

## NATIONAL STATEMENT

BY

DR THE HON NAVINCHANDRA RAMGOOLAM, GCSK, FRCP

PRIME MINISTER

### Mauritius : An African Model for Sustainable Development

#### Defying Conventional Wisdom

At independence in 1968, Mauritius was seen as a strong candidate for membership in the developing world's club of "basket cases".

Mauritius had a stagnant economy, dependent entirely on sugar production, with large scale unemployment and a multi-ethnic population which was growing very rapidly.

A study in 1961 by Professor J E Meade, a Nobel Laureate for Economics, concluded that the country was doomed to failure, while another Nobel Laureate for Literature, V S Naipaul, described it as an "overcrowded barracoon plagued by despair and where problems defy solutions".

Richard C Kearney, a social economist said "This is a well tested recipe for social and economic disaster".

Yet a visionary political leadership proved all of them wrong.

It endowed Mauritius with a strong and independent public service and an independent Judiciary and chose the path of democracy.

Mauritius adopted a successful strategy of free education while diversifying the economy. With the result that, while at independence per capita income was less than 200 US dollars, today Mauritius is an upper middle-income country with a per capita income of nearly 10,000 US dollars.

Mauritius is now well on the way to join the league of high income countries.

Today, the Mauritian development model is referred to as the Mauritius miracle.

This is how Professor Joseph E Stiglitz, another Nobel Laureate in Economics put it in an article published in Business Day in New York in 2011:

"Suppose someone were to describe a small country that provided free education through university for all of its citizens, transport for school children and free healthcare – including

heart surgery – for all. You might suspect that such a country is either phenomenally rich or on the fast track to fiscal crisis.

But Mauritius, a small island nation off the east coast of Africa, is neither particularly rich nor on its way to budgetary ruin. Nonetheless, it has spent the last decades successfully building a diverse economy, a democratic political system and a strong social safety net. Many countries, not least the US, could learn from its experience”.

The Mauritian model has indeed been an effective model for sustainable development.

<b>Our success is due to many factors</b>
➤ <b>A visionary leadership committed to public welfare and democracy resulting in political stability</b>
➤ <b>Strong institutions and good governance</b>
➤ <b>Social justice with a welfare State</b>
➤ <b>Free education in 1977</b>
➤ <b>A bilingual population - English and French with many also speaking Hindi and Mandarin</b>
➤ <b>Independent Judiciary with the Judicial Committee of the Privy Council in London as ultimate Court of Appeal</b>
➤ <b>Effective framework for Government – Private Sector and Civil Society dialogue</b>
➤ <b>Perennial commitment to liberalise the economy – with effective diversification of the economy</b>
➤ <b>Unwavering commitment to international regulatory compliance</b>
➤ <b>Deep engagement in regional integration</b>

### **Institutions as Engine of Development**

Mauritius started on its development challenge with institutions that are today seen as crucial to rapid progress. At independence it already had institutions that allowed for property rights to be upheld, for contracts to be legally binding and for good governance in a democratic tradition. The country started with the creation of regulatory institutions even before independence. One example was the setting up of its Central Bank modeled after the Bank of England. This was a crucial step forward to create institutional capacity for both regulatory and macroeconomic stability purposes.

Mauritius also created the right social insurance institutions to protect workers and entrepreneurs against crop failures and price fluctuations, especially in the sugar industry. This considerably mitigated the risks associated with activities leading to development, lowered costs, and allowed for

better managing and even avoiding social conflicts. This also allowed for the development of a cohesive society characterized by trust and social cooperation. Mauritius continues to strengthen its institutional capacities aimed at propelling the economy and entrenching the entrepreneurial culture.

### **Good Governance and Effective Framework**

Institutions have played a manifestly vital role to promote and nurture good governance. Mauritius has been **ranked first every year since the Mo Ibrahim Index of African Governance was launched in 2007**. This ranking is attributed to high performances in four main areas:

- **Human development,**
- **Safety and rule of law,**
- **Sustainable economic opportunities and participation, and**
- **Human rights.**

With strong institutions and good governance it was relatively easy for government, the private sector and civil society to develop a shared approach to development based on constant dialogue and cooperation.

This has enabled government and the private sector to work together to carry through the nation's development strategies.

Institutions like the National Economic and Social Council provide a forum for civil society to have a say in policy making.

### **Perennial Commitment to Liberalize the Economy**

Mauritius moved from being one of the most protected economies in the world in the seventies to become one of the most liberalized. In the early years of independence the maximum income tax rate was 75%. Today both personal income tax and corporate tax is at 15%. Other key reforms include the liberalization of interest rate and the capital account of the balance of payments in the nineties, and total removal of import duties on inputs.

This economic liberalization endeavor gained a significant impetus from a greater opening up of the economy in 2006 as part of a series of reforms to boost private investment, in particular foreign investment. The opening up of the country to foreign talents, ideas and expertise included a series of

measures to facilitate foreign professionals to work, invest and live in the country. At the same time Mauritius had set the goal of being among the top ranking countries in the World Bank Ease of Doing Business Survey and has since climbed to 20<sup>th</sup> among 189 countries.

These liberalization policies and reforms have also allowed Mauritius to make a significant breakthrough in the World Economic Freedom Index. It currently occupies the 8th position out of 144 countries.

### **International Regulatory Compliance**

As a small-open economy, highly dependent on its exports of goods and services with an ambition to further grow its global business centre, Mauritius is fully compliant with international regulations.

<b>Mauritius upholding its reputation as a clean jurisdiction of substance for global businesses</b>
➤ <b>Mauritius has signed a Tax Information Exchange Agreement and an Inter-Governmental Agreement with the United States of America for the implementation of the US FATCA</b>
➤ <b>Regarding India the Mauritian government has agreed to the posting of an Indian tax officer at the Indian High Commission in Mauritius to facilitate the exchange of information</b>
➤ <b>The country is a member of the Global Forum and the Financial Services Commission</b>
➤ <b>Mauritius has signed MOUs with several regulators worldwide</b>

Due to its high degree of compliance with international regulations, Mauritius is not on the OECD's list of tax haven countries. In fact we are on the White List. A Commonwealth Secretariat study carried out in 2007 concluded that Mauritius was in fact over-regulating. The IMF through its Deputy Managing Director also clearly stated that Mauritius is **not** a tax haven.

### **Economic Diversification**

Economic diversification has been the linchpin of the island's growth strategy. From a classic example of a monocrop economy, the country has diversified into a range of other activities.

Government created an environment conducive to a broadening of activities in agriculture, investment in manufacturing and tourism. In the process, the financial sector grew into a new pillar of the economy.

In the 1990s Mauritius started the second wave of diversification with the offshore centre, which is now the Global Business Centre, a Freeport and an ICT/BPO sector which is today one of the fastest growing sectors.

It entered the new millennium with a third wave of diversification. This included the seafood hub, real-estate, luxury villas, renewable energy, knowledge centre of excellence, health centre of excellence and a creative industry.

Recently Mauritius defined a roadmap for the ocean economy – an ambitious project that seeks to tap the potential of its vast Exclusive Economic Zone extending over 2.3 million square kilometres.

### **Regional Cooperation and Integration**

Regional cooperation and integration has always been a main economic policy thrust of the country. As an active member of the African Union, Mauritius played an instrumental role in the enactment of AGOA. It is an important player in SADC, COMESA, the Indian Ocean Commission and the Indian Ocean Rim Association. Over the years, Mauritius has fostered close trade and investment ties with several countries in the African continent.

Mauritius is establishing a new G2G approach to bilateral cooperation focused on cooperation in areas covering, sugar, textiles, tourism, and seafood production, development and management of special economic zones, and recruitment of health and education personnel.

All these are in addition to efforts to promote greater cooperation among African Investment Promotion agencies. This year, Mauritius has taken the initiative to hold a high level conference bringing together the CEOs of some 30 African Investment Promotion Agencies to share experiences and to maximize synergies in business development.

Mauritius is conscious of the importance of capacity-building if Africa is to successfully seize the unprecedented opportunities for rapid and sustained development. The country is thus hosting three main training institutions:

- **The IMF Afritac South,**
- **The IMF Africa Technical Institute, and**
- **The Regional Multi-disciplinary Center of Excellence.**

Mauritius is also the seat of the first African International Arbitration Centre with a full-fledged office of the Permanent Court of Arbitration based in the country.

### **The Next Step – Empowering Future Generations**

The Mauritian model clearly demonstrates how the interests of society can be reconciled with those of the individual to attain sustainable development.

We have taken several measures to ensure that the future custodians of society are fully geared-up to participate fully in the transformation process. As part of our **High Income, Inclusive and Sustainable** agenda, we have developed a comprehensive programme to embrace youth mainstreaming. **Mauritius is committed to focus** on human capital development through an education system adapted to the aspirations of young people, gender equality, youth participation in decision-making, and democracy and human rights.

**Our commitment** emphasises entrepreneurship education and a micro-credit scheme for budding entrepreneurs.

The provision of free education and transport to students up to tertiary level is widely acclaimed as one of the key drivers of the economic success of Mauritius.

All these measures underpin the philosophy of a people-centric development with the ultimate purpose of serving our citizens; ensure their well-being and continuously improving their quality of life.