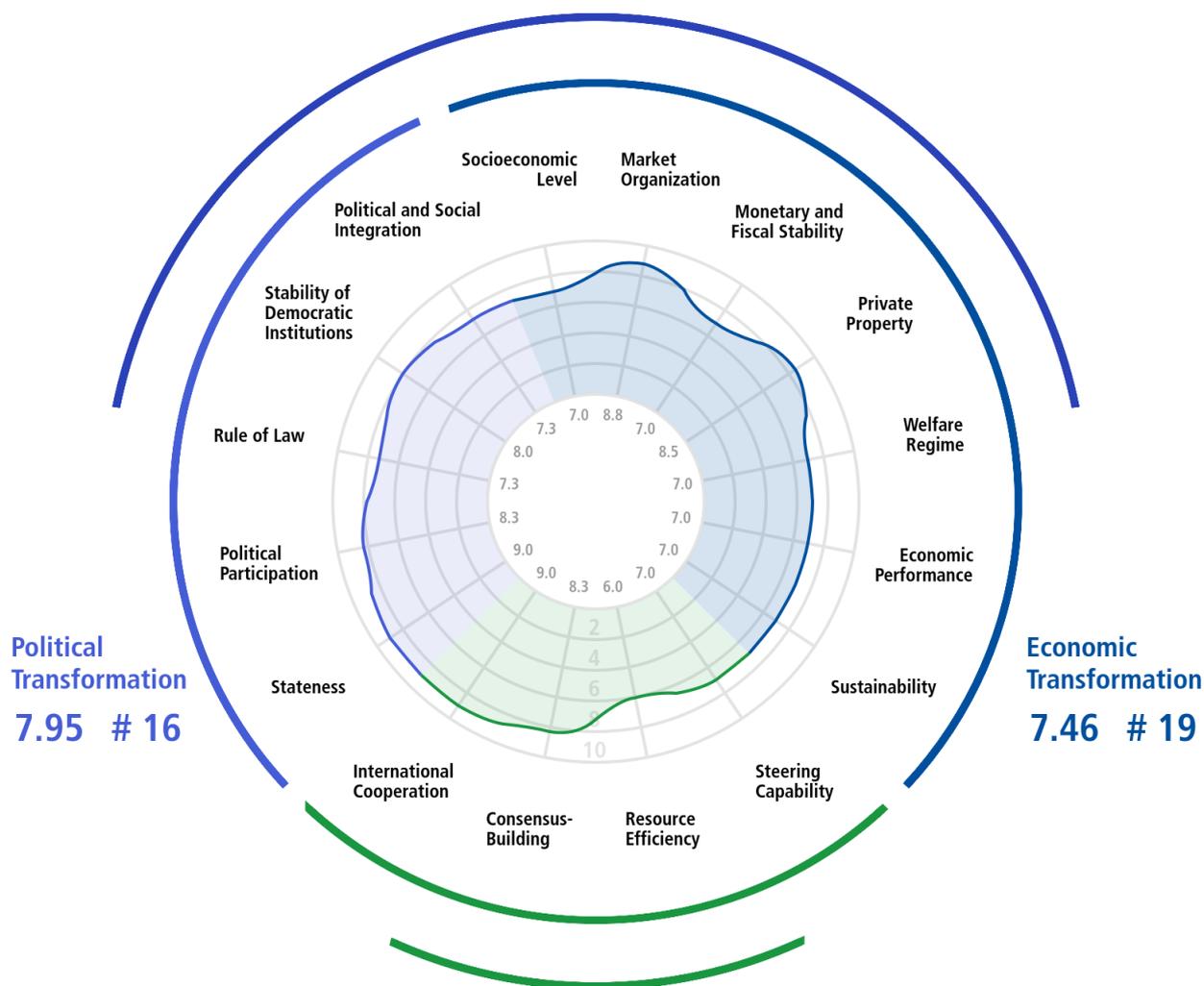


Mauritius

Status Index

7.71 # 14

on 1-10 scale out of 137



Political Transformation
7.95 # 16

Economic Transformation
7.46 # 19

Governance Index

6.33 # 18

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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>.

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Key Indicators

Population	M	1.3	HDI	0.802	GDP p.c., PPP \$	26906
Pop. growth ¹	% p.a.	-0.3	HDI rank of 189	63	Gini Index	36.8
Life expectancy	years	73.7	UN Education Index	0.769	Poverty ³	% 1.8
Urban population	%	40.8	Gender inequality ²	0.347	Aid per capita \$	231.5

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Mauritius' current economic development has followed a strategy of consolidation and diversification, as it aims to become a high-income country that is both more inclusive and sustainable. Performance improved in most economic sectors as of 2021, following the COVID-19 pandemic – windfalls from the tourism sector were especially notable.

Government policy in Mauritius remains in favor of trade and investment. Bilateral relations between Mauritius and several countries and regions, including India, China and the African Union, have been strengthened through various trade and economic cooperation agreements in 2021. Mauritius' declared economic diplomacy is geared toward promoting regional and international integration, although the country lacks a medium- to long-term strategy regarding Africa.

The downgrade of Mauritius' rating to Baa3 by Moody's in July 2022 raises serious concerns about the financial stability of the country. According to the Moody's Report 2022 on Mauritius, the downgrade was driven by "the weakened quality and effectiveness of institutions and policymaking, which in turn impairs Mauritius' economic resilience and ability to absorb future economic shocks." The independence of the central bank has also come under scrutiny due to transfers to the government and quasi-fiscal financing.

The increasing and blatant politicization of key institutions – including parliament, anticorruption bodies, the police force and financial regulators – is seriously jeopardizing their independence, governance and functioning. This, in turn, is resulting in decreased public confidence, including among investors.

Corruption in Mauritius is on the rise, as evidenced by the Corruption Perception Index 2022, which shows the country falling to the 57th position globally, losing four points from the previous year. The COVID-19 pandemic further worsened corruption, particularly in the emergency procurement of medical supplies, due to a lack of transparency and accountability.

Mauritius has been proactive in fulfilling its climate change commitments, particularly given its vulnerability as a small island. The country has introduced numerous policy initiatives, including new legislation, to address this issue. However, there is a significant disparity between the stated strategies and the actual implementation, as well as the monitoring of their effectiveness and efficiency. All stakeholders bear responsibility for contributing to the environmental development of Mauritius.

After being placed on the FATF list of “jurisdictions under increased monitoring” for anti-money-laundering/terrorism financing (AML/CFT) concerns in February 2020, Mauritius was removed from the list in October 2021 following the progress made in strengthening the effectiveness of its AML/CFT regime and after engaging in an action plan to address strategic deficiencies identified by the FATF. This effort was the result of collaborative efforts from all stakeholders, including the authorities and the private sector, and involved technical assistance from numerous international organizations.

History and Characteristics of Transformation

Mauritius, a small island famous for the dodo and its strategic position in the middle of the Indian Ocean, has often been cited as a model for its economic prowess, democracy and multiculturalism. The island is often referred to as the “key and star of the Indian Ocean” due to its strategic geographic location. The island was sequentially colonized by the Dutch (1638 – 1710), the French (1710 – 1810) and the British (1810 – 1968).

Although the Dutch were sporadic in settling in Mauritius, they introduced sugar cane to the island in 1639. However, it was the French who developed the island into a successful plantocracy with the arrival of slaves from Madagascar and Mozambique to develop the sugar cane plantations. With the abolition of slavery in 1835, the labor shortage on the island prompted British rulers to undertake the “Great Experiment,” which involved the migration of “indentured” workers from India to the British colonies to continue the development of various plantocracies in different parts of the world. Thus, the migration of Indians to Mauritius began, with 453,063 laborers arriving from 1834 to 1912. By the time of independence in 1968, people of Indian descent constituted two-thirds of the Mauritian population. The political and economic ascension of the Indo-Mauritians served as a direct deterrent to those who held privilege during the French and British colonial eras. Many of them left the island as it negotiated independence, horrified by the idea of a rising “Hindu hegemony.”

Since gaining independence from the U.K., Mauritius has carried out successful economic development and has built a vibrant market economy and stable democracy. Unlike some African states, Mauritius has never experienced any violent conflict within its borders, except for short spells of ethnic-based riots in 1968 and 1999. When the island embraced independence, it faced a number of dire predictions due to its lack of resources and small size. The immediate post-independence government embraced the idea of a government of national unity, rallying all the forces and talent to give the island the best chance to prove the pessimistic predictions wrong. From the onset, there was an understanding that there was an urgent need to move away from economic monoculturalism.

Mauritius' economic transformation since its independence in 1968 has entailed an evolution from a monocrop economy to an upmarket manufacturing base and a services economy focused on international financial services. The establishment in the 1970s and 1980s of the Economic Processing Zone (EPZ) and the development of tourism as a high-end destination were set in motion. This transformation has even earned Mauritius entry into the league of high-income countries, as stated in July 2020 by the World Bank, although this proved short-lived due to the impact of the COVID-19 pandemic, which pushed Mauritius back to upper-middle-income status in 2021.

Mauritius, a former British and French colony, is a stable multiparty parliamentary democracy with a well-established rule of law. Elections are held every five years, with the most recent having taken place in November 2019. It is important to note that soon after the last elections, there were electoral petitions challenging certain results. Many have been dismissed in court, but a few are still pending even after more than three years. However, there is one particular case that has been referred to the Privy Council for a final verdict.

The Mauritian government has taken the lead in promoting these new pillars of development, with support from both the Mauritian private sector and foreign investors. In the early 1990s, the necessary frameworks were established to launch the financial offshore sector, which ultimately led to the development of Mauritius as an international financial center. The 2000s marked a shift toward a knowledge-based economy on the island. Currently, Mauritius is embracing the process of digitalization through its ambitious Digital Mauritius 2030 Vision.

The ability to continue the success story of Mauritius is believed to depend on regular and competitive elections that ensure regime stability, a well-established legal system, a relatively educated workforce, and a conducive business environment. However, the narrative of success is beginning to unravel as the island faces various challenges, both internally and externally.

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 complete monopoly on the use of force across the entire territory. The defense/security architecture is provided by the Mauritius Police Force, the Special Mobile Force and the National Coast Guard. Defense and security-related matters (internal and external) fall under the aegis of the Prime Minister's Office. The Mauritius Police Force is headed by the commissioner of police, who holds an independent constitutional post. However, the appointment of the commissioner of police is made after consultation with the prime minister, and the current commissioner of police (appointed in August 2021) is perceived to lack independence in the manner he carries out his duties. Recently, there has been an increasing weaponization of the Mauritius Police to crack down on citizens and political opponents by employing brutality, torture and alleged framing of citizens using drugs.

The Mauritian constitution guarantees citizenship to all Mauritians, the majority of whom accept the nation-state. According to the constitution, the population of Mauritius is divided into four communities: Hindu, Muslim, Sino-Mauritian and the general population. These communities, also known as ethnic groups, are represented as follows: Hindu (50.3%), general population (30.7%), Muslim (16.1%) and Chinese (2.9%). This ethnic classification dates back to 1972, which was the last time the national population census asked Mauritians to classify themselves using these four categories. There is an important paradox surrounding this issue – on one hand, there are efforts to eliminate the ethnic identifier from the census, while on the other hand, it is maintained for electoral purposes. In fact, recently, certain groups, like Affirmative Action and primarily Rezistans e Alternative, have called for addressing the inherent inequalities and discrimination targeting the Creole community in Mauritius. The Creole community is the most vulnerable and marginalized segment of society. It is important to note that numerous policies have been implemented over the years to improve the situation.

Question
Score

Monopoly on the
use of force

10



1

State identity

9



1

In 2022, an Immigration Act was passed that included an amendment to the Mauritius Citizenship Act of 1968. Under this amendment, the prime minister “may, in his absolute discretion and without giving any reason, deprive any person of his citizenship of Mauritius, if he has reliable information and is satisfied that it is in the interest of defense, public safety or public order.” The unilateral power of the prime minister to revoke citizenship is being criticized as a repressive and abusive mechanism, particularly concerning individuals with dual citizenship. Additionally, the new act introduces an uncertain and problematic situation for spouses of Mauritian citizens who are foreign nationals, as their right to residence is no longer automatic.

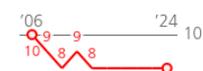
Mauritius is a secular country, and the Mauritian constitution ensures that no Mauritian will be discriminated against in terms of “race, place of origin, political opinions, color, creed or sex” (Section 3). The constitution also guarantees a variety of freedoms, including the rights to life, personal liberty, expression, assembly, association and movement, among others. The legal framework includes several laws aimed at protecting and including citizens, such as the Protection from Domestic Violence Act (2005) and the Equal Opportunities Act (2008). Although Mauritius remains strongly patriarchal, progress has been made in terms of women attaining leadership positions, particularly in the judiciary and public administration. There is a growing level of tolerance toward the LGBTQ+ community, although it largely remains off the public radar due to the country’s conservative nature. In 2018, the Pride March was canceled following protests by anti-LGBTQ+ demonstrators wearing regalia associated with the so-called Islamic State group. However, subsequent Pride Marches were held, albeit in a low-key manner.

Although Mauritius is a secular state, religion, caste and ethnicity at times play a distorted role in the Mauritian way of life. This is most visible in politics but is also present in public sector employment postings. In its 2021 “Report on International Religions: Mauritius,” the U.S. Department of State stated that “some Christians and Muslims continued to state the predominance of Hindus in the civil service favored Hindus in government recruitment and promotion, preventing Christians and Muslims from reaching higher level positions in the civil service.” Additionally, it is known that certain sociocultural groups may exert pressure on politicians to nominate people of a certain religion and/or caste to positions of power and responsibility.

Mauritius is renowned for its well-established welfare state and has been able to maintain it despite the strain it caused to the public purse. Key services available to Mauritian citizens include free education, free health care and a universal pension scheme. During the review period, the island undertook several significant infrastructure projects, including new roads and flyovers, as well as the implementation of a light railway project commonly known as the “Metro Leger.” These projects are expected to alleviate the heavy traffic congestion faced by Mauritian road users. The financing for the Metro Leger took the form of a

No interference of religious dogmas

8



1

Basic administration

9



1

combination of lines of credit and grants from the Indian government, amounting to a total of \$465 million. In 2019, an Ear Nose and Throat Hospital was inaugurated, funded by the Indian government, followed by the operationalization of a cancer hospital in 2021, partly funded by the Saudi Fund for Development.

Both electricity and water are vital aspects of the island's economy. Ninety-nine percent of Mauritian households are connected to the national grid, and 99.7% of the population is connected to the water supply network. However, despite these high connectivity rates, the long-promised 24/7 water supply has not materialized, and some regions continue to face significant problems with regular water supply. In terms of electricity production, several uncertainties persist following the decision, made at the end of 2022, by one of the independent power producers – Terragen Ltd – to cease supplying electricity to the Central Electricity Board.

2 | Political Participation

Post-independence Mauritius has essentially adopted a culture of using the ballot rather than resorting to violence, and it has conducted 11 general elections to date, with the most recent one occurring in December 2019. In accordance with the Mauritian constitution, legislative elections are conducted every five years (Section 57, subsection 2). However, it should be noted that this provision does not extend to local elections, including municipal and village council elections. Notably, while the village council elections took place in November 2020, municipal council elections have not been held since June 2015. Consequently, the current municipal councilors are embarking on their eighth consecutive year without being called to the polls.

Elections conducted on the island demonstrate a relatively high voter turnout rate, typically averaging around 85%. The voter registration process runs smoothly, commencing with a door-to-door electoral inquiry carried out at the beginning of each year. This process lasts between three and four weeks. According to the law, the register must be published annually by August 14th, and it becomes effective on August 16th, regardless of the election date.

However, the most recent general election significantly deviated from previous ones. A higher than usual number of voters discovered that their names were absent from the voters' register. Furthermore, 10 electoral petitions were filed in the Supreme Court; although most were dismissed, some cases are still pending. One petition has been referred to the Privy Council for a final decision. These petitions have drawn attention to irregularities and discrepancies that were observed during the 2019 general election. Notably, the Supreme Court ordered a recount in one constituency due to what appeared to be “glaring and unexplained discrepancies in the figures provided by the returning officer.” Consequently, the Electoral Commission Office and the Electoral Supervisory Commission have suffered damage to their reputation since the 2019 general election.

Free and fair elections

8



1

The quality of the elections after the 2019 elections has been problematic because various hearings focusing on post-election petitions have uncovered multiple irregularities and concerns regarding the conduct of the 2019 general elections.

Mauritius operates with a separation of powers between the executive, legislative and judiciary branches. According to Section 58 of the Mauritian constitution, the president holds executive authority, while Section 59 specifies that the president appoints the prime minister and other members of the cabinet based on the prime minister's advice. To date, there have been no instances of intimidation or manipulation directed toward those who have been duly elected to serve as members of parliament or the executive branch.

A variety of freedoms, such as the rights to life, personal liberty, expression, assembly, association and movement, are guaranteed by the constitution. Clause 13 of the Mauritian constitution clearly protects the freedoms of assembly and association. The Public Gathering Act 1991 (PGA) regulates any form of assembly. More recent restrictions pertaining to assembly and association were enforced during the COVID-19 lockdowns, which led to the enactment of the COVID-19 (Miscellaneous Provisions) Act 2020 and the Quarantine Act 2020. In response to the ecological disaster caused by the oil spillage from MV Wakashio, a major national protest took place peacefully in 2020, demonstrating citizens' serious concerns about the country's ecosystem.

During the period under review, there was an increase in the number of requests for authorization for protest marches by both civil society groups and political parties (parliamentary and extraparliamentary). According to Section 3 (2) of the PGA, "any person wishing to hold or organize a public gathering shall give written notice to the commissioner not less than seven clear days before the day on which the gathering is to be held or organized." This seems to be a rather straightforward clause in its interpretation. However, matters have become more complicated as the current commissioner of police has used Section 4, which deals with the "regulation of public gatherings," to authorize or bar such gatherings. During a press conference held in July 2022, he reiterated that police approval is required for the holding of any public gathering.

Section 12 of the Mauritian constitution ensures the protection of freedom of expression. The island has one of the oldest traditions of written media in the Southern Hemisphere. The current media landscape is quite diverse, with private and public radio stations, private media houses, a public TV broadcasting station, and a number of online media outlets. To date, there is no private TV station, despite several attempts to create the necessary space for such a service. The island also has a high level of penetration when it comes to social media users. Facebook remains one of the most popular platforms among Mauritians. According to the latest statistics, out of the 1 million social media users in Mauritius, 789,000 are Facebook users.

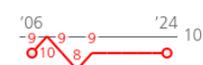
Effective power to govern

10



Association / assembly rights

9



Freedom of expression

6



In April 2021, the Information Communication and Telecommunication Authority (ICTA) released a consultation paper on “regulating the use and addressing the abuse and misuse of social media” aimed at curtailing “harmful and illegal online content.” To this end, a new decision-making body for online content, a technical enforcement unit and a technical toolset were proposed.

The toolset caused a real uproar, as it would have served to separate social media data from the broader flow of internet traffic in and out of Mauritius using a government proxy server. However, the proposal was put on hold after the ICTA received more than 1,500 citizen submissions concerning the document, and the local media decried the tactics used to advance them. Additionally, a number of international advocacy groups joined the fray, and a “joint civil society statement” was released asking the Mauritian government and ICTA to retract the consultation paper. The statement argued that the proposed measures to counter offensive speech on social media were radically disproportionate and presented a threat to human rights.

In the same year, important amendments were made to the Independent Broadcasting Authority (IBA) Act. These amendments included a substantial increase in private radio license fees and the imposition of higher punitive fees. The duration of the radio license was also shortened from three years to one year. Furthermore, a clause was introduced that would allow the IBA to seek a judge’s order in chambers to compel journalists to disclose their sources if deemed necessary.

Both censorship and self-censorship have become more prevalent among media outlets, journalists and citizens. To avoid being targeted by the government, some journalists and media outlets have chosen to avoid contentious or controversial topics and instead opt for a safer approach. However, La Sentinelle, one of the island’s main media outlets, has faced obstacles such as being denied government advertising, as well as experiencing online and offline harassment targeting citizens and journalists on a regular basis. In the period under review, several individuals, including journalists, were arrested by the police for posting content critical of the government. Toward the end of 2022, four prominent journalists lodged a complaint with the police, expressing concerns about their personal safety due to a barrage of online threats and intimidation.

3 | Rule of Law

Mauritius operates with a separation of powers, wherein the executive, the legislature and the judiciary have distinct roles and responsibilities. Since gaining independence, this clear separation of powers has ensured stability, accountability and independence. The judiciary is considered an important check and balance on the executive and the legislature. Additional autonomy is provided by the presence of the Office of the Director of Public Prosecutions (DPP), which decides whether to charge individuals for alleged crimes.

However, from 2021 to January 2023, there was tension between the executive and the DPP. In general, there is growing strain on the operation of these three institutions. First and foremost, the legislature faces difficulty fulfilling its oversight role vis-à-vis the executive. The speaker of the National Assembly has exhibited blatant partiality toward the executive and members of parliament from the ruling coalition, hindering opposition members of parliament (including the leader of the opposition) from exercising an oversight function. They are often prohibited from asking certain parliamentary questions (PQs), or even sanctioned by the speaker.

The executive has shown increasing power and even impunity in its decision-making. With a comfortable majority of 42 members of parliament out of 70 in the ruling coalition that emerged from the 2019 general elections, numerous bills have been passed and voted on (by a simple majority) in parliament with minimal to no debate or discussion. In 2021, a senior minister departed from the MSM-led government, and an opposition MP defected to join the ruling coalition in the same year.

Mauritius' judiciary system is independent and, to a large extent, free from unconstitutional interference. It is a mix of the French and British systems, given the island's colonial heritage. The Supreme Court serves as the highest judicial authority, while an Intermediate Court has jurisdiction over civil and criminal cases, and district courts handle civil and criminal cases within their respective geographic jurisdictions. The president appoints the chief justice of the Supreme Court after consulting with the prime minister. Similarly, the president appoints the senior puisne judge, considering the chief justice's recommendations. All other members of the Supreme Court are also appointed by the president based on recommendations from the Judicial and Legal Service Commission. The Privy Council of the King in London serves as the final court of appeal for Mauritius.

In recent years, there have been attempts to interfere in the operations of one of the legal functions – that of the Office of the Director of Public Prosecutions (DPP). The DPP is responsible for and exercises control over the conduct of prosecutions in the Republic of Mauritius. In 2016, a Public Prosecution Commission Bill was proposed in parliament aimed at curtailing the powers of the DPP. The bill did not go through and even led to the resignation of the then-deputy prime minister over the matter. One of the frequent criticisms levied against the judiciary in Mauritius is its slow pace in tackling cases.

Separation of powers

7



1

Independent judiciary

9



1

Impunity, nepotism and cronyism are on the rise. Although political patronage has always been an inherent feature of Mauritian politics, in recent times it has reached new heights. This situation has been further amplified by the weakening of several key institutions responsible for checks and balances: the parliament, the anti-corruption body and regulatory bodies.

Anti-graft and public procurement frameworks exist notably through the Prevention of Corruption Act (2002), the Independent Commission Against Corruption, the Central Procurement Board and the Public Procurement Act (2006). Unfortunately, these laws and bodies have demonstrated inherent weaknesses, having been manipulated or controlled by those in power. During the COVID-19 pandemic, a number of emergency government procurement tenders were authorized to source medicine, protective equipment, medical supplies and laboratory equipment up to a value of MUR 1 billion from various suppliers. However, these suppliers, although in close proximity to those in power, had little or no prior experience in supplying such equipment.

A number of corruption-related cases against politicians, some of which resulted in the dismissal of the deputy prime minister in 2020 and the resignation of another cabinet minister in 2021, are still under investigation, with little progress visible. There is a widespread belief that the Independent Commission Against Corruption is being slow in handling cases involving individuals affiliated with the ruling party.

Civil rights are codified by law. However, as with other democratic rights and liberties, they have been compromised by the growing authoritarianism in the country. Several initiatives have been implemented since 2017, including a focus on human rights at the executive level via a newly styled Ministry of Justice, Human Rights, and Institutional Reforms. Another example is the Independent Police Complaints Commission Act (IPCC) of 2018, which aims to investigate complaints made against police officers, excluding acts of corruption or money-laundering. These initiatives, along with the Equal Opportunities Commission and the National Human Rights Commission, contribute to ongoing developments in this area.

During the years under review, there were several events/incidents that raise concerns about the ability and effectiveness of the existing mechanisms to protect civil liberties. In 2022, videos allegedly depicting police brutality and torture went viral on social media, focusing attention on the Mauritian police. The case was referred to the IPCC for investigation. Furthermore, in the same year, a new unit called the Police Headquarters Special Striking Team was established within the Mauritius Police Force. This unit is tasked with apprehending drug kingpins and other criminals, but its unconventional methods and bias in targeting individuals have been subject to scrutiny.

There has been an alarming increase in the number of femicide cases, despite the establishment of a High-Level Committee for the Elimination of Gender-Based Violence. A long-awaited Gender Equality Bill is still pending. Section 44 of the Data Protection Act (2017) states: “personal data shall be exempt from any provision of

Prosecution of office abuse

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Civil rights

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this act where the nonapplication of such provision would, in the opinion of the prime minister, be required for the purpose of safeguarding national security, defense or public security.” This provision is a significant concern, as it grants the prime minister the authority to override the act’s privacy protections for personal data.

4 | Stability of Democratic Institutions

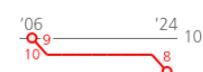
Mauritius has always had a commitment to democracy, with relevant institutions in place to provide oversight. However, the independence of key institutions such as parliament, anti-corruption bodies and financial regulators is being seriously compromised, resulting in significant hindrances to their functioning. This situation arises from the fact that political appointees occupy many of the key institutions on the island, thereby significantly diminishing their ability to operate independently. This practice has been in existence for some time, as it is often the prime minister who appoints individuals to these crucial positions. However, it is worth noting that since 2019, the situation has worsened, exacerbated by the COVID-19 pandemic, which has led to opaque and dubious emergency procurement processes, thereby giving rise to allegations of corruption.

Democratic institutions are considered important to several key stakeholders, as they contribute to Mauritius’ democratic credentials. Opposition parties, extraparliamentary groups, CSOs, scholars and others have emphasized the significance of a functioning democracy and have been vocal in speaking in defense of democratic institutions.

But one of the key democratic institutions that has shown considerable weakening is parliament. Since 2019, the speaker of the house has systematically clamped down on opposition legislators, including the leader of the opposition, using arbitrary behavior and harassment to prevent them from carrying out their constitutional role. During the review period, opposition parliamentarians have been suspended and their parliamentary questions (PQs) curtailed in order to avoid embarrassing the government. It should be noted that in 2021, there were 39 parliamentary sittings, only 18 of which included PQs, and 2022 saw 32 parliamentary sittings, with only 14 including PQs. A slow erosion of parliament’s ability to act as an efficient oversight institution and a check on executive power is thereby observable. The role of the speaker has been particularly criticized. In 2022, two opposition legislators filed a case against the speaker in the Mauritian Supreme Court for what they termed an “unconstitutional suspension” from parliament.

Performance of democratic institutions

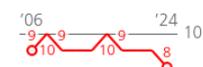
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Commitment to democratic institutions

8



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5 | Political and Social Integration

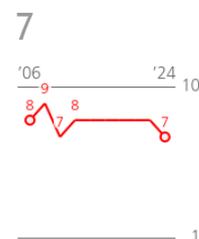
Mauritius has a well-established multiparty culture that predates the country's independence. Mainstream parties, such as the Mauritius Labour Party, the Mouvement Militant Mauricien, the Mouvement Socialiste Militant and the Parti Mauricien Social Démocrate have all been in power through a well-entrenched approach to pre-electoral alliances/coalitions that have dominated post-independence electoral politics. During their existence, these four mainstream parties have undergone a number of splits, creating new parties in the process, the majority of which have been short-lived. In addition to the mainstream political parties, there is a smattering of smaller parties, often driven by an ideological stance or personality politics. In principle, most political parties adopt a big-tend approach toward the different ethnic groups in Mauritius. However, identity politics is increasingly becoming the main game in town and intensifying with each passing election.

Another cause for concern is the advent of money-driven politics. Although there are established procedures for spending ceilings in an election campaign, most parties and their candidates fail to comply with them. The 2019 general elections were a case in point. This, of course, casts doubt on the quality of engagement between the political parties and voters. Attempts have been made to address this shortfall, for instance, by introducing legislation on the topic of political party financing, but political party leaders have not been able to agree on the matter.

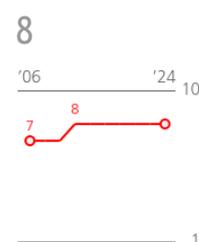
Mauritius has established itself over the years as a multicultural society that upholds the rule of law and the rights of interest groups. The island boasts relatively vibrant civil society engagement, which gained prominence in the aftermath of the Wakashio oil spill in 2020. Trade unions have also gained a strong foothold on the island, although their influence and impact have diminished over time. An intriguing aspect is the ongoing tripartite engagement between trade unions, the private sector and the government, which is characterized by a spirit of cooperation and dialogue primarily centered around workers' rights and wage negotiations.

The business sector plays an important role in the Mauritian economy and, as might be expected, exerts significant lobbying pressure to ensure that its interests are safeguarded. This happens through Business Mauritius – a platform that represents some 1,200 local businesses. It is worth noting that the Mauritian private sector is an important funder of the different mainstream political parties' electoral campaigns. Identity politics play an important role within the Mauritian landscape, and in recent times, their presence has intensified. One significant element here is referred to as sociocultural groups. These groups see themselves as representing the cultural and religious objectives of the different ethnic communities present on the island. However, their functioning is under scrutiny due to their close relationships with specific political parties, especially when the latter are in power. It is believed that

Party system



Interest groups

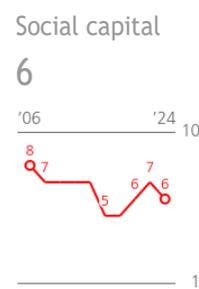
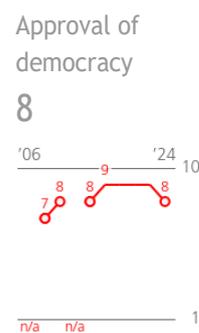


the demands of some of these sociocultural groups peak during election years, often causing undue influence or pressure on political party leaders. Although Mauritius is a secular country, as per the constitution, sociocultural groups are entitled to government subsidies. During the review period, a number of new religious and cultural groups were established, including “Proudly Hindu” and a Mauritius cell of the Hindutva Movement. These have been mostly visible on social media platforms and have at times been the source of offensive or hate speech narratives.

Democracy is currently being seriously compromised. In 2021, the Varieties of Democracy (V-Dem) report classified Mauritius as “one of the top 10 autocratizing countries in the world,” changing its status from a liberal to an electoral democracy. This classification remained unchanged in the 2022 report. According to Round 9 of the Afrobarometer survey (2022), only 32% of Mauritian respondents said they were “fairly/very satisfied with democracy.” In fact, over the last decade (2012 – 2022), the share of Mauritian respondents indicating they were satisfied with democracy has dropped by 50%. This dissatisfaction with democracy has also resulted in a significant decline in trust expressed toward key institutions in Mauritius, including parliament, the electoral commission, the police force and the anti-corruption agency, among others.

Mauritius has a well-oiled image as an island based on unity in diversity, social tolerance and a sense of harmony. This carefully curated image of Mauritius is part of the island’s marketing and branding as a tourist destination. Although there is a strong sense of kinship and allegiance to one’s ethnic community, the average Mauritian comfortably embraces a dual identity: being Mauritian and belonging to their ethnic community. Round 9 of the Afrobarometer survey clearly stated this, while also highlighting that most respondents trusted their neighbors and other citizens and expressed tolerant attitudes toward people of different religions, ethnicities, nationalities and sexual orientations. The COVID-19 pandemic offered an interesting test case in terms of solidarity and self-help. A fair number of Mauritians contributed to the COVID-19 Solidarity Fund established by the government of Mauritius and participated in other activities organized by NGOs to assist those who were severely affected by the pandemic.

Therefore, there appears to be a certain bond that unites Mauritians, but this bond remains fragile due to the increasing impact of identity politics, which are often fueled by certain ethnocentric factions within Mauritian society.



II. Economic Transformation

6 | Level of Socioeconomic Development

Mauritius has eradicated extreme poverty and has become one of the wealthiest countries in Africa in terms of wealth per capita. The country's score on the Human Development Index (HDI) was

0.802 in 2021. With 1.8 (2017) points for the poverty rate, Mauritius was in first place in sub-Saharan African in this area. Although the COVID-19 pandemic has had a severe impact on private wealth and the number of high-net-worth individuals (HNWIs) in Africa, which dropped by around 9% in 2020, total private wealth held in Africa is expected to rise by 30% to reach \$2.6 trillion by 2030. This growth will be driven mainly by fast-growing economies such as Ethiopia, Mauritius, Rwanda, Kenya and Uganda.

It is important to note that many of the HNWIs in Mauritius are foreigners who have settled in the country using a permanent residence permit and are investing through various established schemes. The poverty rate (upper income threshold of \$6.85 a day in 2017 PPP) decreased from 19% to 11% between 2012 and 2019. However, due to the pandemic and the consequent dramatic contraction of GDP in 2020, it is projected that the poverty rate increased by over five percentage points but will again fall below 14% in 2022.

From 2000 to 2015, household income inequality increased as individual earnings rose faster at the top than at the bottom of the income distribution. The shift in the economic structure toward the services sector also brought changes in the dynamics of skills, with a shortage of low-skilled workers and the labor force transitioning to higher-value skills. This transformation led to an increased demand for skilled workers that was not met by the available supply. Employment in the public sector helped to alleviate the growth of overall income inequality.

Question
Score

Socioeconomic
barriers

7



Economic indicators		2019	2020	2021	2022
GDP	\$ M	14436.3	11401.0	11476.4	12898.3
GDP growth	%	2.9	-14.6	3.4	8.7
Inflation (CPI)	%	0.4	2.6	4.0	10.8
Unemployment	%	6.3	8.6	7.7	7.2
Foreign direct investment	% of GDP	3.1	2.0	2.2	2.0
Export growth	%	-2.7	-28.7	11.5	38.3
Import growth	%	1.6	-28.6	7.7	10.0
Current account balance	\$ M	-718.5	-1002.7	-1496.6	-1486.1
Public debt	% of GDP	82.2	94.6	88.4	83.1
External debt	\$ M	12361.1	12628.7	13916.3	-
Total debt service	\$ M	3218.9	2667.7	2818.2	-
Net lending/borrowing	% of GDP	-2.1	-8.2	-12.6	-
Tax revenue	% of GDP	19.4	20.7	18.3	-
Government consumption	% of GDP	14.7	17.5	17.2	15.9
Public education spending	% of GDP	4.5	4.4	4.7	4.8
Public health spending	% of GDP	2.9	3.5	-	-
R&D expenditure	% of GDP	0.4	0.4	0.4	-
Military expenditure	% of GDP	0.1	0.2	0.2	0.2

Sources (as of December 2023): 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

The institutional framework for free and fair competition for market access, investment and ownership of business interests is well established in Mauritius. Government policy in Mauritius is pro-trade and pro-investment and has been aligned with the continuous development of a liberal market economy. The private sector in Mauritius has logically been the backbone of economic development driven by a liberal market economy. Close public-private partnerships have facilitated private-sector-led growth in a stable macroeconomic and institutional environment.

Market organization

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The increasing number of bilateral trade and investment agreements, both at regional and international levels, attests to Mauritius' reputation as an attractive and favorable investment and business jurisdiction. The country's legal framework is regularly updated to encourage and attract foreign investment. Notably, the Business Facilitation Act of 2019 harmonizes the process for permits and licenses, making it easier for enterprises to conduct business and take advantage of the various schemes available.

According to various surveys, Mauritius remains one of the most liberal and business-friendly countries in Africa. The country has consistently sought to attract foreign investment by creating a favorable business and investment environment. According to the 2022 Index of Economic Freedom, Mauritius was ranked as the 30th most free economy in the world and was ranked first among 47 countries in the sub-Saharan African region. However, this ranking is lower than in previous years due to the economic impact of COVID-19 and a decline in the country's fiscal health.

The Economic Development Board (EDB) is the government umbrella agency responsible for investment promotion in Mauritius. It also has a dedicated unit to guide investors through the country's legal and regulatory requirements. Furthermore, it operates a business support facility that offers advisory support to businesses in Mauritius.

There is no discrimination between local and foreign investment. However, certain activities are restricted for foreign operators, such as television broadcasting, sugar production, newspaper and magazine publishing, and certain activities in the tourism sector.

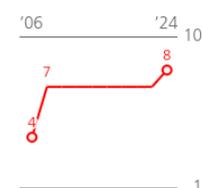
The impact of the informal sector, compared to peers in the region, remains low. Employment in the informal sector is more vulnerable to risks and economic shocks than in the formal sector, as witnessed in the COVID-19 pandemic.

An assessment conducted by International Economics Consulting and funded by the UNDP has revealed that the primary factors impeding formalization are taxation, bureaucracy and low levels of education. The survey also found that women are more likely to work in the informal sector.

The legislative framework pertaining to the competition regime in Mauritius has been in place since 2007, culminating with the establishment of the Competition Commission in 2009. The Commission is mandated to investigate anti-competitive behavior by businesses and has considerable powers to compel businesses and others involved to provide information. If it decides that a business's conduct is anti-competitive, it has strong powers to intervene and correct the situation. In cases where businesses have been found to be deliberately agreeing to fix prices or share markets, the Commission can impose fines. The Commission is a parastatal entity under the aegis of the Ministry of Commerce and Consumer Protection and is meant to be independent of the government in its decision-making, even though all office-bearers are politically nominated.

Competition policy

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Fuel, cooking gas, rice and flour are normally cross-subsidized off-budget by the State Trading Corporation (STC). Given that the purchasing power of consumers was negatively impacted due to the economic downturn following the COVID-19 pandemic and the fact that traditional price control measures were no longer effective, the government decided in June 2021 to grant a subsidy of MUR 500 million on several essential products to stabilize prices and fix them for a period of six months.

The Petroleum Pricing Mechanism (PPM) was introduced in 2011 to replace the Automatic Pricing Mechanism – a mechanism aimed at directly passing on all price changes on gasoline and gas oil imported by the STC to consumers. The main objective of the PPM is to mitigate the effects of world price movements on retail prices. Windfall gains and losses are not accounted for in the price structure but are included in the Price Stabilization Account (PSA). Recent fuel price hikes in Mauritius have caused a public outcry, with one citizen even engaging in a hunger strike to call on the government to lower fuel prices. An analysis of fuel pricing indicates that the mechanism of cross-subsidization operated by the STC – the PSA – does not allow for a decrease in price, as PSA balances have to remain positive as part of the government’s budget financing process.

Mauritius has a liberal economic and trade policy intended to fully integrate the country globally and enhance its international competitiveness. Comparatively, Mauritius does not have many trade barriers, with customs duties and import tariffs averaging 1.25%. Mauritius is progressively removing its trade barriers, with mechanisms including tariff cuts and import licensing reductions. However, import restrictions still remain in selected sectors, such as agriculture. Recently, the Economic Development Board has implemented several schemes to promote exports, such as the Freight Rebate Scheme and the Trade Promotion and Marketing Scheme.

Mauritius has long supported the multilateral trading system and has been a member of the World Trade Organization since its inception in 1995. The WTO’s fifth trade policy review in 2021 affirmed Mauritius’ trade openness and strong democratic systems, which have enabled the country’s economic success in recent years. The review also mentioned Mauritius’ transformation into an almost duty-free economy following two decades of liberalizing reforms.

Over the years, Mauritius has signed various trade agreements with several regional trading blocs and on a bilateral basis with other countries. Partners include the Common Market for Southern and Eastern Africa Free Trade Area (COMESA), the Indian Ocean Commission (IOC) and the Southern African Development Community (SADC), and the country has signed a free trade agreement with Türkiye and a preferential trade agreement with Pakistan. The country is currently finalizing a Comprehensive Economic Partnership Agreement with the European Union.

Liberalization of
foreign trade

10



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A trade agreement between China and Mauritius – the first trade agreement between China and an African country – came into force in January 2021. The African Continental Free Trade Area Agreement (AfCFTA) also came into effect in January 2021. In April 2021, the Comprehensive Economic Cooperation Partnership Agreement (CECPA) between India and Mauritius took effect.

With respect to the United States, Mauritius benefits from duty-free and quota-free access through the African Growth and Opportunity Act (AGOA). This trade preference is valid until 2025, unless Mauritius loses eligibility for the AGOA by moving up to high-income status.

The Mauritian banking sector has served the economy since 1813 and remains the backbone of the country's status as a sound and reputable international financial center. As of the end of 2022, there were 19 local and international banks offering a wide array of services, from traditional retail banking facilities to specialized services such as fund administration, private banking, structured trade finance, investment banking and custodial services.

With a combined asset base of \$2 trillion, the banking sector remains concentrated, with two banks representing 45% of the total assets. A digitalization of financial services is underway, led by the public sector, banks and the telecom provider.

Mauritius subscribes to international standards and best practices. The country migrated to the Basel III framework for the calculation of the capital adequacy ratio in July 2014. The Bank of Mauritius (BoM) also implemented the liquidity coverage ratio in October 2017.

The BOM stands at the apex of the banking sector and is responsible for ensuring the safety and soundness of banks. It also licenses and supervises nonbank deposit-taking institutions. The BoA exercises its supervisory responsibilities through the issuance of guidelines, circulars and instructions, as well as a combination of off-site surveillance and on-site examinations. Additionally, the BoA serves as the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervisor for institutions operating in the banking sector, ensuring their compliance with banking laws.

The BoM also hosts the Mauritius Credit Information Bureau (MCIB). The MCIB seeks to promote a sound credit information system in Mauritius, enabling banks to provide high-quality loans. In the long term, this impacts the overall level of nonperforming loans at the national level.

According to the World Bank, the bank capital-to-asset ratio in 2021 was 9.1%, compared to 11.3% in 2019. Non-performing loans represented 5.8% of total outstanding loans in 2021, against 4.9% in 2019, according to the World Bank. Effective on July 1, 2022, the average fortnightly cash reserve ratio (CRR) on Mauritian rupee deposits stood at 9.0%, while the average fortnightly CRR on foreign currency deposits stood at 6.0%.

Banking system

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In October 2021, the Bank of Mauritius launched the Climate Change Center, which will integrate climate-related and environmental financial risks into its regulatory, supervisory and monetary policy frameworks, while also supporting the development of sustainable finance. In February 2021, the Bank of Mauritius (BoM) became a member of the Global Financial Innovation Network (GFIN). The BoM is currently working on a pilot rollout of a central bank digital currency (CBDC) with technical assistance from the International Monetary Fund (IMF).

In October 2021, the Financial Action Task Force removed Mauritius from the list of jurisdictions under increased monitoring concerning anti-money laundering/combating the financing of terrorism (AML/CFT) issues based on the following reforms: 1) outreach work to promote understanding of money laundering and terrorist financing risks and obligations; 2) the development of effective risk-based supervision plans for the regulator; 3) improved focus on access to beneficial ownership information in a timely manner; and 4) training for law enforcement authorities to ensure they have the capabilities to carry out money laundering investigations. In January 2022, the EU Commission removed Mauritius from its list of high-risk third countries.

While the banking system functions smoothly, the BoM's balance sheet has weakened due to: 1) the creation of the Mauritius Investment Corporation (MIC) to finance private companies affected by the pandemic, and 2) the transfer of funds from the BoM to the government. This unprecedented policy has attracted justifiable criticism aimed at the BoM for its mismanagement and its close relationship with the Ministry of Finance and the Financial Services Commission.

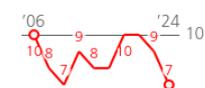
8 | Monetary and fiscal stability

Due to the significant weight of imported items in the economy, especially food and fuel, the inflation rate has risen, reaching 9.4% in September 2022, despite the authorities' subsidies for specific essential products. Inflation is expected to continue rising over most of 2023, exacerbated by increasing commodity prices, the strengthening of the U.S. dollar, the escalation of the Ukraine war and adverse climatic conditions.

The central bank maintained an accommodative monetary policy stance in 2021 and 2022 and, as expected, tightened monetary policy in an attempt to quell inflation by raising interest rates – by 100 basis points in November 2022 and a cumulative rise of 215 basis points since the beginning of 2022. The Key Repo Rate stood at 4.5% as of December 2022. The strongly inflationary environment, coupled with the globally accelerated normalization of monetary policy, could lead to further tightening of monetary policy locally.

Monetary stability

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Some exchange rate adjustment has been allowed. However, the central bank has continued to make substantial foreign exchange (FX) sales interventions and has borrowed foreign currency to maintain its official reserves. Since the outbreak of the COVID-19 pandemic, the central bank has made interventions in the domestic foreign exchange market totaling \$3.6 billion as of November 2022, reflecting a market supply shortage amidst the large current account deficit. As of April 2023, the exchange rate to the U.S. dollar was MUR 45.9 to \$1.

The Bank of Mauritius' (BOM) balance sheet has progressively weakened since 2020 as a result of pandemic-related support measures. These measures include the creation of the Mauritius Investment Corp (MIC) and a large one-off grant from the central bank to the government (MUR 55 billion or 12% of 2020 nominal GDP). The MIC, a special-purpose vehicle fully owned by the BoM and drawing from its reserves, was established at the onset of the pandemic to support financial stability.

Moody's report in July 2022 raised concerns about the diminishing predictability and effectiveness of monetary policy following these government measures. Moreover, the report questions the independence of the central bank, as these actions seem to have further blurred the distinction between monetary and fiscal policies.

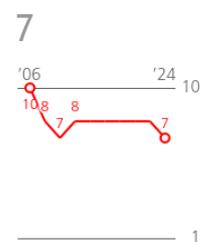
Effective January 16, 2023, the BoM is introducing its new Monetary Policy Framework (MPF). The new framework will continue to rely on the interest rate channel to steer economic variables and expectations, while focusing on a number of key operational and strategic elements. These include a well-defined and flexible inflation target, a prominent role for inflation forecasts as intermediate targets, a review of the operational target, greater clarity on the nexus between foreign exchange and money markets, and appropriate institutional design for different aspects of the monetary policy decision-making process.

The budget deficit for fiscal year 2021/2022 was estimated at 5% of GDP, according to the official Medium-Term Macroeconomic Framework released in the National Budget 2022/2023. Meanwhile, public sector debt decreased by 30 basis points from June, reaching 85.2% of GDP in gross terms as of September 2022. After deducting cash and cash equivalents, as well as equity investments held by the government and public sector bodies in private entities, public debt amounted to 73.6% of GDP.

The government's measures transferring excess cash from state-owned enterprises and asset sales blur the policy direction of government debt and do not provide clarity on fiscal strength. Such measures, coupled with unconventional policies since 2020, may jeopardize fiscal and economic stability in the post-pandemic period, while reducing fiscal policy transparency.

The country's public finances are projected to improve in the near future, although they will still be under pressure. This is due to several factors, including the challenging economic environment, which may make it difficult to achieve revenue targets. Furthermore, there are uncertainties regarding the timely realization of the budgeted equity sales totaling MUR 22 billion (3.8% of GDP). Additionally, the

Fiscal stability



government continues to rely on special funds and other extrabudgetary funds for specific expenses. Moreover, the rupee faces ongoing pressures, and rising global interest rates will partially impact Mauritius' external debt servicing costs.

9 | Private Property

Real property rights are respected in Mauritius. Private property is protected under the constitution, which, however, does allow for deprivation of property in return for compensation in case of higher national interests such as defense or public safety.

Under the Noncitizens (Property Restriction) Act, a non-citizen can hold, purchase or acquire immovable property under various established schemes, such as the Property Development Scheme, Integrated Resort Scheme or Real Estate Scheme. These programs require an investment exceeding \$375,000 (or equivalent in any other convertible foreign currency) from the non-citizen, upon which the latter is eligible for a residence permit.

The ownership of property is effected through registration of the title deed with the Registrar-General and payment of the registration duty. The e-Registry System provides the national register of real estate properties. This can be used for land dispute resolutions and is available to the public.

The Copyright Act was amended in 2017 to redefine and better safeguard the interests of copyright owners. The Mauritius Society of Authors is responsible for collecting copyright fees and administering the economic rights of copyright owners.

Mauritius is a member of the World Intellectual Property Organization and the African Regional Intellectual Property Organization. Although intellectual property (IP) legislation in Mauritius aligns with international norms, enforcement is relatively weak. Police only take action against IP infringements if the IP owner has an official representative in Mauritius, as the courts require a representative to testify.

The government has implemented an active industrial policy to help boost private sector competitiveness and exploit global trade niches created by numerous trade agreements. Small and medium-sized enterprises (SMEs) have become important drivers in propelling GDP growth in Mauritius, although many remain in the informal sector.

The incorporation of companies and registration of business activities fall under the provisions of the Companies Act of 2001 and the Business Registration Act of 2002. A company incorporated in Mauritius can be fully foreign-owned with no minimum capital.

All businesses must be registered with the Corporate and Business Registration Department (CBRD) and can be completed online. The Business Registration Act was amended in 2020, making the CBRD the central repository of business licenses and information. Once a certificate of incorporation is issued, the company can

Property rights

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Private enterprise

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subsequently apply for occupation permits (work and residence permits) and benefit from the incentives offered to investors. The e-Registry System features an electronic dashboard for registry searches, submission of documents, online payment of registration fees and electronic copies of registered documents.

In the 1980s, there was a significant privatization effort in the telecommunications and tourism sectors. However, the government still directly controls or manages key services through parastatal companies in the power and water, television broadcasting, and postal service sectors. Currently, there is no specific government program for privatization. Although plans to privatize the National Transport Corporation were initiated, they have not yet been put into action. Similarly, the initiation of plans to privatize the water supply, as part of broader water reform efforts recommended by the World Bank, has not taken place. The topic of privatizing the water sector, while occasionally brought up, is politically contentious and sensitive. It is unlikely to be concretely pursued in the near future.

10 | Welfare Regime

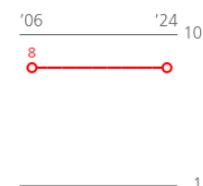
Mauritius stands out among many African states for its comprehensive social welfare system, which provides universal access to the Mauritian people. The origins of this system can be traced back to British colonial rule, but it was expanded, improved and consistently applied after the island gained independence. The social benefits enjoyed by Mauritian citizens include free health care, education and transportation, as well as a retirement pension. Additionally, vulnerable groups such as the disabled, orphans and those at the lower end of the social ladder benefit from cash transfers and subsidized housing schemes.

For the fiscal year 2020/2021, the government allocated about 27% of its total expenditure on social security and welfare (MUR 48.7 billion), of which 75% represented the old age pension (MUR 36.6 billion). In late 2019, the basic retirement pension for all Mauritians aged 60 and older was increased by 45% in line with a pre-election commitment, resulting in a 2% increase in pension expenditure as a percentage of GDP. Furthermore, a further 50% increase for all Mauritians aged 65 and older is anticipated in FY 2023/2024, which will lead to a significant rise in pension spending from 4.5% of GDP in FY 2018/2019 to over 8% of GDP by FY 2023/2024, which will then surpass the pension system's revenue by a considerable margin.

Pension revenue will be generated through the implementation of a new scheme called Contribution Sociale Généralisée (CSG), featuring unlimited pension contributions from employers and employees, in order to provide a guaranteed monthly income to retired citizens above the age of 65 as of July 2023. The CSG allows increased benefits to be attributed to the retiree over and above his or her standard basic retirement pension. Questions regarding the sustainability of the CSG have led to significant controversy, with the contributions being regarded as a disguised form of tax.

Social safety nets

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The country has made significant progress in enhancing its public health system. Life expectancy has reached 70.8 years for men and 77.7 years for women from an average of 59 years in 1968. Public health-related spending has cost MUR 175 billion for the last half-century, or 9% of total spending. The COVID-19 pandemic notably impacted the health care delivery system following its outbreak in March 2020. Around MUR 14 billion was spent on health in 2020/2021.

Although Mauritius has a long and well-established social protection system for its citizens, equal opportunity remains a challenge, with poverty and social inequality primarily affecting the Creole community (Afro-Mauritians) and female-headed households whose main earner has a low level of education. While Creoles make up almost 30% of the population, they are the only major group not officially recognized in the Mauritian constitution, unlike Hindus, Muslims and the Chinese. Despite the country's long-standing policy of official multiculturalism, Creoles face distinctively high levels of socioeconomic and political marginalization.

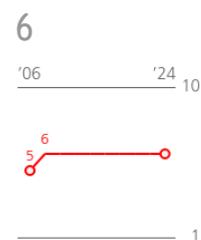
Gender statistics for 2021, published by Statistics Mauritius, reveal the following: 1) Among working women, 10.4% were heads of businesses, compared to 23.6% among men. 2) Unemployed women were generally more qualified than their male counterparts, with 22.1% of women possessing tertiary qualifications compared to 19.8% of men in this population. 3) Women were largely underrepresented in decision-making circles at higher levels of society, with only three out of 21 ministers being female. 4) Women accounted for 37.8% of the most senior positions in government services (senior chief executive, permanent secretary, deputy permanent secretary, director, manager, judge, and magistrate). In the World Economic Forum's Global Gender Gap Index 2022, Mauritius was ranked 105th out of 146 countries worldwide, lagging behind many African countries.

The literacy rate of the population aged 10 years and older increased from 90.1% in 2011 to 91.9%. The increase was higher among females than among males, resulting in a decrease in the literacy gap between males and females, from 4.8 to 3.3 percentage points. In 2022, the ratio of men to women holding or studying for tertiary degrees was .98, indicating a predominance of females.

The Equal Opportunities Act and the Workers' Rights Act provide for access to justice, the right to work and access to the labor market.

When a person believes they have been discriminated against in violation of provisions of the Equal Opportunities Act, they can contact the Equal Opportunities Commission, which has the authority to investigate and can compel any employer to disclose information about the equal opportunity policy at their workplace. If the complaint is not resolved, the Commission is required to promptly refer the complaint to the Equal Opportunities Tribunal, with the complainant's consent.

Equal opportunity



A person wishing to seek redress under the provisions of the Workers' Rights Act 2019 regarding an episode of discrimination may bring legal action before the Industrial Court. Appeals from the Industrial Court are typically heard by the Supreme Court of Mauritius.

11 | Economic Performance

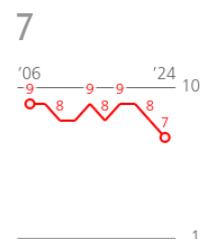
Following the downturn following the COVID-19 pandemic, real GDP growth at 2022 market prices is expected to reach 6.2% according to MCB Focus Economic Outlook in November 2022, or 7.8% according to Statistics Mauritius in December 2022. GDP growth in 2022 was boosted by the performance in the tourism industry, as well as an improved outcome in specific segments of the manufacturing industry, such as food. In terms of GDP contribution, the global business sector accounted for 8.5%, while the tourism and ICT sectors each accounted for 7.2%. Export-oriented enterprises contributed 4.3%, and agriculture accounted for 3.9%. Regarding GDP growth rates, tourism experienced an exceptional surge in 2022, with a growth rate of 243%. This was followed by export-oriented enterprises with a growth rate of 9.1%, the global business sector with a growth rate of 4.2%, and the agriculture sector with a growth rate of 2.5%.

Given the significant weight of imported items, especially food and fuel, the headline inflation rate in Mauritius was revised to reach 10.4% in 2022, as per MCB Focus Economic Outlook in November 2022, or 10.8%, as per Statistics Mauritius in January 2023. This high rate is despite the subsidies introduced by the authorities for specific essential products, with the goal of mitigating the rising cost of living, and despite the Bank of Mauritius' tight monetary policy. The strong U.S. dollar, coupled with high interest rates, has exacerbated the continuous depreciation of the Mauritian rupee against the background of soaring commodity prices. It should also be underscored that Mauritius has become a strongly consumerist society, with the consequence that the level of indebtedness of its citizens is becoming quite alarming.

The country's external imbalances are predicted to stay high, with the large trade deficit increasing to 35.1% of GDP in 2022 due to the rise in import prices. In the third quarter of 2022, the services account showed a surplus of MUR 6 billion, mainly due to the increase in tourism earnings, although they remain below their pre-pandemic level. Including global business flows, the surplus on the primary income account in Q3 2022 was estimated at MUR 23.6 billion, while the deficit on the secondary income account was estimated at MUR 4.7 billion.

Consumption expenditure grew by 4.0% in 2022, while total savings amounted to 12.6% of GDP. The investment rate picked up timidly in 2022, growing at 6.3% (after growth of 14% in 2021), representing 19.7% of GDP.

Output strength



Public sector debt totaled 85.2% of GDP as of September 2022, as measured in gross terms, improving slightly from the 2021 rate of 89.5%. Fiscal consolidation is expected to gather momentum with the recovery in tourism earnings and the introduction of revenue measures such as the solidarity levy and the Contribution Sociale Generalisee (CSG), starting in July 2023.

In line with the general increase in economic activity, the nationwide unemployment rate improved to 8.1% in the second quarter of 2022, while the youth joblessness rate decreased from 28.9% to 26.1%. Attention should be given to labor underutilization, which includes those in the potential labor force, the unemployed, and those in time- and skills-related underemployment. This rate, already high at 27% prior to the pandemic, rose to 38% of the labor force in 2022, with nearly 70% of this in the category of time- and skills-related underemployment. The persistently high level could have adverse consequences for the country's potential output and long-term growth prospects, as well as exerting pressure on the country's productivity trends.

Gross foreign direct investment flows in Mauritius were estimated at MUR 15.4 billion in 2021, compared to MUR 16.9 billion in 2020. The "real estate activities" sector was the major recipient, with inflows of MUR 8.4 billion, mostly targeted toward various real estate schemes. Gross direct investment flows abroad were estimated at MUR 4.3 billion in 2021, mainly directed toward the "manufacturing" and "real estate activities" sectors.

The direct investment account, including global business flows, recorded net inflows of MUR 69.6 billion in the third quarter of 2022. Nonresidents' direct investment in Mauritius, excluding global business flows and net repatriation, totaled MUR 3.6 billion.

The portfolio investment account recorded net outflows of MUR 41.2 billion in Q3 2022, with net outflows of MUR 36.9 billion excluding the global business sector. These outflows primarily resulted from banks investments in debt securities abroad.

During the fiscal year 2021/2022, the Mauritius Revenue Authority (MRA) collected a total of MUR 112.6 billion, of which MUR 106.5 billion was remitted to the Consolidated Fund. The 26% growth in revenue collections was bolstered by economic recovery and sustained by the MRA's efforts to enhance efficiency in revenue collections.

Tax revenue is expected to keep pace with economic recovery, remaining at 20.4% of GDP in fiscal year 2022/2023. According to the IMF, given that the tax ratio is below that seen in comparable small islands, there is room for new revenue measures.

12 | Sustainability

Mauritius is highly vulnerable to climate change and its impacts on socioeconomic development. The Climate Change Act 2021 provides a framework at the highest level of government to set national targets and objectives. This legislation also provides for the creation of a Department on Climate Change under the Ministry of Environment, which is now operational. The Environment Master Plan (2020 – 2030) establishes a broad framework for moving Mauritius toward a more environmentally sustainable future and a new model of economic development that fosters sustainability, inclusivity and circularity. Very often, environmental concerns are subordinated to the exigencies of infrastructural development, despite protests by concerned citizens and NGOs.

At the Conference of Parties 26 (COP 26) meeting in November 2021, the government pledged to reduce its greenhouse gas emissions to 40% of the business-as-usual scenario by 2030. Consequently, the government plans to undertake major reforms in its energy, transport, waste, refrigeration, air-conditioning, agriculture and conservation sectors in order to achieve the targets. Details on the reforms for each of the six sectors are available in the Nationally Determined Contributions (NDCs) action plan. The Ministry of Environment is also working on policies to reach net-zero carbon emissions by 2070 and on a national mitigation strategy and action plan. The current NDC indicates that the government plans to finance part of the \$6.5 billion required to implement the NDC targets through private sector contributions. The private sector in Mauritius has indicated interest in investing in solar-, hydropower- and biomass-based renewable energy technologies.

Fully financing climate adaptation and mitigation will be nearly impossible without a combination of additional external grants or concessional loans. On average, Mauritius spends 2% of GDP per year on climate change issues, with approximately 1.6% of GDP dedicated to adaptation. In order to achieve climate change goals by 2030, the government would need to address a financing gap of approximately 1.6% of GDP per year on average, in part by utilizing global climate funds to which Mauritius has limited access. However, gaining greater access to these funds will necessitate improvements in the planning, appraisal, execution and reporting of climate-related projects, among other measures.

The original National Environment Fund, which was established in 1991, was revised in 2018 and renamed the National Environment and Climate Change Fund (NECCF) in 2020. It serves as the government investment channel for financing environment-related projects. The total value of projects financed for fiscal year 2022/2023 is estimated at MUR 1.7 billion, and it is planned that the cumulated financing of projects through fiscal year 2024/2025 will amount to MUR 4.2 billion.

Environmental
policy

7



Universal schooling in Mauritius began in 1977 with the implementation of free education for citizens from pre-primary to secondary levels. In 2019, the government introduced a free tertiary education program to enhance access to higher education. Education is compulsory until the age of 16, and no child is excluded from the education system. The government's objective is to establish an inclusive education system that fully meets the new developmental needs of the economy and society. Ongoing efforts are being made to ensure that all children, regardless of whether they live in urban or rural areas or in Rodrigues and the Outer Islands, have access to education. The Special Education Needs Authority has implemented strategies to guarantee the education of children with special needs and to provide sufficient assistance to students from vulnerable backgrounds, including free meals, school supplies and a scholarship program.

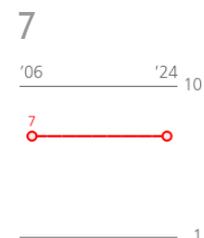
The education sector in Mauritius has undergone numerous reforms over the past decades, many of which have caused significant disruptions in the education scene. The latest structural reform, implementing the nine-year schooling program, aimed to ensure that children “benefit from a nine-year continuous basic education and develop essential competencies with equitable learning opportunities for all.” Unfortunately, this reform has failed to gain national consensus, resulting in uncertainty and a loss of confidence in the national schooling system. There is a significant disconnect between the stated strategy and its implementation, as many of the announced measures have proven to be impracticable and ineffective.

The resilience of the state education system was tested during lockdowns and closures due to flooding. Unfortunately, the remote online learning system failed to deliver, penalizing students at all educational levels. Conversely, private schools and tertiary institutions had an effective remote learning system in place. The management of the overall education system has received justifiable criticism. Schools, including primary, secondary and tertiary institutions, are closed at the slightest risk of heavy rains, causing tremendous disruptions and leading to social consequences.

According to the World Education Forum, in 2022 Mauritius had the third-best education system in Africa, receiving 61 points, and holds the 74th position in the global ranking of education systems. The country is ranked at 40th place globally for the level of staff training and at 47th for the quality of vocational training. The literacy rate in Mauritius was 91.9% in 2022. Mauritian students consistently rank at the top in the world each year for the Cambridge international examinations.

In 2021, the gross enrollment ratio for primary education was 99.9%, while the ratio for secondary education was 71.9%. At the tertiary level, the gross enrollment ratio was 47.8% in 2020. Total government expenditure on education totaled 3.5% of GDP and 8.9% of total government expenditure in 2021/2022. According to the World Bank, expenditure for research and development totaled 0.4% of GDP in 2020.

Education policy /
R&D



The Mauritius Research and Innovation Council (MRIC), established in 2019, is the platform for promoting R&D and fostering innovation in Mauritius. The MRIC is also responsible for administering the National Research and Innovation Fund, which finances research and innovation projects at the national level.

In line with the government's strategy to expand the island's enrollment of international students by offering top-quality higher education, the regulatory framework has been reviewed to create a more resilient and sustainable higher education system.

Governance

I. Level of Difficulty

Mauritius' geographical location – in the middle of the Indian Ocean – can be a source of isolation. However, the island has managed to overcome this distance, and, currently, the Indian Ocean has become a site of great geostrategic and political importance. Countries such as France, the United Kingdom, the United States and India have deployed military and defense assets in the region, while China is also looking to establish a presence. Therefore, it is in the interest of Mauritius and other Western Indian Ocean islands to seek strategic benefits from these major power players.

Mauritius is a member of the Small Island Developing States (SIDs) group and recognizes the numerous challenges it faces, including climate change, rising sea levels, and the imperative to maintain a green and clean environment. The Mauritian government consistently incorporates the goal of achieving a “green Mauritius” into its annual budgets. In 2020, the Climate Change Act was enacted with the objective of establishing a legal framework for Mauritius to become a climate-change-resilient and low-emission country. Additionally, Mauritius is actively involved in the Switch Africa Green Program, which is funded by the European Union with the aim of promoting sustainability and transforming the island into a sustainable entity.

However, this commitment to a “green Mauritius” seems to clash with the island's current development path – welcoming 1 million tourists on an annual basis and focusing on high-end property development initiatives such as the Smart Cities and Integrated Resort schemes. Such development is exacerbating the island's problems with water resources. Mauritius is currently classified as a water-stressed country, and by 2025, it is expected to become water-scarce.

Mauritius's lack of natural resources is, to a certain extent, compensated for by its people's talent and skills. Unfortunately, the island has been facing a serious brain drain, or human flight, over the past years. If this trend continues, the island will face a severe shortage of skills and expertise in areas in which it plans to make further inroads, such as the digital economy.

Structural
constraints

3



Mauritius, unlike a number of other African countries, did not have to fight against a violent or repressive system. Independence came to the island in a relatively bloodless manner. Mauritian politicians often refer to the Mauritian people as “lepep admirab” (wonderful people), suggesting that they do not like to stir up matters. Civil society engagement on the island seems to have moments of peaks and troughs. One important campaign was led by women in the 1970s, when women’s organizations grouped together to lobby for changes in the Civil Code and laws pertaining to marriage and deportation. Another protest occurred in the 1970s when a state of emergency and a moratorium on elections were imposed. Movement (through the Public Gathering Act) was restricted, and the media was censored. The considerable pushback saw the state of emergency lifted, and the right to print without heavy censorship was granted. In the mid-1980s and 1990s, civil activism tapered off with the advent of a market-driven economy and full employment.

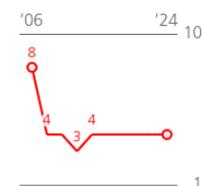
In recent times, civil society has increasingly concentrated on thematic-based concerns. The environment gained momentum with the establishment of two civic platforms: No To Coal in 2013, which lobbied against the construction of a coal plant, and Aret Kokin Nu Laplaz (Stop Stealing our Beaches) in 2019. Regrettably, civic engagement on the island has since diminished.

The island continues to exist as a multicultural and relatively socially cohesive society. The last time it faced a major ethnic riot was in 1999 following the death of Kaya, a reggae/segas singer from the Creole community, while in police custody. The concept of “malaise creole,” coined by Father Cerveau, a Creole Catholic priest, predates the 1999 ethnic riot and refers to the social and economic conditions of people belonging to the Creole community. There has been a growing demand for greater representation of the Creole community in public sector jobs, among other areas. It is interesting to note that some influential representatives from the Catholic Church have publicly commented on the often tacit discrimination faced by sections of the Creole community, who are essentially Roman Catholics.

On the surface, the island seems to be a picture-perfect example of harmony and cohesion. Regular appeals by the Council of Religions – an NGO established in 1994 – are made to encourage interfaith dialogue and coordinate religious leadership in Mauritius. However, one should not ignore the undercurrents of religious nationalism and identity politics.

Civil society traditions

4



Conflict intensity

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II. Governance Performance

14 | Steering Capability

Post-independence Mauritius has been characterized by a clear understanding of the need to diversify the economy away from the limitations of a monocrop economy. The country has been recognized for its transition into a democratic developmental state. During the 1980s and 1990s, the establishment of a dedicated Ministry for Economic Planning and Development ensured the formulation of policies and coordinated planning over five-year plan periods on a macro level. This approach helped identify economic and social development priorities in the country. Eventually, this ministerial function was incorporated into the Ministry of Finance. Successive victorious political parties and coalitions that assumed power did not bring about significant disruptions but rather continued on the path toward ensuring the country's economic prosperity.

In recent times, creeping mercantilism, growing corruption and the race to remain in power have considerably affected the governance architecture and caused a loss of focus on key areas of development. The government's fixation on using real estate development to entice foreign investors to reside in Mauritius has generated concern regarding sustainability.

Big-ticket infrastructure has also been privileged in recent years, guaranteed through loans or lines of credit from foreign countries such as India and China. To that effect, the Light Railway Project (Metro Leger) was rolled out in three phases (Phase 1, 2, and 3) between 2019 and 2022.

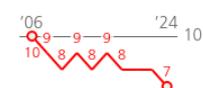
In its passage of key legislation, the executive has progressively taken over the general administration of the country in a pseudo-authoritarian manner, leaving little room for consensual implementation of policies.

Big business entities maintain a close relationship with the executive. Business and political elites collude to protect their core interests. A case in point was the loans disbursed by the Mauritius Investment Corporation (a special purpose vehicle under the aegis of the Bank of Mauritius, established post-COVID) to major corporate players.

Question
Score

Prioritization

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Implementation

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Policy learning in Mauritius since independence has followed a structured process and has also occurred coincidentally. The Mauritius model of economic development has been hailed. Its success has been based on adopting and adapting best practices from other countries.

For example, the development of the Export Processing Zone was influenced in part by the prior experiences of Singapore, Hong Kong, Taiwan, Puerto Rico and Jamaica – a group consisting mainly of small economies with limited local markets and natural resources. The development of Mauritius as an international financial center was centered around adopting various legislative models drawn from key offshore jurisdictions to establish the appropriate underlying framework, while leveraging the inherent advantages of the country in terms of geographic location, financial setup, skilled workforce, and the existing Double Taxation Avoidance Agreement with India in order to propel rapid and successful development. Similarly, with the tourism industry, Mauritius initially focused on developing an upmarket and secluded niche to generate higher value for the sector. However, in recent years, this strategy has changed with the arrival of chartered flights, bringing a higher volume of tourists with varying spending power. Regarding the sugar sector, Mauritius benefited from preferential access to the EU market with guaranteed quotas and prices. Over the years, with global trade liberalization, this benefit was eroded, culminating in the sugar sector slowly paving the way for other growth sectors. However, the sharing of expertise with other African countries in the sugar sector over the past few years is boosting regional integration and building capacity in the region, just as was the case for the textile industry in Madagascar in the 1980s and 1990s. The experience from Bangalore, India inspired the establishment of a cyber industry in Mauritius in the 1990s. However, the potential for fully developing the ICT sector has not yet been realized, resulting in low competitiveness within that sector.

As mentioned earlier, policy formulation used to be coordinated by a ministry dedicated to economic planning and development. This structure provided clarity on planning and implementing policies both at the economic and social levels. With no current dedicated institution for policy planning or implementation, it is difficult to establish, follow up on and implement policies coherently and in a structured manner.

Policy development is flexible and adjusts to new situations while leveraging inherent advantages. The focus on developing strategic alliances in the region is supported by a range of policy initiatives aimed at facilitating their implementation, including trade and investment facilitation, the sharing of skills and knowledge, and other regional cooperation issues.

Economic success has brought social prosperity, supported by a strong welfare system. The government has been claiming to enhance social inclusion within the development of a “green” and high-income Mauritius. However, challenges remain regarding the implementation of these measures.

Policy learning

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15 | Resource Efficiency

The incidence of corruption appears to be increasing, which is connected to the country's democratic backsliding. In round 9 of the Afrobarometer survey, Mauritian respondents identified corruption as one of the country's most significant issues. The impunity enjoyed by individuals engaging in corruption (often benefiting from political protection or largesse) is becoming increasingly blatant. What is particularly concerning is the destructive impact of corruption on the system.

National policy essentially follows a top-down approach, with the executive directing the implementation of policy at different levels through the established mechanisms instituted by the government.

The passage of laws in parliament follows debates that include both the opposition and government sides. It is concerning to observe that the opposition's valid points are systematically disregarded. However, laws are ultimately passed in a nearly mechanical manner, as the governing party/coalition members uniformly align themselves with the government.

Prior to the introduction of major policy matters, there are sometimes consultations at the national level, which include the public, business interest groups and trade unions. During the national budget process, a series of consultations with stakeholders are held. Regular tripartite discussions involving trade unions are held for the purposes of salary reviews and wage adjustments with respect to inflation.

Mauritius has a plethora of platforms and is a signatory to a number of anti-corruption mechanisms, such as the Public-Private Platform Against Corruption (PPPAC), the Private Sector Anti-Corruption Task Force, and the Construction Industry Anti-Corruption Committee. In 2018, it ratified the African Union Convention on Preventing and Combating Corruption. There is dedicated legislation and an anti-corruption body on the island, the Prevention of Corruption Act (2002) and the Independent Commission Against Corruption (ICAC). However, a number of questions persist: Why, despite all these initiatives, is corruption and the accompanying impunity on the rise? Are these existing platforms and different conventions simply for show? As mentioned earlier, public trust in the ICAC is at rock bottom due to its blatant partiality and incoherent functioning, both of which result from the politicization of the institution.

In the review period, some media publications helped expose corrupt practices, which led to retaliation from those in power. Punitive measures include denying them government advertisements and boycotting them. Both the current and preceding governments have repeatedly promised to enact a Freedom of Information Act, but no action has been taken to date.

Efficient use of assets

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Policy coordination

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Anti-corruption policy

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The constitution provides for the establishment of the National Audit Office (NAO), an independent public body that audits government spending in ministries as well as in all government departments and authorities. The NAO presents an annual report to parliament. The Public Accounts Committee (PAC) in parliament, which has members from multiple parties, is responsible for overseeing the government's expenditures and ensuring their effectiveness.

Over the past several years, the NAO has consistently highlighted lapses in procurement and deficiencies in the management of government projects, as well as in control over expenditure. These issues have had a negative impact on public finances, resources and service delivery.

Although the National Audit Office (NAO) and the Public Accounts Committee (PAC) publish damning reports every year on wastage and misuse of public funds, no corrective measures or sanctions are adopted. The major problem seems to be the absence of commitment to addressing what can be referred to as chronic waste and opacity in the public services sector. Parliament, which is supposed to act as an oversight body, is unable (despite the willingness of the opposition) to rein in the inefficient use of public funds.

The budget deficit for 2022/2023 is expected to fall to 4% of GDP, while public sector debt stood at 85.2% of GDP as of September 2022, when measured in gross terms, improving slightly from 2021. These improved figures from the past years indicate that revenue has been picking up. However, the greatest challenge remains managing public expenditure.

16 | Consensus-Building

Mauritius has cultivated a reputation as a stable and representative democracy. This has been one of the key ingredients for the Mauritius success story, where the ballot – as opposed to the bullet – was promoted. There have been regular changes in government, elections have been conflict- and violence-free, and the overall results have been accepted by the majority.

However, democratic consolidation has stagnated. A much-needed electoral reform, initiated in the early 2000s through the commissioning of the Sachs report, has been stalled due to key political actors' inability to reach consensus. Similarly, issues pertaining to political party financing and expenses, as well as better gender representation, have generated little agreement.

In recent years (2016 onward), the quality of Mauritian democracy has declined, with a systematic weakening of key institutions, the advent of money politics, an election marred by irregularities and a culture of entrenched impunity.

Consensus on goals

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Mauritius' economic prosperity depends on the presence of a functioning market economy. All actors, particularly the business community, have a keen interest in strengthening this economy. Over the years, public-private cooperation efforts and partnerships have expanded. Tripartite engagements involving trade unions continue to play a role in selected national decisions.

However, this market economy is increasingly becoming unequal, often driven by big business lobbies seeking to promote their interests.

The constitution, established since independence, provides for Mauritius to be a sovereign democratic state. Thus, democratic values and principles are enshrined in the constitution. Anti-democratic veto actors do not exist in Mauritius. However, the progressive and insidious “state capture” of key institutions by the government may impede the proper functioning of the democratic state. The irregularities and anomalies noted during the last elections in 2019, whereby 10 electoral petitions were filed in the Mauritian Supreme Court, reflect the lack of trust in institutions such as the Electoral Commission. Moreover, there have been a number of attempts to control the communication, media and information space, but fortunately, due to pushback from civil society, this has been contained (for the moment). Although the media continues to enjoy a number of freedoms, there has been pressure put on the public sphere, especially on private media outlets that are considered critical of government action. The weaponization of the Mauritius Police to crackdown on citizens and political opponents, resulting in police brutality and the torture of prisoners, is another worrying trend.

As Mauritius is a multiracial and multicultural society, political leaders have always strived to promote initiatives and accompanying measures to consolidate national unity. The introduction of the “Best Loser System” in the pre-independence electoral system has helped guarantee ethnic representation across the entire electorate while promoting ethnic diversity and inclusion. However, over time, this system has been widely criticized for its communal and ethnic undertones, undermining the move toward a more united Mauritius. Unfortunately, political parties continue to leverage ethnic identities to gain political mileage, especially during elections. Reforms promoting stronger national unity across ethnic divides, thus moving toward a more modern and inclusive society, are long overdue.

In recent years, a number of cleavages affecting Mauritian society have become apparent: the worrying rise in drug abuse, especially among the youth; growing corruption and impunity at the highest level of political leadership; the marginalization of the Creole community; gender inequality; and youth frustration leading to a brain drain and subsequent loss of skills in the local market. Despite numerous initiatives launched by the government, gaps remain.

Beyond these issues, it must be stressed that the welfare system reaches all parts of society and does not exclude any group. However, there have been calls to move toward a targeted welfare system in which the more needy segments of Mauritian society might be better supported. The government is assisted by civil society in its

Anti-democratic actors

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Cleavage / conflict management

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endeavors to address any existing cleavages. Although some civil society organizations are organized along ethnic or religious lines, there are many that are free from such alignments.

In general, political leadership in Mauritius remains highly opportunistic. Consultation and engagement mostly occur during election time, when political candidates articulate their political agendas along the lines of “Why you should vote for me?” These political offers are often driven by clientelism and money politics. It should also be noted that the electoral manifestos of the different mainstream political parties are rarely presented in a manner that encourages public deliberation.

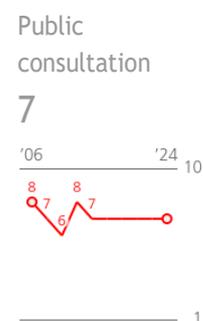
Parliament, through its elected representatives, is supposed to serve as a forum for representative and deliberative democracy. Historically, this was partially the case; however, the tyranny of numbers often prevails, resulting in a lack of substantial debate when passing significant bills. During the review period, several crucial pieces of legislation were introduced, such as the Offshore Petroleum Act (2021), the Cybersecurity and Cybercrime Act (2021), and the Immigration Act (2022). These acts necessitated informed exchanges not only between the two houses of the legislature but also with the broader public; unfortunately, such exchanges did not occur. Additionally, important amendments were made to the Independent Broadcasting Authority in 2000.

On more specific occasions, such as pre-budget consultations, civil society is consulted. Issues pertaining to social concerns at large – the environment, workers’ rights, religious matters, charity and gender-based matters – are factored into policymaking.

Civil society organizations (CSOs) influence certain policy areas to a greater extent than others. For example, CSOs have a role in providing services and engaging in charitable activities. Additionally, there is a sizable number of CSOs that concentrate on sociocultural initiatives for religious groups, women, the elderly and young individuals. CSOs generally do not conduct systematic monitoring and evaluation of government performance, and both sectoral and geographic umbrella organizations, along with coordination bodies, have limited strength.

Lobbying by environmentalists has not yet had a significant impact on influencing policymaking, despite achieving some successes in protecting the country’s flora and fauna. However, the private sector has been proactive in influencing political actions concerning the environment.

In moments of crisis – as recently witnessed by the COVID-19 pandemic and the Wakashio ecological disaster – CSOs, including NGOs, diligently came forward to provide support to those affected.



Policymakers in Mauritius have consistently fought for reparations concerning the forced displacement and ongoing abuses of its citizens of Chagossian descent, who were the inhabitants of the Chagos Archipelago. This past injustice toward the Chagossian community for almost 50 years amounts to crimes against humanity committed by a colonial power. The relevant section of the 2023 Human Rights Watch Report confirms this. The publication of official documents exposed not only the plans but also the blatant racism of U.K. officials toward the Chagossians.

When Mauritius obtained independence from the British in 1968, it was forced to relinquish the Chagos Archipelago as part of its territory, creating a new colony for Chagos known as the British Indian Ocean Territory. The excision of the Chagos Archipelago was a complete violation of the relevant United Nations resolutions, primarily Resolutions 1514 and 2033. The objective behind this action was for the United Kingdom to allow the United States to construct a military base on Diego Garcia. Consequently, between 1965 and 1973, the inhabitants of the islands, known as the Chagossians and predominantly descendants of enslaved people, were forcibly uprooted in a highly inhumane manner and relocated to Mauritius, the Seychelles and the United Kingdom.

For many years, the government of Mauritius has sought the return of its sovereignty over the territory of Chagos. Backed by the Chagossian community, there have been continuous efforts from the government to seek reparations, including the right to allow the Chagossians to return to their homeland. It has been a relentless and long battle with major milestones achieved over the past years: in 2019, the International Court of Justice delivered an advisory opinion that the process of decolonization of Mauritius was incomplete, thereby obliging the U.K. to end its administration of the Chagos Archipelago within a timeframe that has not been respected. In 2020, the United Nations depicted the Chagos Archipelago as Mauritian territory on the map.

On November 3, 2022, the U.K. government announced that it had opened negotiations with Mauritius on the future of the Chagos Islands to “secure an agreement on the basis of international law to resolve all outstanding issues, including those relating to the former inhabitants of the Chagos Archipelago.”

Reconciliation

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17 | International Cooperation

Mauritius' foreign policy has always focused on nurturing good foreign relations with major international powers, including its former colonial rulers, on the economic, political and cultural fronts. As an island with no natural resources and an open economy, Mauritius logically opted to leverage its special relationships with certain countries to enhance its economy's competitiveness. Progressive expansion over the years has seen Mauritius engage in regional and multilateral economic cooperation, trade agreements and market access with various countries.

The large number of bilateral and multilateral agreements in place for economic, investment, and trade developments demonstrates that economic interests are the main focus of development. Several instruments, such as investment promotion and protection agreements (IPPAs), double taxation avoidance agreements (DTAAs), free trade agreements, and economic cooperation agreements, are in place to promote economic cooperation and development in Mauritius and the region.

In 2021, two important agreements came into force – the free trade agreement (FTA) with China and the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India. The established historical, diplomatic and cultural ties with India and China have reinforced the bilateral exchanges between these two economic giants and Mauritius. In recent years, China and India have financed numerous development projects, particularly significant infrastructure projects. China has provided funding for projects such as the airport, low-cost housing, bridges, sewage systems and major engineering contracts in the public and private sectors. Conversely, India has offered credit lines and grants to finance the light railway and has funded projects for social housing, hospitals and the Supreme Court building through the Special Economic Package. The new agreements facilitate trade in goods and services with preferential trade access, thereby boosting trade between Mauritius and the two economic powers. Moreover, these agreements enable technical cooperation for skills enhancement to promote expertise development. An interesting feature of the China-Mauritius FTA is the provision for the establishment of a Renminbi Clearing House, aimed at simplifying trade by conducting transactions directly in renminbi instead of U.S. dollars. Across Africa, the Chinese have established regional clearing renminbi centers, and Mauritius has the potential to become a financial services intermediation center.

In spite of the many agreements, there seems to be a lack of long-term strategy. The development of cooperation with partners has concentrated mainly on India, China and the European Union. In the case of the latter, this falls within the context of the overall post-Cotonou Accord and within the framework of the signed Economic Partnership Agreement for the region.

Effective use of support

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Mauritius has established credibility on the global scene with a foreign policy driven by trade and investment and by meeting international obligations. Over the years, Mauritius has consistently built a reputation as a reliable and safe jurisdiction for foreign investment. It has become a successful and reputable international financial center over the past 30 years, facilitating cross-border transactions in the region and becoming an investment hub for Africa and Asia.

The various bilateral agreements relating to investment, taxation and trade testify to the confidence foreign countries have in Mauritius in conducting business and investments. The authorities have rigorously ensured that a conducive business and investment environment is in place to attract foreign investment. To this end, an attractive tax regime, a solid financial system and flexible investment structures have provided the necessary framework.

Mauritius collaborates with the World Bank and the OECD on issues such as money laundering, financial terrorism and international tax evasion. In 2021, Mauritius managed to be taken off the FATF Grey List and the EU Black List due to the improvements made in enhancing the effectiveness of its AML/CFT regime. Additionally, Mauritius followed an action plan to tackle strategic deficiencies pointed out by the FATF.

Mauritius submitted its updated, nationally determined contributions to the United Nations Framework Convention on Climate Change Secretariat with an enhanced ambition of reducing greenhouse gas emissions by 40% by 2030. This submission reiterates the country's commitment both to reducing national emissions and adapting to the impacts of climate change, all while actively pursuing domestic climate actions.

Further, Mauritius has signed all international treaties regarding industrial and commercial properties and prevents brand piracy on its territory.

Regional cooperation and integration have always been a priority in Mauritius' development strategy, given its geographic location and distance from major trading partners. Mauritius is a member of the African Union and various subregional organizations, including the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission (IOC), and the Indian Ocean Rim Association (IORA). The primary areas of cooperation revolve around trade, industry, finance and investment, with a particular emphasis on food, agriculture, the environment, tourism and labor.

Through its Africa Strategy, Mauritius aims to encourage foreign investors to use the island as a springboard to Africa. In recent years, Mauritius has taken the lead in helping to develop special economic zones in countries including Ivory Coast, Senegal, Ghana, Kenya, Mozambique and Madagascar. The Economic Development Board, in collaboration with the Mauritius Africa Fund, actively promotes these zones, which seek to attract investment in various sectors such as ICT, financial

Credibility

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Regional cooperation

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services, manufacturing (including textiles), logistics, education, tourism, infrastructure development, energy, health and professional services. Mauritian expertise in the sugar industry has also been utilized to rehabilitate and manage sugar production in Mozambique, Tanzania, Ivory Coast, Madagascar and Uganda.

In light of the significant geostrategic and maritime trade routes, security in the Indian Ocean region is a major concern for the ocean islands, as well as the international community as a whole. With funding from the European Union through the MASE Program, the IOC is spearheading an effort to establish a maritime security architecture that aligns with relevant international conventions. The Seychelles, along with Mauritius, plays a pivotal role in ensuring maritime security. The United States government has offered training, conducted through its embassies in Mauritius and the Seychelles, to enhance the legal framework for preventing piracy in the Indian Ocean region.

India's strategic vision for the Indian Ocean, called Security and Growth for All in the Region (SAGAR), was launched in 2015. It aims to "deepen economic and security cooperation with its maritime neighbors and assist in building their maritime security capabilities." SAGAR also impacts India's policy in the maritime domain by making India a "net security provider." This seems to have marked a turning point in the relationship between Mauritius and India, with India's utilization of Mauritius' Agalega Island.

Mauritius is consistently strengthening its bilateral cooperation with the Seychelles and Madagascar. In 2020, Mauritius and the Seychelles signed two memoranda of understanding (MoUs) regarding cybercrime and security, and combatting crime more generally. These two nations maintain their collaboration on shared challenges, including climate change, food security, illegal drug trafficking and maritime security. The Joint Commission of Mauritius and Madagascar is further enhancing cooperation in the political, economic and cultural domains. These areas encompass fisheries, agriculture, education, the exchange of information within the context of investigations, and the combat against illicit trafficking and cross-border crimes.

Strategic Outlook

The diversification of the economy remains a critical element in Mauritius' aspiration to become a high-income and sustainable country. The authorities need to embark on a comprehensive reform agenda to identify priorities, address obstacles, increase efficiency and ensure diligent implementation of agreed policies.

Given its high reliance on tourism, the Mauritian economy would benefit from diversifying into other sectors such as ICT and the "blue economy," while also consolidating existing sectors. Greater digitalization should help further promote diversification and allow the country to move up the value chain, but this will require policies to improve digital connectivity and data security.

The current strategy of focusing on real estate development on a small island seems to be in contradiction with the purported aim of transforming Mauritius into a sustainable economy.

One of the key constraints is the increasing shortage of suitably skilled workers, caused essentially by the growing brain drain of skilled Mauritians leaving the country. The labor force participation rate stood at 56% in 2022, indicating a growing aged population that must be sustained by the active population and heavy pension disbursements.

There is also growing competition regionally to maintain the attractiveness of Mauritius as a premier investment and trade hub. The existing assets of the island need to be leveraged to significantly improve Mauritius' competitiveness. Regional cooperation and integration need to deepen in order to enhance Mauritius' strategic position and role as a bridge between Asia and Africa. Despite numerous initiatives undertaken so far, the potential for further development remains unexploited.

The key macroeconomic challenge for Mauritius is to maintain its economic recovery while controlling inflation in a global environment with high fuel and food prices and a slow recovery in demand due to the war in Ukraine. As the recovery solidifies, it will be necessary to further consolidate fiscal policies to regain fiscal flexibility and ensure debt sustainability. Normalizing the monetary policy stance in a timely manner should assist in addressing rising inflation expectations and potential second-round effects. Priorities should also include enhancing competitiveness and undertaking structural transformation to enhance the economy's sustainability and resilience.

The growing lack of independence of key institutions raises serious concerns regarding the proper functioning and oversight of the democratic space. Parliament, a significant feature of a thriving democracy, has been considerably weakened since 2019, and the blatant partiality exhibited by the current speaker has sparked outrage among the population at large. The increasing politicization of many key institutions in Mauritius is clearly one of the causes of the growing weakness and is affecting investor confidence. The intensifying "state capture" is gradually eroding the island's democratic track record. Corruption, impunity and opacity at the highest political level, along with an increasingly brittle governance architecture, are matters of deep concern.

The Indian Ocean is increasingly becoming a key stage for powerful geostrategic and political interests. Mauritius must ensure that its economic, political and security interests prevail.