COUNTRY CASE STUDY

MAURITIUS

FROM MONO-CROP ECONOMY TO MIDDLE-INCOME COUNTRY

Mauritius has transformed itself from a low-income mono-crop economy to a middle-income country, and is now one of the most successful African countries. The country's exports were heavily concentrated in the sugar, textile and garment sectors (accounting for over 80 per cent of total exports in the 1980s). With private investment from the boom of sugar prices in the 1980s, coupled with thoughtful and forward-looking government strategies (geared towards major investment in education and infrastructure), Mauritius has successfully moved from dependence on a few products to a relatively well-diversified economy, with tourism and services emerging as major contributors to export growth.

The inception of the industrial zone in the 1970s has brought about positive contributions towards its macroeconomic indicators. After more than 40 years, the contribution of manufacturing has changed significantly. In 2012, manufacturing accounted for 18 per cent of GDP. Infact, the success of the Mauritian economy can be largely attributed to its trade openness, given its small domestic market. To that end, the local economy has been growing almost consistently at 5 per cent since its independence, with GDP per capita rising from $260 in 1968 to more than $6,000 in 2011.

This commendable economic performance has been attributed to sound economic and, more particularly, well-conceived and appropriate industrial policies. Since independence, ‚Mauritius pursued a progressive industrial development policy, despite its agrarian dependence and history. Earlier incentives in manufacturing were built on income tax ordinances, which allowed generous fiscal incentives to promote import substitution industries and to attract new enterprises considered beneficial to Mauritius's economic development. More recent industrial policies aim to move away from incentive-driven processes to create clear, transparent and rule-based processes and procedures for investing in Mauritius and improve the investment climate.

SUCCESS OF INDUSTRIAL POLICY LINKED TO PROMOTING HIGH LEVEL COORDINATION AND PUBLIC-PRIVATE DIALOGUE, AMONGST OTHERS

Continual government efforts to involve public and private stakeholders in discussions on formulating and executing industrial policies have contributed to the unique success the country has registered. Behind the industrial strategy of the manufacturing sector lies a network of government and private sector institutions responsible for elaborating policies, negotiating internationally, laying out export promotion programmes and implementing agreements and decisions.

Through regular contacts, their representatives are capable of monitoring the performance, constraints and opportunities of current and future production activities. Such close cooperation between government and private sector is fairly unique, made possible through structured dialogue. The main bodies are the Ministry of Industry, Commerce and Consumer Protection, the Board of Investment, the Development Bank of Mauritius, the Mauritius Chamber of Commerce and Industry (MCCI), and the Mauritius Export Association (MEXA). Of these, the first three are government and public authorities and MCCI and MEXA are private organisations. Other institutions have also been created as necessary to support effective implementation and the evolution of these institutions has been driven by careful evaluation of their performance each year.

These structured forms of dialogues exist in three parts. First are the regular meetings between government ministries directly concerned with the country's economic development, the presidents and directors of the main private sector institutions, including weekly cabinet meetings to ensure inter-ministerial coordination. Second, sees the presence of private sector representatives sitting as full-fledged members on a host of public and parastatal bodies in charge of running investment and export promotion programmes, elaborating national economic development strategies and outlining strategies and stands to be adopted. Third, Mauritius's core private institutions have representatives in European offices and at the World Trade Organisation. These multiple levels of regular public-private interactions allow for informed policy decisions and it is little wonder why Mauritius is one of Africa's success stories.

RESPONDING TO THE CHANGING NEEDS OF INDUSTRY – MAURITIUS BOARD OF INVESTMENT (BOI)

Industrialisation is not a costless process and attracting sustainable investment is vital for Mauritius to achieve its industrial policy goals. This objective forms a central role that the BOI, set up in 2001 following the Investment Promotion Act 2001, plays in industrial development. BOI seeks to attract "sustainable investment" and it achieves success largely through the flexibility and adaptability of its leadership in developing strategies that adjusts to a changing business climate. Through close coordination with private sector stakeholders, goal setting is heavily influenced by the changing needs of domestic business as well as global conditions. Mauritius has benefited from this dynamism, having witnessed the influx of foreign direct investments from a diverse range of markets, including non-traditional markets such as the Middle East, China and Russia. Not resting on its laurels, BOI has also altered its internal structures to better market Mauritius to potential investors and is currently in the process of moving to a cluster-based sales team approach.

SUPPORTING SMALL AND MEDIUM ENTERPRISES (SMES) TO COUNTER MARKET FAILURES

Recognising that the industrial sector faced the key challenges of low technology adoption and innovation, Mauritian government created the Small and Medium Enterprises Development Authority (SMEDA) to 'facilitate the promotion, development and competitiveness of small and medium enterprises (SME). SMEDA's objectives centre on equipping existing SMEs with the technical and innovative capabilities to raise productivity, efficiency and profitability.

ANTICIPATING FUTURE GROWTH CHALLENGES

Notwithstanding the notable success, the country faces some challenges. Rising production costs, logistic constraints and lack of capabilities in ancillary services constitute major hurdles. Internationally, manufacturing is facing a sharp transition from depending on trade preferences and tariff protection to competing globally.. To mitigate potential adverse impact on future growth, the government's new strategy centres on an entrepreneurial and innovation-led model of industrial development, driven by innovation and technology, high-tech investment, product and market diversification, green production, value addition, improved response time, sustainable development, synergized support services and a dynamic regional and multilateral trade policy, among critical factors. The government has also introduced the Economic and Social Transformation Plan, which lays out the policies and strategies for Mauritius to become a high-income country over the next 10 years. In addition, over the last few years, policies to promote new sectors (land-based oceanic activities, hospitality and property development, healthcare and biomedical activities, and the knowledge hub, among others) have been promulgated. These sectors will help diversify and expand the export base.