmann Stiftung, 2022.

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Key Indicators

Population	M	1.3	HDI	0.804	GDP p.c., PPP \$	20539
Pop. growth ¹	% p.a.	0.0	HDI rank of 189	66	Gini Index	36.8
Life expectancy	years	74.2	UN Education Index	0.736	Poverty ³	2.2
Urban population	%	40.8	Gender inequality ²	0.347	Aid per capita \$	17.5

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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 has established a viable democracy and market economy since it gained independence from the UK in 1968. The country benefits from stable and mature institutions and a stable multiparty parliamentary democracy, characterized, however, by shifting alliances. Though the president is the head of state, it is the prime minister who exercises full executive powers and heads the government. In November 2019, National Assembly elections were held, confirming the incumbent Prime Minister Pravind Jugnauth of the Militant Socialist Movement (MSM) party for a new five-year term in government. It should be pointed out that electoral petitions contesting some results are still awaiting court determination. The 2020 – 2024 government program is a continuation of the previous one when it comes to the strategic areas of intervention with the objective to move “toward an inclusive, high income and green Mauritius, forging ahead together.” Although initiatives have been taken in favor of a more sustainable and equitable social environment, continuous efforts are needed to ensure an inclusive society. The current government program aims to continue improving the quality of life of citizens by building on its achievements to date. To adapt to structural vulnerability and ensure a more resilient economy, governments have implemented sound economic policies coupled with diversification. The response to the COVID-19 pandemic further illustrates the government’s capacity to adopt necessary strategies and policies to cope with such a threat. The measures succeeded in making Mauritius a COVID-19 safe country and efforts are being deployed to limit the negative impact both on the transformation to a market economy and to democracy. However, the COVID-19 pandemic had a heavy impact on the country’s economy. Preliminary projections suggest that, after several years of steady growth, a drastic deceleration in economic activity is coming; all indicators are expected to decline. Apart from the COVID-19 pandemic, the country experienced an ecological disaster: The oil spill of the MV Wakashio carrier in July 2020 had an enormous, negative impact on the ecosystem, on the economy and also on the government’s credibility. The government is accused of having dragged its feet and being very slow in addressing the

catastrophe. Critics decried the government for not being prepared to handle such an ecological disaster and there were public demands for the government to resign. Another challenge was the country's inclusion on the EU's blacklist since October 2020, due to money-laundering and terrorist financing. The resulting restrictive measures will have an impact on the financial system and financial transactions with the EU.

In general, the country continues to maintain and further develop cordial relations with several states, and it continued efforts to strengthen its relations with other African and Asian countries. As such, the country's political leadership actively and successfully builds and expands cooperative relationships with neighbors and internationally, while also promoting regional and international integration.

History and Characteristics of Transformation

Since gaining independence from the UK in 1968, Mauritius has witnessed successful economic development and built a successful market economy and viable democracy. Unlike some African states, Mauritius has never had any violent conflict within its borders (except for short spells of ethnic-based riots in 1968, prior to independence, and in 1999, leading to loss of life, destruction of property and displacement of people). In fact, the country does not maintain a military force – and has also avoided the trap of being dependent on foreign aid. Instead, it has achieved high rankings in several indexes that measure political and economic development and is often listed as the most successful country within Africa. This came as a surprise to many, given the former colony's bleak economic and social situation at the time of independence.

Mauritius was an uninhabited island when Arabic and Portuguese explorers discovered it a few centuries ago (in the 10th and 16th centuries, respectively). 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 their Cape Colony (today's Cape Town in South Africa), the Dutch abandoned Mauritius in 1710. Five years later, the French claimed the island. They settled permanently on Mauritius and named it Ile de France. Following a French defeat during the Napoleonic Wars, Britain took over the island in 1810 and claimed mainland Mauritius and its dependencies, namely the Agalega Islands, the Chagos Archipelago, the Cargados Carajos Shoals (Saint Brandon) and Rodrigues, as colonial territory. Given Britain's laissez-faire rule over the island, the French language prevailed. French colonial heritage is still visible today, as is British heritage, in the political, administrative, judicial and educational systems. As such, the colonial period left Mauritius with the Westminster model of parliamentary democracy. Three years prior to independence in 1965, Britain excised the Chagos Archipelago from Mauritius, thus creating the British Indian Ocean Territory, which it leased to the United States for the establishment of a military base on its main island, Diego Garcia. The dispute over the sovereignty of the Chagos Archipelago remains a major bone of contention between Mauritius and the UK today. The International Court of Justice has delivered an advisory opinion in favor of Mauritius. The UN General Assembly upheld this opinion. The country also has a territorial dispute with

France over the tiny island of Tromelin. Negotiations for its joint exploitation at the economic level are ongoing. The issue of sovereignty is yet to be settled.

When France had colonial rule over Mauritius, it shipped slaves from mainland Africa, Madagascar and India, among other sources, to the country. More Indians arrived, mostly as indentured laborers, following the abolition of slavery. Chinese migrants also came, mainly opening shops and becoming 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 today. Together with the small Franco-Mauritian minority, they are the most influential group and dominate politics and the economy. The Creoles, mostly descendants of slaves, drifted into the background, giving rise to what was termed the "Malaise Créole." However, measures have been taken to advance their situation such as the introduction of Creole as a formal language taught in certain schools and the decreeing of February 1 as a public holiday to commemorate the abolition of slavery. 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.

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

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

Indeed, the growing dissatisfaction among the people with respect to the performance of the police is a matter of grave concern. The government's political interference in the work of the police is quite blatant.

The vast majority of the population accepts the nation-state as legitimate. The constitution recognizes four communities or ethnic groups: the Hindu, Muslim, and Sino-Mauritian communities and the "general population" (essentially a Christian community, or those who do not belong to one of the other three communities). The Hindu and Muslim communities are defined according to religious criteria alone, and the Sino-Mauritian community by religious and ethnic criteria. The "general population" is defined – by default – as those who are not members of the other communities. Members of the Hindu community speak the following languages: Hindi (the majority, of northern Indian ancestry), Tamil, Telegu and Marathi. These subgroups play an important political role.

Question
Score

Monopoly on the
use of force

10



1

State identity

9



1

The general population can be divided into Franco-Mauritians (with major holdings in the sugar industry and the economy in general), Creoles (descendants of slaves), and the Mulatres (mixed-race people). Communalism and caste-based relations are prominent features of politics. Social divisions become accentuated during elections. Candidates are generally aligned politically by virtue of their ethnic group. Otherwise, harmony among the various communities prevails and all efforts are deployed to maintain this peaceful coexistence.

In recent years, the Creole community has been increasingly absorbed in the mainstream, although there is still room for more positive action without making it a blatant policy, not least since it becomes counter-productive.

Mauritius is officially a secular state, and the constitution and other laws and policies protect freedom of thought, conscience, religion, opinion and expression. The 2011 census reported about 50 religions with the largest being Hinduism (48.5%), Roman Catholicism (26.3%) and Islam (17.3%, 95% of whom are Sunni). In Rodrigues, the majority of the population is Catholic (90%). Six religious groups that were present prior to independence are recognized as representing the population in a parliament decree, namely Catholics, Anglicans, Presbyterians, Seven-Day Adventists, Hindus and Muslims. Based on the number of adherents as identified through voluntary self-identification in the 2011 census, these groups receive annual funds from the Finance Ministry.

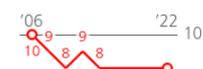
The constitution foresees the right of religious groups to practice religious affairs and to set up confessional schools and religious and “social-cultural” associations, which also receive state funds.

On the other hand, all the prime ministers since independence have come from the Vaish caste, except for Paul Bérenger (2003 – 2005), a Roman Catholic. Religious dogmas have a degree of influence over legal and political institutions, but there has in general been progress over the last few years as is illustrated, for example, by the legalization of abortion (within specific parameters).

Mauritius has developed a differentiated administrative structure throughout the entire country, providing basic public services such as water, education, health. However, there is some popular discontent related to the provision of these services. Due to the small size of the country, there is no center-periphery problem regarding access to the state administration. Mauritius’ administrative division is a legacy of its colonial past. There are nine administrative districts (Black River, Flacq, Grand Port, Moka, Pamplemousses, Plaines Wilhems, Port Louis, Riviere du Rempart and Savanne) and four dependencies (Agalega Islands, Cargados Carajos Shoals, the Chagos Archipelago and Rodrigues). From the administrative side, there are seven District Councils, Four Municipal Councils and One City Council. Services in basic infrastructure have not particularly been limited or disrupted due to COVID-19.

No interference of religious dogmas

8



1

Basic administration

9



1

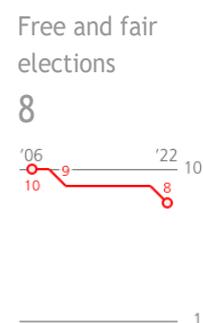
Mauritius' second island, Rodrigues, some 600 kilometers away from the main island, has gained notable autonomy and has its own regional assembly. However, given the absence of business opportunities apart from tourism, the island depends heavily on the central government for funding.

2 | Political Participation

For National Assembly elections (70 seats), the Mauritian electoral system uses a first past the post (FPTP) system, which is actually combined with a system of best loser (variable corrective). Since gaining independence in 1968, Mauritius has held 11 general elections. The electoral system was designed in the 1960s to ensure inclusion in a country with an ethnically diverse population. The country is divided into 20 constituencies, each with three parliamentarians elected based on the highest number of votes. The island of Rodrigues has two parliamentarians. There are 62 members of parliament plus eight “best losers” nominated by the Electoral Supervisory Commission. The best loser system attributes an extra eight seats to non-elected candidates based on their community. This electoral arrangement, combining a constituency-based block vote and the best loser system, was enforced under British rule by the 1966 Banwell Commission to ensure the political representation of minorities. To institutionalize ethnic pluralism, four communities were officially recognized by the British censuses and then embodied in the constitution of independent Mauritius: Hindus, Muslims, Chinese and the general population. The official percentage of each community is still based on the 1972 census. 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.

The Morisian Alliance won the November 2019 National Assembly elections with a total of 42 seats. Incumbent Prime Minister Pravind Jugnauth's Militant Socialist Movement (MSM) is the main component of the coalition. The opposition National Alliance, led by former Prime Minister Navinchandra Ramgoolam's Mauritian Labour Party (PTR), took 17 seats, followed by former Prime Minister Paul Bérenger's Mauritian Militant Movement (MMM) with nine and the Organization of the People of Rodrigues (OPR) with two. Political opposition leaders challenged the validity of the results and claimed electoral irregularities, filing several legal petitions with the Supreme Court. This is the first time election results in Mauritius have faced such grave contestation since the country's independence. More than one year after the elections the electoral petitions are still in Court.

The electoral reforms proposed in 2018, have not been adopted. These reforms have the objectives to introduce a dose of proportional representation to increase fairness, inclusion and a more equitable representation of parties in the National Assembly,



and to do away with the mandatory declaration of their community by candidates. It also aims to ensure better gender representation and a 15.7% increase in the numbers of MPs, because the electorate has grown. The village council elections were organized as foreseen in November 2020. The Independent Broadcasting Authority (IBA) regulates access to television and radio through the IBA Act. It issued guidelines for private and public broadcasters for the 2019 elections. However, the national official media (MBCTV) does not provide for equal access to both ruling and opposition parties notwithstanding the protests of the latter.

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

Article 3 of Mauritius’ constitution guarantees freedom of assembly and association. The government generally respected these rights. The authorities have implemented a range of containment measures since the outbreak of the COVID-19 pandemic in March 2020 in the country, including bans on public gatherings, followed by a curfew order, closing borders, discontinuing public transportation, closing schools, universities, shopping malls and attraction sites, suspending employee attendance at government and private workplaces. As a response to the COVID-19 pandemic, authorities have allegedly used heavy-handed tactics in enforcing the lockdown measures, practices currently under investigation. Two bills were passed in the parliament on May 15, namely the COVID-19 Bill and Quarantine Bill. The nationwide curfew ended on May 30. Restrictions on movement have been eased but certain travel bans remain in place. Since June 2020, public gatherings were allowed, subject to certain conditions, as the lockdown has been lifted. A remarkable example has been the large protests organized in the streets of Port Louis and Mahébourg in August and September 2020, following the environmental disaster caused by the grounding of the Wakashio iron ore vessel. These demonstrations were organized without any social distancing restrictions, as the pandemic has been under control in the country. There are no restrictions as to assembly rights. It is also true that on certain occasions the police refused to grant permission for the holding of certain demonstrations. Such refusals were seen as politically motivated.

Effective power to govern

10



1

Association / assembly rights

9



1

Articles 3 and 12 of the constitution guarantee freedom of expression. Although the government does not always respect this right, no organizations or media representatives were harassed or physically threatened either by the state or other influential groups. Before the 2019 parliamentary elections, the government amended the Information and Communication Technologies Act (ICTA) to impose heavy sentences for online content considered to “inconvenience” the receiver or reader. This act was used to file several complaints against journalists and media outlets in 2019 and was used to deal with the spread of misinformation about COVID-19...

In May 2020, a man was arrested for violation of this act, accused of falsely claiming “riots had erupted after the prime minister announced the closure of supermarkets and shops.” The same act has also been used to criminalize the dissemination of false news as illustrated by the arrest of a former government minister on allegations of spreading false information regarding the purchase of COVID-19 medical equipment. There also have been reports of the involvement of the Mauritian government in the blockage of social media accounts of critics on the grounds of national security.

During the period under review, a popular radio station, TopFM, had its license suspended on three occasions. TopFM is known for its very incisive investigations into public and state matters, often unveiling scandals. The daily newspaper L’Express also has suffered from government sanctions and is often boycotted at government press conferences. Their journalists, like those of TopFM, have on occasion simply been denied access.

3 | Rule of Law

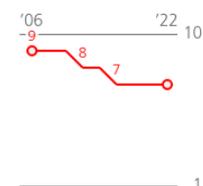
Mauritius has a clear separation of powers with mutual checks and balances. The government forms the executive, the National Assembly the legislative and the Supreme Court the judiciary. It is particularly the opposition, led by a presidential appointee, that checks the government in parliament.

Although the court has been criticized for being influenced by the government, its overall independence is not questioned.

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

Freedom of expression

7



1

Separation of powers

9



1

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

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

Though the government did not issue a state of emergency in response to the pandemic, on March 23, a nationwide, stringent lockdown was imposed. The police have been authorized to enter any premises without a warrant to enforce compliance with the regulations and sanctions can be imposed for violations. Since then, various pieces of legislation have been enacted to regulate the state's response to COVID-19. On June 13, 2020, the government announced that the lockdown had been lifted as the country was determined to be COVID-19-safe.

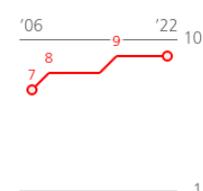
Mauritius' judiciary system is independent and free from unconstitutional interference. It is a hybrid system, having its roots in both the country's French and British colonial past. Its Supreme Court is the highest judicial authority; an Intermediate Court, holds jurisdiction over civil and criminal cases; and district courts try civil and criminal cases within their jurisdictions. As in several other political systems around the globe, the president appoints the Supreme Court's chief justice, following consultations with the prime minister. In the same vein, the president also appoints the senior puisne judge, after taking the recommendations of the chief justice into consideration. All the other members of the Supreme Court are also appointed by the president, acting in accordance with recommendations from the Judicial and Legal Service Commission. Mauritius' colonial past and its Commonwealth membership are still reflected by the fact that the country's supreme court of appeal is the Privy Council in London.

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

In general, nepotism and cronyism remain of grave concern and constitute a source of public frustration, despite the laws and institutions in place to fight corruption such as the Prevention of Corruption Act and the Independent Commission Against Corruption (ICAC). The latter is perceived as not being independent enough from the government to investigate cases involving government officials. In 2015, two laws were adopted: (1) the Asset Recovery Bill, which transfers enforcement authority in asset recovery cases from the director of public prosecutions to the Financial Intelligence Unit, and (2) the Good Governance and Integrity Reporting Bill, which aims to disclose malpractice and recover unexplained wealth.

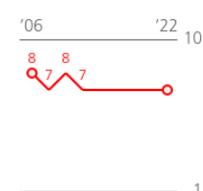
Independent judiciary

9



Prosecution of office abuse

7



There are a number of cases of corruption involving politicians reported in 2020. As an example, in June 2020, the prime minister dismissed the deputy prime minister, who also held the portfolio of minister of energy, from his cabinet over links to corruption in a tendering process. The case is still under investigation. Another example is the minister of commerce having to relinquish his post to face a number of investigations into swindling and abuse of authority and is even facing a judicial inquiry into the death of a political agent closely associated with him in his constituency. The prime minister himself has also been accused of corrupt practices with respect to the acquisition of his residence at Angus Road in Vacoas. These cases are all still under investigation and have contributed to a climate of mistrust as has been expressed through various demonstrations.

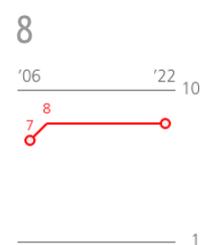
Civil rights are codified by law. Several institutions are working on this issue. In November 2017, the Ministry of Justice, Human Rights and Institutional Reforms was created and the human rights portfolio was transferred from the prime minister's office to the newly created ministry. Additionally,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

Human rights issues are mainly reported with regard to discrimination and violence against lesbian, gay, bisexual and transgender (LGBT) persons. Homophobic attitudes persist and homosexuality tends to be framed within a discourse of sin and unnatural behavior. However, the 2019 Equal March took place peacefully and under safe conditions guaranteed by the authorities. Domestic violence, violence against women and discrimination are also to be mentioned among human rights abuses.

Following the increasing number of reported acts of violence against women in 2019, the government announced the establishment of a High Level Committee on Domestic Violence under the aegis of the prime minister's office. The prime minister also announced a Gender Equality Bill that is in the works.

Police abuses continued to be reported, either through official complaints or allegations made on the radio or in print media. Specific cases of police using excessive force and torture were reported in March 2020 during the enforcement of COVID-19 regulations.

Civil rights



It should be noted, however, that despite the existence of the necessary legal framework, including specialized institutions, laws and regulations, the enforcement level remains deplorably inefficient.

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

4 | Stability of Democratic Institutions

Democratic institutions function. Legitimate procedures are used by appropriate authorities to prepare, make and implement political decisions.

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

Obviously, such a system saps the credibility and efficiency of institutions. The dynastic nature of the political system, though legal, is far from being moral. Appointments based on cronyism and nepotism to the detriment of meritocracy frustrate the aspirations of more deserving candidates.

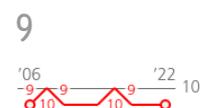
Democratic institutions are accepted as legitimate by all relevant actors. Nonetheless, political actors use some institutions to serve their political interests. As much as the tendency of the population at large is to accept the legitimacy of democratic institutions, the pervading perception is that they are headed by political appointees who owe their allegiance to the government of the day. There were some major protest movements following the environmental disaster caused by the *Wakashio* iron ore vessel in 2020 calling for a new model of governance for the Island and even for the leader and top officials to step down.

Performance of democratic institutions



1

Commitment to democratic institutions



1

Good governance is at the heart of the protest movements. Participants in the February 13 public demonstration in the streets of Port Louis clamored for the resignation of the prime minister and his government, some using very disparaging slogans.

Thus, though the democratic institutions are considered legitimate, it is at the level of their independence and efficacy that the contestation arises.

5 | Political and Social Integration

Mauritius' party system is stable and socially rooted. It is, by and large, able to articulate and aggregate societal interest with little fragmentation. In the last general election in 2019, nearly 40 parties competed and four were included in the resulting government.

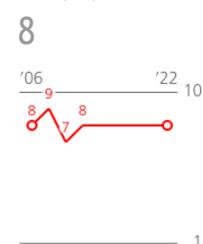
Despite their democratic credentials, as stated earlier, these parties are leader-centric, and are guided by a few families. Ethnicity and caste play a major role in politics. The MSM and the Labor Party attract most Hindu voters, and the MSM is considered primarily a Hindu-based party. As a matter of fact, the Hindu majority dominates the public administration, politics and the political parties themselves; other groups find it hard to reach the highest political positions. All prime ministers since independence have come from the Vaish caste except for Paul Bérenger (a Franco-Mauritian member of the General Population community) from the MMM from 2003 to 2005, following an electoral agreement whereby the position was shared between Sir Anerood Jugnauth and Bérenger. As such, the political parties in Mauritius are heavily dependent on ethnic and communal divides. Power-sharing and the distribution of political positions within alliances reflect the four communities as determined by the constitution.

A good dose of clientelism exists in the political system. The traditional parties each have a vote bank on which they depend heavily but are nonetheless subject to the mood of the electorate come election time. The more generous the promises of the party, the more likely it is to attract the voter.

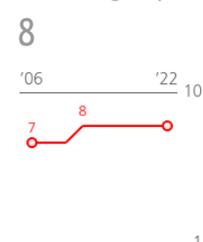
The Mauritius Council of Social Service (MACOSS) serves as the national umbrella organization for all civil society organizations in the country. Non-governmental organizations (NGOs) that are part of the council are mainly dealing with human rights, HIV/AIDS, the promotion of women's rights and the rights of the lesbian, gay, bisexual and transgender community. In addition, there are many NGOs dealing with environmental protection, which remains a pressing issue as has been demonstrated by the ecologically disastrous sinking of the Wakashio vessel in 2020.

Given the country's strong economic performance, business associations are crucial players among Mauritius' interest groups. In addition, the sociocultural groups of

Party system



Interest groups



religious denominations play a role. It is particularly the business associations that try to influence government decisions. Lately, some Creole groups have also gained considerable prominence and successfully pushed their agenda. Some elements of the Roman Catholic clergy have come to the forefront to form a pressure group for the Creoles. This, however, is frowned upon by the Church hierarchy and doesn't go down well in the general public, for the entrenched view is that religion should stay away from politics, especially in a multiethnic, multicultural and multi-religious society.

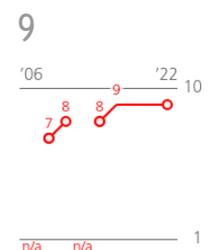
Approval of democratic norms and procedures is very high. Mauritius remains the only “full democracy” in Africa according to the 2019 Democracy Index compiled by the Economist Intelligence Unit (with a ranking of 18th worldwide). According to the most recent Afrobarometer survey (February 2018), Mauritians are increasingly dissatisfied with the way democracy is working, and only half of the population says they are “fairly satisfied” or “very satisfied.” The majority, up to three-quarters of Mauritians, still prefers democracy to any other system and prefers government accountability over efficiency. As satisfaction with democracy drops, the population also is expressing declining trust in their main public institutions and leaders. However, this has not been reflected in the 2019 general elections as the incumbent prime minister has been re-elected. Nevertheless, one must recall that for the first time in Mauritius' election history, several legal petitions were lodged in the Supreme Court by political opposition leaders challenging the validity of the results and claiming electoral irregularities.

Mistrust in political leaders has been illustrated more in response to the management of the 2020 ecological disaster than to the management of the COVID-19 pandemic. Mauritius saw its biggest protest in recent years and many called on the government to resign because of its “bad” management of the disaster.

However, as long as the prime minister enjoys a numerical majority in parliament he may decide to stay put notwithstanding any popular pressure. The prime minister is also the leader of the house and as such controls the work of the parliament with a speaker who does the biddings of the majority. A number of parliamentary questions remain unanswered and the parliament goes into long recesses thus preventing the opposition from holding the government accountable.

In the 2018 Prosperity Pillar rankings, Mauritius performed best on social capital and personal freedom. The biggest positive change came in social capital, where the country improved by 20 places compared to previous years. The existence of a rather vibrant civil society and recently also trade unions reveals some solidarity among citizens, but relatively few people are members of social interest groups. There are many such groups, but these are formed on the basis of the demands of the time and there is no consistency in the interests that they purport to represent and defend. Mass adherence to and support for such groups is not the norm.

Approval of democracy



Social capital



In response to the COVID-19 pandemic, the president of the republic appealed to the population to act like patriots, responsible citizens and in solidarity to fight a common enemy. The government created a COVID-19 Solidarity Fund but there is no evidence showing how the pandemic might have impacted the sense of solidarity and trust and the self-organizational capacities of civil society. However, the response to the management of the ecological disaster that occurred in July 2020 and the large mobilizations of organizations and citizens was an illustration of increased solidarity.

II. Economic Transformation

6 | Level of Socioeconomic Development

Mauritius is one of the wealthiest countries in Africa and does not face serious challenges related to poverty and major inequality. As such, according to World Bank data, absolute poverty levels are low and the challenge is now to foster more inclusive growth and boost shared prosperity. The most recent figures indicate that less than 8% of the population lives below the national poverty line, and only 0.5% live below the international poverty line of \$1.90 per capita per day). Notably, Mauritius is known for its welfare state offerings, maintaining free health, social protection and education, with the latter even extended to the tertiary level in 2019.

However, the income of the bottom 40% of the population has been growing at an annual rate of 1.8% compared to 3.1% for the rest of the population, indicating that prosperity is not equally shared as growth dynamics are tilted toward high-skilled service sectors and against the most vulnerable and least educated. The GNI per capita for 2019 was \$12,740, a 5.81% increase from 2018. Gender inequality went down from 0.419 in 2014 to 0.347 in 2019. The COVID-19 pandemic is, however, severely affecting the country's economy and likely will have an impact on the poverty rate. In terms of unemployment figures, while general unemployment was low pre-COVID-19 (6.9% in Q1 2020), the youth unemployment rate reached 22.5% in 2019. With the anticipated negative economic impact of the COVID-19 pandemic, the IMF predicted that the unemployment rate would increase to 17% in 2020, before decreasing to 9% in 2021. At the beginning of the COVID outbreak, the authorities have announced plans to increase general public health spending to 0.28% of GDP. Fiscal support measures have been taken to limit the socioeconomic impact of COVID-19. These include the implementation of a Wage Assistance Scheme as well as a Self-Employed Assistance Scheme and the COVID-19 Solidarity Fund. Concerning the Human Development Index, Mauritius' HDI value in 2019 was 0.804, which puts the country in the very high human development category. Mauritius ranks 66th out of 189 countries and territories.

Question
Score

Socioeconomic
barriers

7



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Economic indicators		2017	2018	2019	2020
GDP	\$ M	13259.3	14181.9	14046.3	10914.1
GDP growth	%	3.8	3.8	3.0	-14.9
Inflation (CPI)	%	3.7	3.2	0.4	2.6
Unemployment	%	6.8	6.4	6.4	7.1
Foreign direct investment	% of GDP	3.6	2.6	3.4	-
Export growth	%	-1.0	2.7	-4.1	-33.6
Import growth	%	2.2	-0.2	2.1	-23.5
Current account balance	\$ M	-612.2	-555.4	-756.3	-
Public debt	% of GDP	64.3	66.2	84.6	96.9
External debt	\$ M	15847.1	16112.5	18162.5	18527.5
Total debt service	\$ M	2935.4	3216.1	3219.7	2617.6
Net lending/borrowing	% of GDP	-2.2	-1.9	-2.2	-
Tax revenue	% of GDP	18.5	19.1	19.9	-
Government consumption	% of GDP	15.2	15.3	15.3	18.4
Public education spending	% of GDP	5.0	4.8	4.7	4.6
Public health spending	% of GDP	2.5	2.5	-	-
R&D expenditure	% of GDP	0.4	0.3	-	-
Military expenditure	% of GDP	0.2	0.2	0.2	0.2

Sources (as of December 2021): 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' investment regime to be "open and transparent." The country, despite its unfavorable geographic location in the middle of the Indian Ocean far away from other markets, has been highly successful over the past few decades in attracting investors and foreign capital. One reason for this is the business-friendly environment. In the World Bank's Doing Business 2020 report, Mauritius, up to July 2020 an upper middle-income country and since July 2020 classified as a high-income country by the World Bank, ranks 13th out of 190 countries, up from its previous ranking of 21. Starting a business in Mauritius takes four and a half days, an improvement compared to the former five days and four procedures with a cost of 0.8% of GNI per capita, also an improvement as the cost in the previous period was 0.9% of GNI per capita. The country ranks 20th out of 190 in the "Starting a Business" subindex. The Business Facilitation Act, passed in 2019, eliminated some redundant or unnecessary requirements for starting a business and simplified the payment of taxes. The 2020 Index of Economic Freedom, published annually by the Wall Street Journal and the Heritage Foundation, ranks Mauritius as the 21st "freest" economy in the world (out of 171 countries) and first out of the 47 countries in sub-Saharan Africa. As such, the country is in the category of "mostly free" economies. The World Economic Forum's Global Competitiveness Report (GCR) 2019 ranked Mauritius as the most competitive country in Africa, at the 52nd place worldwide (out of 141 countries). In relation to the global business sector, Mauritius is a well-established and reputable international services and global business center for investment flows into the emerging markets of Asia and Africa.

The informal sector amounts to 53% of total employment. Informal employment for males was 55.44% as of 2018, its highest value over the past six years; its lowest value was 50.85% in 2012. Informal employment for females was 50.44% as of 2018.

It should be borne in mind that the Mauritius Statistics Office defines enterprises with less than 10 employees in that category as well.

During the past year though, especially in the wake of the pandemic, market competition has suffered in the sense that certain individuals and companies have been favored with juicy contracts without open competition.

Market
organization

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The 2007 Competition Act protects competition in Mauritius. It regulates the prohibition of restrictive collusive and non-collusive agreements, the abuse of dominance and the merger review. The government established the Competition Commission of Mauritius in 2009 with the aim of promoting competition in the interest of Mauritian consumers, businesses and the economy. The commission is linked to the prime minister's office, yet is independent from the government in its decision-making, which is performed by five commissioners. According to the website of the commission, the commission rendered five decisions in 2019 and five in 2020 and one case on abuse of monopoly is still ongoing. While the commission's work has gained some momentum, a few oligarchic families still continue to dominate the Mauritian economy. This is particularly true for the agricultural, trade and telecommunications sectors. Moreover, there are instances where mergers within established parameters have taken place, giving quasi-monopolistic control of the market.

Mauritius follows a liberal economic and trade policy and the aim of the country is to become globally competitive and to integrate fully in the world trade system thanks to those trade policies. Comparatively, the island does not have many trade barriers and customs duties are low. Measures include tariff cuts, the dismantling of several subsidy schemes and a reduction of import licensing. Moreover, foreign equity caps have been removed in the tourism sector. Overall, efforts have been made to improve the environment for trade and investment, according to the World Trade Organization (WTO). This includes measures to improve the processing of permit approvals for large investment projects by introducing a fast-track option. The legal protection of investors has also been strengthened. Mauritius has so far not been part of any dispute settlement case at the WTO (member since 1995). Despite this record, the country continues using an import permit system to protect the producers of some agricultural products.

Mauritius is also a member of international trade agreements and the Interim Economic Partnership Agreement (IEPA) with the European Union. This agreement provides duty- and quota-free access to the market of the European Union for exports from Mauritius. The Mauritian market is also open to practically all EU goods. Furthermore, Mauritius launched negotiations to broaden the IEPA in October 2019. Mauritius also signed an agreement with the UK in January 2019 to safeguard trade preferences. The new agreement, known as the UK-ESA EPA, was expected to enter into force on January 1, 2021. The Mauritian government and China completed negotiations for a free trade agreement in September 2018. Negotiations for a preferential trade agreement with Indonesia are ongoing. The Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India was finally signed during the visit here of the Indian Minister for External Affairs this week. Mauritius is an active member of various trading blocs in the region. As a member of the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC), Mauritius takes part in the Tripartite Free

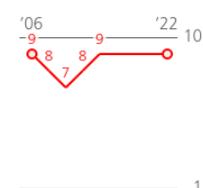
Competition policy

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Liberalization of foreign trade

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Trade Area, which is an agreement between COMESA, SADC and the East African Community. The other trade bloc is the Indian Ocean Rim.

In May 2019, the Africa Continental Free Trade Agreement (AfCTA) entered into force after having been ratified by the number of member countries required. The AfCTA is operational since January 1, 2021. As Mauritius is strategically located at the crossroads of Asia and Africa, the country is positioning itself as the bridge to Africa. The Mauritius-Africa Strategy is about building the attributes required to make the country Africa's undisputed trade and investment platform, representing significant potential in the long run.

The country also has an International Trade Division (ITD) at the Ministry of Foreign Affairs, Regional Integration and International Trade, which is responsible for the formulation and development of the country's trade policies. It is also engaged in the process of regional integration and international trade negotiations at WTO level. Through its regional and international trade negotiations, the ITD seeks to open markets and preserve existing market access for exporters of goods and services.

Mauritius' banking system is solid and oriented toward international standards with functional banking supervision. As of April 2020, 20 banks are licensed to undertake banking business by the Bank of Mauritius. The Bank of Mauritius is modeled on the Bank of England. The central bank's roles include formulating and implementing monetary policy; issuing currency; the provision of efficient payments; the settlement and clearing system; the management of the public debt and of foreign exchange reserves; and the regulation and supervision of Mauritian banks.

Mauritius was among the first countries to have implemented the Basel III guidelines in July 2014. By doing so it came in line with international regulatory standards. In general, Mauritian banks are well-capitalized and carry excess liquidity. According to the World Bank, the bank capital-to-asset ratio in 2019 was 11.3%. Non-performing loans as a ratio to total outstanding loans stood at 4.9 % in 2019, against 7.8% in 2017, according to the World Bank. A high proportion of bad loans is linked to trans-border exposure.

The COVID-19 crisis is expected to heavily impact banks' profitability due to increased defaults and delayed loan repayments. As part of its COVID-19 response, the Bank of Mauritius has made \$132 million available through commercial banks as special relief funds to help meet cash flow and working capital requirements. The cash reserve ratio applicable to commercial banks was reduced from 9% to 8%. The Bank of Mauritius also put on hold the Guideline on Credit Impairment Measurement and Income Recognition, which was effective since January 2020. In July 2019, the Bank of Mauritius Act was amended to allow the bank to use special reserve funds in exceptional circumstances and with approval of the central bank's board for the repayment of central government external debt obligations, provided that repayments would not adversely affect the bank's operations. This provision was used in January

Banking system

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2020 to repay government debt worth \$450 million, raising concerns about the central bank's independence.

The public perception, of late, is also that the bank is operating under the diktats of the government through the Ministry of Finance.

8 | Monetary and fiscal stability

Mauritius succeeded in decreasing its inflation rate from 9.7% in 2006 to 4% in 2019. Inflationary pressures in the domestic economy remained broadly contained in 2020.

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 country's orderly and balanced economic development. The central bank has maintained the flexible exchange rate regime and has intervened in the domestic foreign exchange market to prevent disorderly fluctuations and maintain foreign exchange liquidity in the financial system. Based on the nominal effective exchange rate the rupee weakened by 0.6% month-on-month in August 2020 compared to an average depreciation of 1.3% over the period January to July 2020. Since the formation of the new government, the central bank had demonstrated its independence and resisted government interference. Unfortunately, the central bank increasingly is perceived to be succumbing to the diktats of the government.

Mauritius recorded a current account deficit of \$761.9 million in 2019, an increase over previous years. The forecast for the current account deficit in Mauritius is to further expand to 11.4% of GDP in 2020 and to shrink to 8.8% in 2021, from an estimated 5.5% in 2019. Wide deficits are the result of a collapse in revenues from the tourism sector, due to the impact of the COVID-19 pandemic, severely affecting the country's economy. The government put in place a support package to help the private sector cope with the shock. Fiscal support measures have also been adopted to limit the socioeconomic impact of COVID-19. The authorities have announced plans to increase general public health spending by 0.28% of GDP. The government has also established COVID-19 Solidarity Fund aimed at funding the COVID-19 related projects.

Due to reduced tax collection and increased social aid an increase in budget deficit has been observed. The budget deficit, 3.2% of GDP in 2019, is funded predominantly from domestic debt issues and ongoing disbursement of a \$500 million grant from India in 2016. By increasing domestic resource mobilization and the sale of government assets, fiscal consolidation is to be achieved; it is necessary to meet the recently adjusted statutory public debt target of 60% of GDP by December 2021. In general, Mauritius' public debt sustainability is regarded as broadly positive.

Monetary stability 9



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Fiscal stability 8



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Following the amendment to the Public Debt Management (PDM) Act 2008 with the enactment of the COVID-19 (Miscellaneous Provisions) Act in May 2020, public debt is now reported net of cash and cash equivalents and equity held by public institutions.

A comparison of public debt estimates over the period 2020 – 2022 on a gross basis between last year’s budget and the current budget shows public debt levels are expected to increase. Interestingly, the proportion of domestic debt to foreign debt is expected to average 79% down from 85%.

Mauritius External Debt reached \$216.3 billion in December 2020.

According to the World Bank, in 2019, government consumption was at 15.3% of GDP and total reserves of the country were at \$6.8 billion in 2019.

9 | Private Property

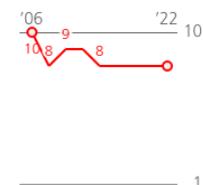
Private property is protected through Article 3 of the constitution, which describes “the right of the individual to protection for the privacy of his home and other property and from deprivation of property without compensation.” There has been no tampering with this in the past. While property is protected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

Real property rights are respected in Mauritius. Ownership of property is legalized when the title deed is registered with the registrar general and the registration duty is paid. The recording system of mortgages and liens is reliable. Traditional land-use rights are not an issue in Mauritius as there were no indigenous peoples present at the time of European colonization. The process of securing and registering property on the island state is relatively smooth and contracts are regularly enforced. The country has maintained its high ranking in international benchmarks in the area of property rights, with the highest rate in sub-Saharan Africa in the 2018 Global Competitiveness Index (GCI), ranking 47th out of 141 economies.

According to the International Property Rights Index (IPRI), Mauritius’ ranking remained in 2020 at the 40th position but attained the first position in Africa (the third position in 2018.). The Physical Property Rights Subindex increased by 0.106 to 7.328 with scores of 7.193 in the perception of Property Rights Protection, 9.447 in Registering Property, and 5.343 in Ease of Access to Loans. Mauritius’ Intellectual Property Rights Subindex increased by 0.006 to 5.235 with scores of 5.771 in the perception of Intellectual Property Protection, 5.133 in Patent Protection, and 4.8 in Copyright Protection.

Property rights

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According to the Non-Citizen Property Restriction Act, non-citizens cannot hold, acquire or purchase property in Mauritius except under certain specific conditions. These are in line with government policy to attract foreign investments.

Since the 1980s, large-scale privatization has taken place in different sectors, such as telecommunications and tourism, with successes and failures. The government, however, still controls key services directly or through parastatal companies in the power and water, television broadcasting, and postal service sectors. The government has no specific privatization program. In 2017, however, as part of its broader water reform efforts, the government agreed to a World Bank recommendation to appoint a private operator to maintain and operate the country's potable water distribution system. There are further privatization plans, including the privatization of the National Transport Corporation, the main transport enterprise in the country. However, those plans have still not been implemented. The privatization attempts of such essential utility sectors like water, electricity and transport do not go down well in public and resistance thereto is quite high.

The private sector firms have faced a triple shock because of the impact of the COVID-19 pandemic. First, on the supply side, lockdowns and restrictions to individual mobility have resulted in the shutdown of many businesses and limited access to labor and other inputs. Second, on the demand side, declining incomes have reduced consumption to the essential basic needs. Third, a financial shock has severely hit a number of firms that have not been supported by banks or have not benefited from government assistance.

As a response to the impact of the COVID-19 pandemic, the State Investment Corporation has been raising 0.8 % of GDP to make equity investments in troubled firms, including SMEs. The Development Bank of Mauritius Ltd is providing 0.04 % of GDP in credit for firms short on cash. The government also provided support to Air Mauritius from its National Resilience Fund.

10 | Welfare Regime

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

Private enterprise

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Social safety nets

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In August 2020, the prime minister launched the National Health Sector Strategic Plan (HSSP) 2020 – 2024, the first five-year national health sector strategic plan which will enable the government of Mauritius “to turn into reality its vision of a healthy nation.” Mauritius is continually strengthening health systems and improving health security. The budget for the public health sector represents 9.5% of the total budget in 2019/2020, and compared to last year’s budget, there was an increase of 7.4% in the allocation to the public health sector.

Concerning the measures related to the COVID-19 pandemic, the Minister of Finance, Economic Planning and Development introduced the Supplementary Appropriation Bill (2019 – 2020) at the National Assembly, which makes provision for an additional financial allocation with regards to government expenditure for the financial year 2019 – 2020. According to the minister this allocation will help meet the expenses in connection with the COVID-19 pandemic such as expenses of the Ministry of Health and Wellness for the purchase of Medical Supplies, costs related to the Wage Assistance Scheme put in place to provide financial support to employees of the private sector who became technically unemployed but also disbursements for basic food items distributed to families on the Social Register as well as transfers to the National Resilience Fund in the wake of COVID-19.

The government has also established a COVID-19 Solidarity Fund aimed at funding related projects.

In its 2020 – 2024 program, the government has committed to value its population as its main asset, through empowerment, enhanced social inclusiveness, and equality of opportunity. Among the objectives is the fairer access to prosperity and wealth distribution, and enhanced standard of living for every citizen. In this context, it says that the government will step up the implementation of the Marshall Plan to eliminate poverty and reduce inequality.

A central element in the government’s program is to further eradicate absolute poverty and the minimum salary has been revised upwards. The National Social Inclusion Foundation has the mandate to undertake programs and projects for the benefit of individuals and families registered under the Social Register of Mauritius (SRM) and of vulnerable groups. The entity is the Central Body for receiving and allocating public funds to NGOs and is called upon to play a key role in the promotion of social inclusion, equity and sustainable development.

Despite the existence of these measures and the well-elaborated social welfare system in Mauritius, equal opportunity remains a challenge, and poverty and social inequality mostly affect the Creole community and female-headed households with low education levels. Moreover, poverty is also concentrated among children and youth, with important implications for inclusion and inter-generational transmission of poverty. In 2020, the estimated youth unemployment rate in Mauritius was at 24.05%. As a response, the government has invested in myriad programs as solutions

Equal opportunity

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to youth unemployment, however these rely on strong public-private partnerships and buy-in from participating corporates to make them count. In terms of gender inequality, the Social Register shows that roughly 50% of the poorest households are female-headed, while only 21.3% of households in the whole country are female-headed. In general, women are under-represented politically. In parliament, they hold 20% of the seats. The percentage is similar in the economic sphere. The female labor participation rate is also low, with 39.6% of women workings (2020).

The latest World Bank World Development Indicators available (for 2018) show a national literacy rate of 91.3% with a slight difference between men and women, scoring respectively 93.4% and 89.4.7%, placing Mauritius among the countries with the highest literacy rate in Africa. Gross enrollment data (99.5% primary, 97.1% secondary and 40.6.8% tertiary) shows that most people who start primary school continue on to secondary school, and that a large proportion also enroll in higher education. According to the World Development Indicators (2020 report) gender parity has been achieved at the primary and secondary levels, and at tertiary levels women are even better represented. However, in the 2020 Global Gender Gap Index, Mauritius is ranked 115th out of 149 countries.

11 | Economic Performance

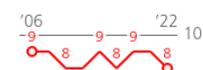
Mauritius' economic performance is remarkable considering its isolated location and the fact that the country has no natural resources. Mauritius has undergone a remarkable economic transformation from a low-income, agriculturally based economy to a diversified, high-income country (classified by the World Bank since 2020) that has attracted considerable foreign investment and has one of the African region's highest per capita GDPs. The government is trying to modernize the sugar and textile industries while promoting diversification into such areas as information technology and financial and business services. Services and tourism remain important economic drivers, and maritime security is a priority. As such, its GDP per capita based on purchasing power parity (PPP) has grown steadily over the past decades, reaching \$23,942 in 2019.

According to the World Bank, real GDP growth reached 3.5% in 2019, driven by construction and services sectors (banking, ICT) as well as a rebound in agriculture. In general, the economy is expected to diversify further into higher value-added sectors such as agro-processing, medical tourism, higher education services, and development of the ocean economy. A favorable business environment and business-friendly regulations such as the revised Business Facilitation Act are expected to boost foreign direct investment inflows and improved global economic demand should increase the export of goods and services.

The COVID-19 pandemic is severely affecting the country's economy especially through a standstill in tourist arrivals. While the spread of COVID-19 in the country was effectively stopped with no new domestic cases as of July 2020, GDP is expected

Output strength

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to contract in double digits. The government put in place a support package to help the private sector cope with the shock, which mitigated the impact on employment, while in combination with declining revenue leading to a large deficit for the fiscal year 2019/20.

As far as the external sector is concerned, the current account deficit stood at an estimated 6.3% of GDP in 2019. The budget deficit, which had remained within a stable range of 3.0%-3.5% of GDP since 2013, escalated dramatically to 13.6% for the 2019/20 fiscal year largely as a result of reduced tax collection and increased social aid in the wake of the national lockdown related to the COVID-19 crisis. It should be highlighted that although the country had been progressively reducing its debt-to-GDP ratio in recent years, this rose to 82.8 %in 2019 (from 66.2% in 2018). The 2021 statutory target of 60% will also not be achieved. Global energy and food price increases are expected to diminish the island economy's current account balance and add to inflation, which was 0.4% in 2019.

Unemployment rates were at 6.7 % in 2019 and 2020, a slight improvement over previous years. With the anticipated negative economic impact of the novel coronavirus (COVID-19) pandemic, the IMF predicted that the unemployment rate would increase.

Effectively, the unemployment rate is already rising.

12 | Sustainability

Mauritius ranks 82nd out of 180 countries on the 2020 Environmental Performance Index, second out of the 46 sub-Saharan Africa countries, both improved positions when compared to the 2018 index.

The government Program 2020 – 2024 outlines four pillars for sustainable and eco-friendly development, in order to contribute to a cleaner, greener and safer Mauritius. The Assises de l'Environnement in December 2019 was used for the elaboration of a Master Plan for the environmental policy 2020 – 2030 as well as an Action plan for the next five years, including the finalization of a Climate Change Bill. In the 2020/21 budget, the government has various schemes to encourage the use of renewable energy. Mauritius is also implementing the Nationally Appropriate Mitigation Actions (NAMA) for Low Carbon Island Development Strategy for Mauritius project (2017 – 2021), funded by the Global Environment Facility with the objective of ensuring a low carbon path for Mauritius. The project aims to establish the national capacity for formulating and prioritize mitigation actions in line with the Nationally Determined Contributions (NDC) and further develop the local capability to design and implement mitigation actions in the energy sector. Around \$50 million under the current national budget have been allocated to the National Environment Fund to support the construction of drains and flood management, coastal protection and

Environmental
policy

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rehabilitation, landslide management, disaster risk reduction and management, solid waste management and the circular economy sectors. There is also a National Vulnerability Assessment Committee (NVAC), functioning with the assistance of the SADC Regional Vulnerability Assessment and Analysis Program (RVAA) to monitor the capacity of the country to deal with external hazards and critical elements such as early warning systems, meteorological forecasting and crop projections, and disaster risk reduction. The government is promoting the Circular Economy model and as such the 2020/21 budget is promoting the Reduce, Re-Use, Recycle and Recover model. A COVID-19 Bill has been promulgated, including an amendment to the Environment Protection Act 2002 (EPA) to extend the prescribed time for processing of the Environment Impact Assessment during curfew situations.

There are vibrant civil society organizations focused on protecting the environment, and they often are very vocal in their condemnation of projects that do not respect the environment. A remarkable example has been the mobilization of environmental NGOs but also of the wider population in reaction to the environmental disaster caused by the MV Wakashio carrier on July 25, 2020. An environmental emergency was declared on August 7. Local activists criticized the authorities for not being prepared to handle the ecological disaster. Mauritius has a National Oil Spill Contingency plan in place. The country also has been the beneficiary of several large-scale capacity-building projects. However, these efforts and the national planning were insufficient to enable the country to cope with a disaster of such scale.

The use of plastic materials such as shopping bags and food take-away containers has been banned.

Again, despite the existence of environmental laws, implementation is very often a problem.

Mauritius' education system follows the model of primary and secondary schooling found worldwide. According to official statistics, in March 2020, there were 833 schools providing pre-primary education. The Gross Enrollment Ratio works out to 96.9% compared to 96.2% in 2019.

The statistics showed there were, in March 2020, 319 schools providing primary education. In 2020, the primary school population stood at 82,004. In March 2020, the number of secondary schools stood at 179. Secondary education enrollment decreased by 3,241 (from 108,562 in 2019 to 105,321) in 2020. The Gross Enrollment Ratio was 71.9%.

There are also tertiary institutions, most notably the University of Mauritius and the University of Technology of Mauritius. As of December 2019, the total number of students enrolled in tertiary-level programs (including Distance Education) was 49,205 – an increase of 3.8%. The Gross Enrollment Ratio for 2019 works out to 48.0 %.

Education policy /
R&D

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The total government expenditure on education as a percentage of GDP was 4.7% for 2019, an increase compared to the date of previous years. The expenditure for Research and Development was 0.3% of GDP in 2018. There is in general a slight improvement in figures for public expenditure on the education sector and on equal enrollment rates between girls and boys.

According to the UN education index, Mauritius scored 0.736 in 2019. The adult literacy rate has been estimated at 91.3% according to the latest available data of the World Bank (2018).

Despite these generally positive markers, the quality of education seems to have taken a dip. The system in place does not command the adherence of the stakeholders in this field. There have been timid efforts at diversifying the education base with vocational/technical training being offered to those who do not have the aptitude to pursue formal academic education. The issue mainly lies in the fact that the education system is quasi-elitist and those who don't make it to the academic stream somehow feel or are made to feel inferior.

The presence of branches of certain foreign universities, some of questionable value, affect the quality of the graduates.

Governance

I. Level of Difficulty

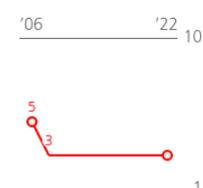
The structural constraints on governance in Mauritius are fairly limited and restricted to the country's unfavorable geographic location in the middle of the Indian Ocean, the risk of natural disasters and the lack of natural resources. The fact that the vast majority of its population has roots in Asia, in particular India, helps promote the country's strategic location as a bridge between two continents, as does the fact that Creoles, the country's second-largest group, have their origins mainly in Africa. Mauritius is geographically close to the European Union, in so far as it is located next to the French overseas territory Réunion. It has a long-time association with the EU market through various instruments of cooperation, but principally the erstwhile Lomé Conventions and the Cotonou Accord. It has also signed the Interim Economic Partnership Agreement (IEPA) with the European Union.

Its location also makes it vulnerable to natural disasters, especially cyclones but also environmental disasters such as the one caused by the MV Wakashio as described earlier in this report. The risk is amplified by climate change. A multi-hazard risk assessment completed in 2017 says that the country is losing on average \$110 million per year from tropical cyclones and floods. Moreover, flood risk is continuously increasing. In 2015, a National Disaster Management Center was established, under the aegis of the Ministry of Environment, Development and Disaster and Beach Management, to ensure rapid response to unforeseen natural events. It should be pointed out that Mauritius has always had National Disaster Prevention and Management Committees prior to the advent of the Center. As said earlier, Mauritius has also set up a National Vulnerability Assessment Committee (NVAC), with the assistance of the SADC Regional Vulnerability Assessment and Analysis Programme (RVAA).

Apart from some fishing grounds, some agricultural production – sugar in particular – and its natural beauty, Mauritius has no natural resources. Its citizens and its economy, to a large extent, depend on imports and Mauritius has thus turned into a “nation of traders,” with the aforementioned export processing zones being just one example. In terms of other potential constraints, such as extreme poverty, an uneducated labor force, lack of infrastructure and epidemics, Mauritius is not exposed as the country has invested heavily, as mentioned elsewhere in this report, to avoid these types of constraints. However, the COVID-19 pandemic affected the economy severely especially because of the stop of tourism. Since March 18, 2020, different

Structural
constraints

3



measures have been implemented to stop the virus, including bans on public gatherings, followed by a curfew order, closing borders, discontinuing public transportation, closing schools, universities, shopping malls and attraction sites, suspending employee attendance at government and private workplaces (except for essential staff), and increasing testing. The country succeeded in being "COVID-safe" since the end of April 2020. The country has recorded a total of 546 cases, with 10 deaths. There are a few COVID patients, all imported: that is, incoming/returning passengers.

There is a vocal civil society in Mauritius and its tradition is fairly strong. The outspoken parliament and active NGOs, most of them based on ethnic or special interests, are not the only expressions of that vitality: Trade unions have been recently regaining some strength, having been fragmented and marginalized for decades. The rising popularity of the trade union movement came amid the harsher economic climate of the past few years. Although protests have been organized, especially against the rise of oil prices, high intensity demonstrations are in general rather rare in Mauritius. A remarkable exception has been the mobilization of civil society – and citizens in general – in the wake of the natural disaster caused by the MV Wakashio.

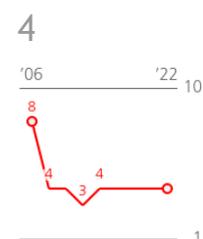
The government consults with civil society organizations, for example on budgeting. They are recognized as having an important role in improving social conditions in Mauritius. The 2019 Freedom House report indicates that the country is free in terms of civil liberties and political rights.

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

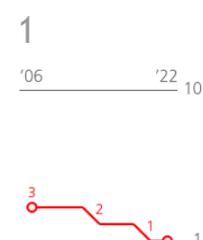
There are no notable violent incidents based on social, ethnic or religious differences. Being on its way to sustainably improving the situation of Creoles, Mauritius is about to remove a large stumbling block toward creating a society that is less hierarchical along ethnic lines. As Afrobarometer data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

In the context of the COVID-19 pandemic, the country benefited from a long-standing culture that frequently calls on people to act in the interests of national unity and no confrontations based on social, ethnic or religious differences were reported.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

When it comes to long-term political and economic strategies, although shifting coalitions are a feature of politics in the country, there has been remarkable continuity among the various ruling parties since independence. They have had the political ability to focus on a long-term perspective, often going beyond the immediate concerns of electoral competition. Moreover, governments have shown their strategic capacity to prioritize and organize policy measures without putting off domestic and international partners. The priority of the long-term strategy has always been to move the economy forward and increase and protect the country's economic wealth. In recent years, this goal has come into conflict with the objective of environmental protection. Widespread corruption has also become a major challenge, compounded by persistent cronyism, nepotism and clientelism. As the last general elections of 2019 confirmed the incumbent prime minister and his party, continuity is foreseen when it comes to tackling these challenges. As such the 2020 – 2024 government program has the title “toward an inclusive, high income and green Mauritius, forging ahead together.” Although initiatives have been taken in favor of a more sustainable and equitable social environment, continuous efforts are needed to ensure an inclusive society. As noted earlier, the COVID-19 pandemic impacted heavily on the country's economy but the government succeeded in controlling the health impact: Since May 2020, the country has been COVID-safe. As mentioned earlier, broad measures have been taken by the government to limit the negative impact in the short and long-term.

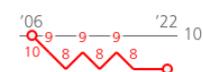
The government is able to implement its policies effectively. It can rely on an effective public administration, staffed with professional bureaucrats across all ranks. With the exception of some high-ranking positions, such as in the diplomatic corps and parastatal bodies, where personal ties and political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

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

Question
Score

Prioritization

8



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Implementation

8



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Although the COVID-19 outbreak has been relatively well managed, the economy is still projected to decline. Priorities identified by the government will be impacted but measures are taken to adapt to the situation and limit the negative impact as has been illustrated in a different section of this report. Moreover, the pandemic crisis has been exploited to circumvent established norms of governance in the implementation of policies and projects as mentioned earlier in the report.

Mauritians’ ability to be innovative and flexible – both politically and even more so in the economic realm – contributes to the country’s success. When Mauritius became independent, its economic and political outlook was bleak and many thought it would eventually turn into a poor and ill-performing state. However, learning from best practices such as the Taiwanese economic model, the country 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 and developed a strong financial service sector. The Indian Bangalore experience inspired the establishment of a cyber industry. These trends are further confirmed in the 2020 – 2024 government program, focused on “achieving an Inclusive, High Income and Green Mauritius” by building on the achievements to date.

To adapt to structural vulnerability, governments have implemented sound economic policies, coupled with diversification. Further diversification with the creation of new sectors such as the “blue economy” and new industries, high-tech health care, fintech and real estate play important roles in future economic growth. However, the implementation of strategies in these sectors is rather slow to take off.

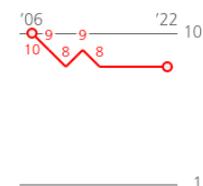
The context of the COVID-19 pandemic further illustrates the capacity of the government to respond to such threats, adapting strategies and policies. The measures succeeded in making Mauritius a COVID-19 safe country and efforts are being deployed to limit the negative impact both on the transformation to a market economy and to democracy.

15 | Resource Efficiency

The government makes efficient use of all available human, financial and organizational resources. Nevertheless, there is some room for improvement. This includes channeling more money into the educational system as well as establishing a more efficient public administration, as has been stated in the annual report of the Ministry of Public Service, administrative and institutional reforms, and dealing with unemployment, social inequalities and corruption. Structural labor market weaknesses are a key ongoing concern and translate into a disconnect between labor supply and demand on the one hand and education and training challenges on the other.

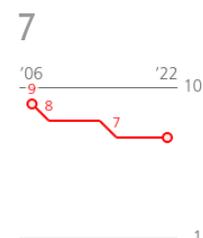
Policy learning

8



Efficient use of assets

7



As such the emergence of new economic sectors as calls for a restructuring of the country's education and human resource development system. The country developed strategies to ensure access to learning opportunities for all so that citizens can achieve personal growth, develop critical thinking skills and adapt to changing environments.

There is a National Audit Office outlined in section 110 of the constitution. Established at the time of independence, it audits government spending and publishes an annual report. In general, it does a good job but more often than not the report is only used as a political instrument. Similarly, the parliament has a Public Accounts Committee whose membership is multiparty. However, here as well, its reports are not debated in parliament, nor are sanctions slapped on those found guilty of gross mishandling of public funds. Year in, year out, both institutions publish very damaging reports on misuse and squandering of public funds, which make the headlines of newspapers and are used in political arguments but it all stops there with the consequence that corrective measures are rarely taken.

Despite the country's financial efficiency, its budget deficit and public debt are high, and this trend has even increased over the last year, mostly because of the impact of the COVID-19 pandemic. Mauritius has been heavily impacted economically by the health crisis but the government has reacted rapidly and has reallocated resources to combat the pandemic and provide support to the different sectors of society. There has been the vote for additional government expenditure driven by the unpredictable disruptions triggered by the COVID-19 pandemic. As such, the government acted swiftly to protect the nation, businesses and citizens against the virus and all resources, including financial, have been mobilized.

Taking Mauritius' economic and political success into consideration, one might assume that there is a coherent national policy. The current 2020 – 2024 government program is a continuation of the former one. Politics is institutionalized in Mauritius and there is coordination among the various actors involved. Often conflicts arise within certain parastatal institutions particularly where these institutions' chairpersons are political appointees. They are often in conflict with the directors of these institutions, which points to internal frictions.

There are also strong leaders within some political parties who hold on to their position with no inclination to pass the baton, giving rise to popular disenchantment with the Mauritian political establishment. This is a developing phenomenon. The demand for change is growing louder.

Accusations of mismanagement have been formulated by activists and citizens in general in the wake of the ecological disaster in July 2020. Demands for the prime minister and the government to resign and new elections to be organized were formulated by the larger public. However, major political opposition parties, despite having joined the fray in clamoring for the resignation, are not seen as doing enough

Policy
coordination

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to further weaken the ruling party. This might be explained by the long parliamentary recesses that prevent the opposition from doing its job efficiently, keeping the government on its toes.

When it comes to the management of the pandemic COVID-19, there has been a rather efficient response by the government with coordinated measures to combat efficiently the virus.

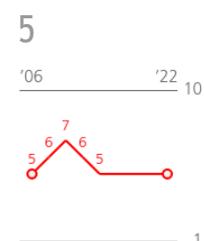
Mauritius is presented as sub-Saharan Africa's shining example of democracy, good governance and economic success, with the status of one of the least corrupt countries in the African continent. However, in recent years this positive reputation has been somehow damaged by rising corruption concerns, the poor handling of the MV Wakashio oil spill and the blacklisting by the European Union in 2020 due to legislative and implementation gaps in the fight against money-laundering. The government has tried to overcome these shortcomings and despite a review carried out by Financial Action Task Force (FATF) and the EU in February, the country is likely to stay on the blacklist until at least September of this year.

The current government program (2020 – 2024) lists transparency and accountability mechanisms within the institutions as a priority as well as the intensification of the fight against corruption and fraud with zero tolerance of corrupt practices. The new legislative regime on the declaration of assets is an example of transparency legislation, also known as “sunshine law.” The country, as a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), has endorsed the internationally recognized standards of the Financial Action Task Force (FATF) against money-laundering and terrorist financing. However, as stated earlier in this report, the European Commission has identified Mauritius as a high-risk third country with strategic deficiencies in its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime and since October 1, 2020, Mauritius figures officially on the blacklist on money-laundering and terrorist financing.

On the positive side, the United Nations Convention Against Corruption is an existing measure in place. Mauritius was one of the first 30 countries to sign it in 2003. More importantly, the Independent Commission Against Corruption (ICAC) was established under the Prevention of Corruption Act 2002. However, the credibility rating of ICAC is very low, not to say practically nil, in the public.

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

Anti-corruption
policy



Despite these initiatives, corruption at the highest levels has characterized the country's politics. Recently, the prime minister was accused of contentiously procuring property in Vacoas six years ago under the name of his daughter, underage at the time, and effected payment for same – out of sight of the notary – in London through a third party. The matter has supposedly been under investigation by ICAC for some years now but there is seemingly no progress in the matter. Obviously, it has become a major political issue. Although one of the current government's promises was to adopt a Freedom of Information Act, this has still not happened. The importance of this act has been underlined by analysts in the wake of the various 2020 crises, and sometimes lack of transparency in dealing with critical issues. Political party funding has been an ongoing debate and there is an all-party consensus supporting such a bill. The current government program includes the introduction of a new bill on the Financing of Political Parties into the National Assembly. There is yet to be any movement on that score.

16 | Consensus-Building

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

The same is true for the market economy. Mauritius' 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.

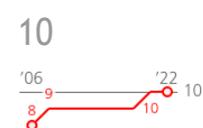
Extra-governmental, anti-democratic veto actors do not exist. Mauritius is a country without an army and the Special Mobile Force is not involved in politics. There is a consensus on the political system and its basic principles. There has been a will to reform the electoral system in recent years, but there has been no movement in that direction up to the last general elections (in 2019). For the first time in the electoral history of the country, there has been also widespread political contestation on election results and the management of the elections. However, it has not had a change on the electoral system as such and reforms for the time being do not appear to be a priority for the government. After the ecological disaster in July 2020, there also was a widespread mobilization of citizens in protest against the way the disaster was dealt with, and there were demands for the government to resign. This has, however, not caused a change in government.

Consensus on goals



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Anti-democratic actors



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Mauritius' 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 marginalization of the Creole community (though gradually receding); the lack of adequate representation of women in politics and in the economy and, arguably most pressing, the high youth unemployment rate, which causes severe dissatisfaction and frustration among the younger generation. The current government has taken steps to tackle inequality and promote female representation and youth employment as mentioned earlier. However, the current statistics still show that these are major issues in Mauritian society, the reason why the government program 2020 – 2024 is putting inclusivity at the center with a special focus on youth and women.

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

Civil society organizations influence some policy areas more than others. On the positive side, the government consults civil society organizations when preparing the national budget and recognizes their role in the fight against social inequality and poverty. As such, CSOs play a role in service provision and charitable activities. Another very large group of CSOs are those focusing on sociocultural activities for women, the elderly and young people. Monitoring and evaluation of government performance is not systematically done by CSOs, and sector and geographic umbrella organizations as well as coordination bodies are weak.

Environmentalists have by and large a difficult stance – despite some successes in protecting the country's flora and fauna. On this topic, wide mobilization both by civil society organizations and citizens in general has been observed in the wake of the ecological disaster in July 2020. In contrast, the business community, which is also seen as part of civil society, has some influence on political actions bringing the above-mentioned tensions between economic and environmental interests to the fore.

To respond to the COVID-19 pandemic, in order to support the population and the community at large who are being affected, the government established the COVID-19 Solidarity Fund on March 25, 2020, aimed at funding COVID-19 related projects. There has been in general a proactive mobilization from the NGOs and civil society to ensure food security and well-being of vulnerable households.

Cleavage /
conflict
management

9



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Civil society
participation

7



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

To deal with the long-term effects of the colonial period, in which some people see the root causes of the continued marginalization of the Creole community, Mauritians established a Truth and Justice Commission in 2009. This commission published a 2,800-page report in late 2011. One of its findings was that people of slave descent are still poorly represented in all spheres of public life and in government institutions, and that they are also poorly housed, that their literacy rate remains low and with consequences on unemployment rates. Moreover, the commission stated that there is an “over-concentration” of this group working in hard manual labor.

The perpetrators of historic injustices suffered by former slaves and indentured laborers can hardly be brought to justice. Only the state, if anyone at all, can assume responsibility for any form of compensation.

17 | International Cooperation

Mauritius’ political leadership makes well-focused use of its international partners to implement its long-term economic development strategy. The 2020 – 2024 government program includes the following objectives for international relations: expanding regional and multilateral cooperation, trade agreements and market access. Moreover, ensuring a safe, secure and sustainable exploitation of the maritime special economic zone and maritime security within the Indian Ocean will be a key consideration in negotiations, discussions and agreements between Mauritius and its major trading partners such as India, China, regional groups in Africa, UK, the European Union, United States, Japan and Australia. The program also foresees that the roles, operations and strategy of the embassies and missions abroad will be re-organized to ensure greater transparency, accountability, efficient use of public funds and the achievement of economic benefits.

Reconciliation

n/a

'06 _____ '22 10

n/a _____ 1

Effective use of support

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'06 _____ '22 10
10

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With its very open economy and active recruitment of foreign investment, Mauritius remains dependent on the external environment and is vulnerable to global economic trends, especially those in Europe, China and the United States. The impact of Brexit on the local economy is still unknown. However, a UK-ESA (of which Mauritius is a member) trade-related accord based on the IEPA with the EU has been signed to palliate any likely disruption. As Mauritius is strategically located at the crossroads of Asia and Africa, the country is positioning itself as the bridge to Africa. The 2020/21 budget speech confirms the importance of Africa for the Economic Recovery plan, which focuses on reinforcing its partnerships with the rest of Africa. The Mauritius-Africa Strategy is about building the attributes to becoming the undisputed trade and investment platform for Africa, representing significant potential in the long run. The Mauritius-China Free Trade Agreement and the Agreement Establishing the African Continental Free Trade Area (AfCFTA) the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India initiatives are also expected to be of huge value to the Mauritian economy in the coming years.

When it comes to the fight against the coronavirus pandemic, Mauritius has developed a solid internal response as has been explained earlier in the report, but it has not received the desirable external support except for the major friendly gesture by India, which donated 100,000 doses of vaccine as a start. The Chinese also, through Jack Ma, donated some PPE (Personal Protection Equipment) items in the early days of the pandemic.

Mauritius has emerged as a credible and reliable partner in its relations with the international community. Its foreign policy is in many regards different from that of other African countries in that the country does not ask for development aid. In addition, the country has built a reputation as a reliable and safe place for foreign investment. It has developed a “trade not aid” paradigm. The country easily attracts foreign investment as it continues to be among the freest and most business-friendly countries in Africa (as mentioned earlier). The Business Facilitation Act, passed in 2019, eliminated some redundant or unnecessary requirements for starting a business and simplified the payment of taxes. Mauritius is still a well-established and reputable international services and global business center for investment flows into the emerging markets of Asia and Africa. The country has a low-tax jurisdiction and it has double tax avoidance treaties with several countries. The country’s value proposition includes the absence of exchange controls, low corporate tax, no capital gains tax and no withholding tax. As such, Mauritius provides an attractive environment for the establishment of offshore trusts.

Moreover, the country has signed all international treaties with respect to industrial and commercial properties and impedes brand piracy on its territory. It cooperates with the World Bank and the OECD with respect to money-laundering, financial terrorism and international tax evasion. However, as stipulated earlier, in October 2020, the European Commission identified Mauritius as a high-risk third country with

Credibility

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strategic deficiencies in its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime and since October 1, 2020, Mauritius figures officially on the blacklist on money-laundering and terrorist financing. The country is also a member of the United Nations and the African Union. It has ratified many U.N. human rights protocols and thus has made binding international commitments. As such, its citizens register complaints with the different existing international and regional commissions (UNESCO, the International Labour Organization, the African Commission on Human and Peoples' Rights, the embassies of EU member states and the delegations of the European Commission, and the national contact points in any OECD member state). Mauritius has also joined the International Criminal Court and it may thus be summoned to appear in front of the court if there is a case of gross humanitarian crimes.

International credibility has not been affected by the government's engagement in international or multilateral efforts to coordinate the COVID-19 response. The country has developed a solid internal response with the support of the different UN Country Teams, the Development Partners Group, private sector, NGOs and civil society. The country succeeded in containing the virus and having a COVID-19-safe context since May 2020. To maintain and protect the current context, Mauritius has put in place a very strict policy for entering the country. Quarantine requirements have been extended to May 2021. It has, however, evolved a strategy to attract foreigners for long-term stay by introducing a new Premium Visa, valid for a period of one year and renewable. This strategy also applies to those who work online and wish to come over to the country for long stays.

At the center of the country's foreign policy at the regional level is the Chagos Islands issue, with Mauritius trying to regain the island and resettle its former inhabitants. The issue took a turn in 2013 when the United Nations Tribunal on International Maritime Arbitration challenged Britain's refusal to allow the exiled inhabitants to return. In September 2018, the United Nations' top court, the International Court of Justice (ICJ), heard arguments on the future status of the British-ruled Chagos Islands. The case was brought by the United Nations to the ICJ for an advisory opinion, which was rendered on February 25, 2019. The opinion was in favor of Mauritius and enjoins the UK to terminate its administration of the archipelago as rapidly as possible. This opinion was upheld by a United Nations General Assembly Resolution. (The UK has so far not budged from its position.) The 2020 – 2024 government program states that following the historic and resounding victories registered, the government will pursue its efforts so that “the decolonization process of Mauritius is completed for our country to exercise its full sovereignty over the totality of its territory.” With respect to Tromelin, the program says that government will pursue efforts for an early resolution of the sovereignty dispute between Mauritius and France in a spirit of dialogue and friendship.

Regional cooperation

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In general, Mauritius' 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 hold membership of several subregional organizations, such as the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission and the Indian Ocean Rim Association for Regional Cooperation (IOR).

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

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

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

Strategic Outlook

Mauritius has proven to be a stable and viable democracy with a thriving market economy. There are no signs that this will change any time soon. Mauritius' governments have shown creativity at adapting to new geopolitical and geo-economic circumstances. Despite this positive outlook, the political elite might be confronted with a couple of challenges over the next decade, which should and must be addressed. These challenges focus on the need to reconfigure the political leadership and to concretize the electoral reform under discussion for several years already. Moreover, the last National Assembly elections were characterized by political opposition leaders challenging the validity of the results and claiming electoral irregularities. This is the first time election results in Mauritius have faced such grave contestation since the country's independence. The last elections saw the number of female MPs increase but equitable representation is still far from being obtained. Women are also victims of economic discrimination as the gender wage gap remains a contentious issue. As such, gender-based disparities have contributed to a rather low ranking of the country in the 2020 Global Gender Gap Index, namely 115th out of 149 countries. However, the 2020 – 2024 government program gives high importance to a society where gender equality is promoted. A number of domestic challenges are to be further taken up as priorities: the high youth unemployment rate, social inequality, and environmental concerns, illustrated by the recent ecological disaster, corruption and transparency. The 2020 – 2024 government program foresees different initiatives within these areas. The impact will need to be evaluated in the coming years. Mauritius' economic prospects for 2020 (and beyond) are based on how quickly the country can recover from the circumstances brought about by the COVID-19 pandemic. Although the COVID-19 outbreak has been relatively well managed, the economy is still and largely projected to decline. The 2020/21 budget proposed an ambitious roadmap and engaged in bold strategies in order to ensure the revival of economic growth and private investment. It should also be highlighted that Mauritius faces a number of medium- and long-term economic challenges and uncertainties, which are mostly structural in nature, such as a rapidly aging population; decreased competitiveness of some export-oriented manufacturing industries; skills constraints and mismatches; relatively low linkages between FDI and domestic firms; a need to improve public services; and environmental degradation. Nonetheless, it is noteworthy that Mauritius also has numerous plus points that constitute assets, making it attractive for investment and trade. The government has clearly continued efforts to further confirm its strategic position as a business-friendly country and a bridge between Asia and Africa and should continue to do so to become the undisputed trade and investment platform for Africa, representing significant potential in the long run. The Mauritius-China Free Trade Agreement is also expected to be of huge value to the Mauritian economy in the coming years. A challenge remains the issue of corruption at the highest political level. The country's inclusion on the EU blacklist on money-laundering and terrorist financing has distorted Mauritius' image abroad. Although initiatives have been set up, more efforts need to be made to fight corruption as well as continuously improve economic freedom and governance.