

# BTI 2012 | Mauritius Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Please cite as follows: Bertelsmann Stiftung, BTI 2012 – Mauritius Country Report. Gütersloh: Bertelsmann Stiftung, 2012.

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### Key Indicators

Population	mn.	1.3	HDI	0.728	GDP p.c.	\$	13671
Pop. growth <sup>1</sup>	% p.a.	0.5	HDI rank of 187	77	Gini Index		-
Life expectancy	years	73	UN Education Index	0.659	Poverty <sup>3</sup>	%	-
Urban population	%	42.6	Gender inequality <sup>2</sup>	0.353	Aid per capita	\$	122.0

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

## Executive Summary

The 2010 general elections served as further proof of Mauritius's functioning democracy. Furthermore, Mauritius's calm and safe passage through the rough waters of the global economic and financial crisis in the past three years has shown the robustness of its economy and its high level of diversification. The island state recently outperformed all other African states in the HDI, ranking at 72 in 2010 (74 in 2008) with a "high human development." Since its independence from Britain in 1968, Mauritius has become one of Africa's most impressive success stories and one of the rare post-colonial countries that can compete at the same level as the major players in the global arena.

The 2010 general elections kept the incumbent Prime Minister Navin Ramgoolam in power. However, there has been a shift of coalitions as Ramgoolam's Mauritius Labor Party (MLP) is now in a coalition with the Militant Socialist Movement (MSM) led by Pravin Jugnauth and the Mauritian Social Democrat Party (PMSD) which is led by Xavier Duval. Paul Bérenger's Mauritian Militant Movement (MMM) and its coalition partners fell short of winning the majority vote but accepted their defeat as others have done in the past.

The factors that contribute to Mauritius's political and economic success include committed politicians who respect democratic principles, a hard-working population that generates wealth and prosperity, a well-developed education system, a functioning welfare system and the sheer necessity to keep the country on the road to success in order to overcome the structural disadvantages related to Mauritius's isolated location in the middle of the Indian Ocean, its lack of resources and its small size. There is wide consensus on the main aspects of Mauritius's domestic and foreign policy. In fact, consensus became a hallmark of Mauritius's post-colonial development and still contributes to its political and economic success.

Mauritius's transformation is not a transformation in the classical sense of the word, but rather an ongoing strengthening and consolidation of its achievements in terms of democracy, economic and social success. The country is fully democratic and developed. The government's tasks are to secure prosperity and to ensure that it is available to everybody on the island, to develop the island further in order to compete with other states in a globalized world and to expand and cultivate the welfare and education systems to promote de facto equal opportunity regardless of gender, ethnicity, social class or religion.

## History and Characteristics of Transformation

Mauritius's colonial and post-colonial development is in many ways unique. Mauritius was an uninhabited island up until the Arabs and the Portuguese arrived a few centuries ago. It was only when the French took over the island following a brief Dutch occupation that the island became permanently populated. Even after the British defeated the French and took control of the island, French prevailed as a lingua franca, alongside Creole, and certain French influences are still visible today. The same is true for the British, from whom the Mauritians inter alia inherited the political, administrative and education system, kept it alive and developed it further. The Westminster model of parliamentary democracy used from the early post-colonial days onwards is still functional and accepted.

While the French shipped slaves of African descent – the ancestors of today's Creoles – to the island, the British allowed Indians to settle there. The Indian community is nowadays the largest ethnic group on the island with certain political and economic advantages following on from their demographic dominance. All of the prime ministers since independence have been of Indian descent, with the exception of Paul Bérenger, who belongs to the Franco-Mauritian minority that is small but influential, dominating business and to a lesser extent politics. Bérenger was prime minister between 2003 and 2005. A handful of families control politics in Mauritius: There are the Ramgoolams (Seewoosagur Ramgoolam led Mauritius into independence and his son Navin is the current prime minister), the Jugnauths (Anerood Jugnauth was prime minister in the 1980s and is currently president, and his son Pravin is currently the deputy prime minister), and the Duvals (Gaëtan Duval was an active politician during the decolonization period and part of the first post-colonial government, while his son Xavier Luc has been member of the cabinet in the last decade).

Mauritius's uniqueness is that it did not follow the same path as the majority of other African states but instead developed into a prosperous state with a functioning and acknowledged democracy, a strong economy and a developed welfare system. Furthermore, perhaps due to the fact that all islanders are "guests" on the island and not natives, Mauritians with their different ethnic, social and religious backgrounds live in peaceful coexistence. Ethnic riots only erupted

once in 1999, when the Creole community demanded better opportunities in the political, social and economic realms. Since that day a lot has been achieved: Creole became a formal language (there were no spelling rules in the past) and a Creole elite is slowly forming, climbing up the hierarchy in politics and business.

The fact that there have not been more serious incidences like the 1999 riots is explained by the successful implementation of democratic norms and standards, and also by the economic success of Mauritius, which has exceeded all expectations. Mauritius had been dependent on sugar cane production that was introduced by the French. This dependency lasted until the 1960s and early 1970s. In addition, Mauritius was overpopulated and hence several commentators argued that the island's outlook was bleak. Mauritius's first post-independence government started to diversify the economy. Textile production was introduced and tourism started to spread on the island. In the 1980s, financial services were discovered as an additional source of income and in the 1990s, the fourth pillar of Mauritius's economy, namely the IT sector, reached the island when the government of the day implemented a Cyber Island strategy. The Mauritians have been very successful in securing their achievements and hence the island became Africa's shining example of democracy and prosperity. While other model states, like South Africa, have natural resources as the backbone of their economies, Mauritius does not and hence its development and success is very remarkable.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Mauritius's statehood is clear. The state has the monopoly on the use of force. There is no standing army; the police and special forces carry out all security functions under the command of the commissioner of police.

The notion of a Mauritian nation-state is widely accepted and Mauritius's citizenship is universal. The four ethnic groups of Mauritius's society, the Indo-Mauritians, the Creoles, the Franco-Mauritians and the Sino-Mauritians, live in peaceful coexistence and a Mauritian identity is emerging across the ethnic lines. The Creoles, the descendants of slaves who were brought to Mauritius in the 19th century, felt disadvantaged in the past, which led to the 1999 ethnic riots in. Ethnic tensions have eased since then due to the formalization of the Creole language, which has made the Creoles feel like they are becoming a part of Mauritian society. Moreover, Creoles are playing a more significant role in politics and business.

The Chagos Island, which was formerly part of Mauritius, remains in British hands and is now used by the United States as military base. Mauritians who lived there were forcefully resettled to mainland Mauritius in the 1960s. Their homecoming rights were eventually denied after Britain's Supreme Court ruling in 2000, even though the court considered the resettlement unlawful.

Mauritius is generally a secular state and Mauritius's constitutional provisions are not derived from religious dogmas. The three main religions (Hinduism, Islam and Christianity) have no significant influence on legal and political institutions; however, religious values are still visible in specific policy sectors such as education and culture.

Question

Score

Monopoly on the use of force

10

State identity

9

No interference of religious dogmas

9

Mauritius's public administration is differentiated, well-functioning and reliable. The level of professionalization in public administration is high. Laws are enforced and tax collection is for the most part functional. State administration influences the entire island and provides all basic services; it is strongly implemented. Mauritian polity is thus internationally respected and part of the reason why Mauritius has attracted foreign investments.

Basic  
administration  
9

The smaller Island of Rodrigues, situated about 600 kilometers away from the main island, has gained some autonomy in recent years but remains under the jurisdiction of Mauritius.

## 2 | Political Participation

General elections are regularly held in Mauritius, universal suffrage is given and a free and fair conduct of elections is ensured. There are several parties competing in the elections and they fill the political posts according to the election outcome. The legitimacy of Mauritius's elections has never been questioned and the votes are respected by all stakeholders and internationally recognized.

Free and fair  
elections  
9

The electoral law provides each constituency with three seats and three votes and the complicated "best loser system" assures that all ethnicities are represented in parliament and that the parties are non-sectarian. The "best loser system" means in practice that the electoral supervisory commission can nominate up to eight additional members of parliament (out of a maximum of 70 members of parliament) to correct any imbalance in community representation in parliament. The system came under attack recently and some critics claim that it does not serve as a protection for minority groups. Nevertheless, the system remains intact.

The political representatives have the effective power to govern and no individual or group holds any de facto veto power. All political parties respect the outcome of the elections and assume their role either as ruling party or as opposition. The leader of the opposition is explicitly mentioned in the constitution giving him/her a special status, particularly when it comes to the nomination of commissioners for the electoral supervisory commission, who supervise and hold the general responsibility for the registration of electors in the election of members of the parliament.

Effective power to  
govern  
10

The prime minister is the head of government, the president's role is mainly representative, but the prime minister consults him on a regular basis. His role in Mauritius's political system is very limited. The parliament on the other hand is more influential and vocal.

A remarkably high level of consensus characterizes the conduct of politics in Mauritius. Important decisions are discussed in committees that include stakeholders of the government, business and labor representatives. Usually, a consensus is reached in these consultations.

The constitution guarantees freedom of association and assembly; these freedoms are respected. As a matter of fact, there are numerous organizations including political parties (65 parties were registered for the 2010 general election), trade unions and other CSOs. The main political parties tend to be inclusive and do not represent a specific ethnic or religious community exclusively. However, given the demographic fact that about 68% of the population is Hindu, the Hindu community dominates the political system of Mauritius. Nevertheless, there is an open and vibrant civil society in Mauritius that contributes to the positive development of the island state's democracy.

Association /  
assembly rights  
8

The laws regarding freedom of expression are enforced and liberty of expression is implemented. Newspapers are independent and often critical, thus providing media pluralism. Television on the contrary is state-owned and accused of being subject to political patronage and self-censorship. During the troubles of 1999, the Mauritius Broadcasting Corporation cut links to external satellites to prevent news about the trouble from spreading and affecting the tourist industry. In 2010, the leader of the opposition, Paul Bérenger, complained during the election campaign that the government used the Mauritius Broadcasting Corporation to influence voters. Despite the respected freedom of expression and freedom of press, Mauritius continues to fall in Reporters without Borders' ranking, from 51 in 2009 to 65 in 2010. In 2005 Mauritius was ranked at position 34. Reporters without Borders accuses the Mauritian government of discriminatory behavior towards the country's leading media group, La Sentinelle. The government denied journalists of the La Sentinelle media group access to a press conference by the minister of finance in May 2010 and allegedly urged government officials to boycott L'Express, La Sentinelle's main newspaper, after the 2010 elections.

Freedom of  
expression  
8

### 3 | Rule of Law

Separation of powers is a given fact in Mauritius's political system. The constitution guarantees a checks and balances system that includes the executive, legislative and judicial branches and extends to the press, which is supposed to exercise a control function. These constitutional provisions are respected in political reality despite the challenges mentioned above to the freedom of the press. The National Assembly is very vocal and exercises its function as an overseer of government action – particularly in domestic politics and to a lesser extent in foreign policy.

Separation of  
powers  
9

The judiciary is constitutionally independent and acts independently. The judicial system is based on the French civil law system with some elements of English common law. The judicial branch is headed by the Supreme Court of Mauritius, although appeals can be made to the Judicial Committee of the Privy Council in London, which is one of the remaining legacies of British colonialism that was preserved even after Mauritius became a republic with its own president, thus abandoning the British crown as head of state in the mid-1980s. The right of appeal to the Privy Council provides Mauritius with a sound legal system. Notwithstanding, critics point out that individuals can be held in custody without charge or trial and thus doubt the quality of the rule of law in Mauritius.

Independent  
judiciary  
8

According to the constitution, officeholders that break the law and engage in corruption are prosecuted. As the international public learns more about the degree of corruption spreading throughout Mauritius due to its role as an offshore banking location and financial services provider, the government has begun to fight corruption with some success. The Independent Commission against Corruption was established in 2002, but personnel difficulties and parliamentary feedback have prevented the commission from being truly effective. Instead of strengthening the role of the commission, there were appeals from the parliament that demanded that the Public Account Committee (established in the late 1960s) have more power.

Prosecution of  
office abuse  
7

Civil rights are widely respected in Mauritius. Personal liberty is largely protected against state and non-state actors. Similarly, the right to life and security of the person are both effectively implemented. There are no reported incidents of torture or cruel and inhumane treatment or punishment. The Mo Ibrahim Foundation ranks Mauritius second of all African countries because of its respect for the rule of law (2008/2009) and also second in its civil liberties ranking.

Civil rights  
8

Equality before the law and equal access to the courts are in place and ultimately secured by the right of appeal to the Judicial Committee of the Privy Council in the UK.

#### 4 | Stability of Democratic Institutions

Although the outlook for Mauritius's political and economic future was bleak at the point of independence in the 1960s, the country's governments managed to establish functional, efficient and stable democratic institutions. These institutions have survived several shifts of power and are acknowledged and respected by the entire political elite. The bureaucracy in particular is recognized as being neutral and competent. It provides the country with stability irrespective of the parties governing the country. The judiciary is recognized as being independent.

Performance of  
democratic  
institutions  
9



There have been minor instances in which the current president has crossed the line between independence and political partiality in assisting in the career of his son, the leader of the MSM party. Political responsibility remains within the hands of a few families who are associated with political parties, thus undermining the legitimacy of the parties. Names count a lot in the political scene in Mauritius and if a candidate's name is not associated with the political elite it is difficult for them to get into politics.

All political actors and stakeholders accept democratic rule and no political group or individual has an authoritarian agenda. The same applies to the security forces, which do not threaten the consolidation of Mauritius's democracy.

Commitment to democratic institutions

9

The respect for democratic principles and institutions even enabled Paul Bérenger to become prime minister; he became the first non-Hindu prime minister in Mauritius and first white head of government of any of the liberated African countries, despite the Hindu majority in Mauritius.

## 5 | Political and Social Integration

Mauritius's party system is characterized by a remarkable stability, mainly due to the pluralism that prevails in the three major parties (the MLP, the MMM and MSM). The party system has achieved a high level of articulation and aggregation. Voters can choose one of the three major parties with whom their interests are likely to be articulated. The 2010 general elections once more proved the capability of the three major parties and their coalitions in gaining support from the vast majority of the voters. Beyond these three parties, there are more than 60 others.

Party system

8

The MSM is increasingly becoming a predominantly Hindu party. The decision of the MLP prime minister in the 2010 election to form a coalition with the MSM and to promise the position of finance minister to its leader, Parvind Jugnauth, was viewed as a somewhat polarizing decision. It also meant that the former Finance Minister Rama Sithanen, a widely admired minister on the international scene and a Tamil, was left out of the new government.

In fact, the Hindu majority dominates public administration, politics and political parties and Creoles and Muslims are finding it harder to reach the highest political positions. However, there are also notable exceptions such as the former President Karl Offmann who is a Creole.

Various interest groups represent society and business and mediate between society and the political system. While trade unions were especially strong in the first years after independence, their importance has declined, due to their fragmentation. There are currently about 300 trade unions in Mauritius. Only 10% to 11% of the private sector is unionized and this is primarily in agriculture. There has been little labor

Interest groups

8

unrest and labor unions have failed to form a common front. Some 55% of public sector workers are unionized. One of the main threats to the economy is the lack of adequate transportation infrastructure, but this has been made a priority by the current government and a high speed ring road is being built around Port Louis from the port to the south of the country. As the role of the trade unions declined, there was an increase of the importance of business associations. Other prominent interest groups are religious groups, women's associations and teacher unions. The various religious groups – most importantly the Catholic Church and Hindu religious organizations – have a role to play in mediating between the government and the broader society. Some women's groups, most notably SOS Femmes, have an important role to play as do the public service unions, particularly the various teachers unions. Recently, a number of Creole community groups have also gained considerable prominence.

Mauritians approve democratic norms and practices. With the exception of a small scale violent clash in 1999 caused by dissatisfied Creoles who demanded more effective inclusion into the political and social spheres in Mauritius, there have been no reported incidents over the past decades that would indicate disapproval of democratic norms and practices. Despite this, it is also true that the voter turnout in the general elections dropped from about 81.5% in 2005 to 78% in 2010. Some of the decline could have been a protest by Tamils about the dropping the candidacy of the Tamil finance minister, and the awarding of 18 “tickets” to the MSM, a party with less than 10% of popular support.

Approval of  
democracy  
n/a

The level of trust among citizens might be expected to be high because of the small size of the population, but latent tensions among the different ethnicities and religions have an effect. The population tends to organize itself along ethnic and religious lines, although these differences are easily overcome in the public sphere. In fact, there are some organizations such as SOS Femmes that are not organized along ethnic or religious lines. They assist members of any population group.

Social capital  
7

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Mauritius has one of Africa's most advanced economies with a stable and profitable secondary and tertiary sector. The backbone of the country's economy, however, is still the agricultural sector (primarily sugar production) and the textile industry, although tourism and financial services have become more important in recent years. The service sector accounts for 70.5% of Mauritius's GDP.

Question  
Score

Socioeconomic  
barriers  
7

Its GDP per capita was at \$12,900 in 2010. This, in combination with various other factors, meant that Mauritius was ranked as the highest African country in the 2010 UN Human Development Index in position 72, with a label of “high human development.” This high ranking is also reflected in the number of people living above the poverty line. In 2006, it was estimated that only 8% of Mauritians lived below the poverty line. The unemployment rate was 7.3% in 2009, but is likely to have risen in the course of the economic and financial crisis in 2008 – 2010 due to Mauritius’s dependence on financial services and tourists from overseas.

The Gini coefficient tends to mask the problem of exclusion among poor, uneducated Creoles. There are 7,000 families living on less than \$2 a day. Through the National Endowment Fund (NEF) and the Corporate Responsibility Program – which requires all profitable firms to spend 2% of profits on corporate responsibility projects – over 60% of poor families have been helped and 2,000 moved out of poverty.

Life expectancy is as high as 74.25 years; the population growth rate stands at 0.751%. 84.4% of Mauritians are literate, 3.4% of the GDP is spent on education, and the HIV/AIDS infection rate is as low as 1.7%.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	7792.0	9641.0	8865.1	<b>9728.7</b>
GDP growth	%	5.9	5.5	3.0	<b>4.0</b>
Inflation (CPI)	%	8.8	9.7	2.5	<b>2.9</b>
Unemployment	%	8.5	7.2	7.3	-
Foreign direct investment	% of GDP	4.4	3.9	2.9	<b>4.4</b>
Export growth	%	3.4	2.3	-4.8	<b>-4.2</b>
Import growth	%	2.0	1.8	-4.6	<b>-0.6</b>
Current account balance	\$ mn.	-433.9	-975.8	-655.0	<b>-799.6</b>
Public debt	% of GDP	47.3	44.0	47.8	<b>50.5</b>
External debt	\$ mn.	667.7	632.0	825.8	<b>1075.7</b>
Total debt service	\$ mn.	152.3	161.6	129.2	<b>130.7</b>

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	-	-	0.6	-
Tax revenue	% of GDP	-	-	18.7	-
Government consumption	% of GDP	12.6	12.7	14.2	<b>14.3</b>
Public expnd. on edu.	% of GDP	3.4	3.3	3.2	-
Public expnd. on health	% of GDP	5.5	5.5	5.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.2	0.2	-	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

State intervention threatens the market economy that has developed in the past decades. The Mauritian government regulates some markets to a significant extent, particularly the markets for energy, transport and basic agricultural products. Moreover, the old labor laws, which are sometimes said to over-regulate the labor market, remain intact.

The government's main goal is to attract foreign investors to the island. For that reason it has established "Economic Processing Zones" that effectively allow for state-subsidized processing of imported material designated for export. The incentives include the exemption of duties on imported raw material, low energy costs, free repatriation of capital, profits and dividends. However, beyond the Economic Processing Zones, there are equal opportunities for all market participants.

The informal sector of Mauritius's economy is rather small compared to other African countries. Taxes are usually paid and the market economy functions according to the rules that are laid out.

It appears that there is an anti-monopoly policy present, yet, behind the façade a few oligarchic families dominate Mauritius's economy, especially the large plantations and the trade and telecommunication sectors. These families' influence extends into the political realm. The introduction of an independent competition commission in 2009 following the passing of a competition law in late 2007 brought some improvements to the anti-monopolistic policy. The commission can investigate possible anti-competitive behavior. A competition regime might thus emerge in Mauritius. Four cases were investigated by the commission in 2010 including the

Market-based  
competition  
8

Anti-monopoly  
policy  
7

possible collusion in the market for secondary school books, the building of insurance products and credit in the banking sector as well as the cement market.

In general terms, Mauritius has an interest in liberalized trade. Within the regional context, Mauritius aims to implement and consolidate the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community's (SADC) aim of a free trade area with some vigor. It actively participated in the EU Economic Partnership Agreements (EPA) negotiations. Mauritius left the SADC–EPA grouping and joined the Eastern and Southern Africa group to negotiate with the European Union and signed an interim agreement with the European Union in August 2009.

Liberalization of  
foreign trade  
8

Mauritius's banking system is one of the most developed in sub-Saharan Africa. According to the central bank of Mauritius, there are 19 commercial banks on the island (including several offshore banks such as Barclays and HSBC). The Mauritius Commercial Bank remains the most important bank in the country. Mauritius implements the Basel II agreement, which calls for stricter guidelines with regard to equity. Mauritius thus follows international standards. The central bank, which is modeled on the Bank of England, aims to safeguard the value of Mauritius's currency and achieve monetary conditions that assist in strengthening the economic activity and prosperity of Mauritius.

Banking system  
8

## 8 | Currency and Price Stability

Inflation was an imminent threat to Mauritius's economy in the last decade, reaching its peak between 2006 and 2008 with annual inflation rates of 8.9%, 8.8% and 9.8% (mainly caused by high energy costs and food imports), which prompted a temporary revaluation of the Mauritian rupee. The inflation rate decreased to 2.5% in 2009. Inflation came to a temporary halt amidst the global financial and economic crisis. The country was only slightly affected by the global financial crisis.

Anti-inflation /  
forex policy  
9

The central bank's role is *inter alia* to safeguard the internal and external value of the currency of Mauritius and to work towards achieving monetary conditions conducive to strengthening the economic activity and prosperity of Mauritius. The bank proved willing in the past to intervene in the market if there was a need to do so. Rundheersing Bheenick, a known proponent of the bank's independence, was reappointed as central bank governor in May 2010. The monetary and exchange rate framework under his leadership is described as "hybrid inflation-targeting" with a target of approximately 5% for inflation.

In 2006, Mauritius's government implemented a major tax reform. The corporate income tax rate was reduced from 25% to 15% and exemptions and industry-specific allowances including investment allowance and tax holidays were removed. This was supposed to stimulate the economy but resulted only in minor medium term improvements due to the financial and economic crisis that was on the horizon. The GDP growth rate, which was as low as 1.24% in 2005, climbed up to 3.95% in 2006 and up to 5.52% in 2007, but fell in 2009 to 2.14% during the worst phase of the global crisis.

Macrostability  
8

Mauritius's account balance was positive at the beginning of the millennium, dipping into a negative balance in 2004 and returning to a positive balance in 2006. The tax reform was implemented and the figure improved slightly in 2007 but reached another peak in 2008 and was still above the 2006 level in 2009. At the same time, Mauritius is tackling its national debts. While the governments' debts exceeded 40% of the GDP between 2002 and 2006, the debts dropped to 36% of GDP in 2008.

The government's pursuit of macroeconomic stability dates back to the 1980s, when the Mauritian government was one of the first countries to implement IMF structural adjustment programs. Macroeconomic stability was threatened when the preferential prices and quotas for sugar were terminated by the European Union, but Mauritius's highly diversified economy proved itself capable of dealing with the new situation. Inflation became one of the major problems in Mauritius towards the end of first decade of the millennium, reaching up to 9.8% in 2008, but again dropped in 2009 to a low of 2.5%.

## 9 | Private Property

Private property is protected through the constitution and there has been no tampering with this regulation. The constitution allows for deprivation if there are higher interests such as defense, public safety, public health, town and country planning or the development or utilization of any property in such a manner as to promote the public benefit or the social and economic well-being of the people of Mauritius. In such cases, compensation is offered. The right to appeal to the Supreme Court is given.

Property rights  
9

There are also strict rules for the acquisition of property for business purposes by non-citizen investors, regulated by the Non-Citizens Property Restriction Act of 1975/1996.

The government introduced a National Residential Property Tax that is payable by any person who owns a residential property in Mauritius under the condition that the person's income exceeds MUR 385,000 (approximately €9,700) per year.

Societies and non-resident individuals are liable to the tax irrespective of their income. The goal of the tax was to reduce speculations on residential property. Finance Minister Jugnauth pledged to abolish the tax during the electoral campaign. Other parties joined this call as the tax was unpopular.

Private companies are viewed as one part of economic production and are given appropriate legal safeguards. Mauritius is ranked 20th in the World Bank's 2011 "Doing Business" report, which ranks countries according to their ease of doing business (Germany is ranked at 24). The creation of business is a relative easy undertaking in Mauritius mainly because there is no minimum capital requirement. Despite this positive note, it is also true that the sugar barons have benefited from the privatization of enterprises that were previously state-owned, in a disproportional way.

The late 1990s and the first part of the last decade witnessed the disposal of several SOEs. This policy came to a halt. Enterprises considered to be in key sectors, such as the Mauritius Broadcasting Corporation, remain state-owned.

## 10 | Welfare Regime

Mauritius maintains a well-developed and well-functioning social welfare regime. About 2% of the GDP is spent in health care. Access to health care, safe drinking water and a balanced diet raised the life expectancy to 74.25 in 2010 (estimated). The higher life expectancy, coupled with a low fertility rate, increases the pressure on Mauritius's pension funds. Mauritius has developed a three-tiered pension system with a universal non-contributory basic retirement pension, mandatory income-related pension schemes (National Pensions Fund and National Savings Fund) and a voluntary private pension scheme. There is also a special pension for the disabled.

The social safety net is internationally praised as being remarkably good, even taking the country's size into account. In fact, it provides for the basic needs of the Mauritians.

The HIV/AIDS rate is, at 1.7%, significantly lower in Mauritius when compared to other African countries. However, in comparison with countries such as Germany where the prevalence rate is far below 0.1%, Mauritius's HIV/AIDS infection rate must be seen to be high. The rate of diabetes is one of the highest in the world.

There are two main aspects that pose challenges to achieving equal opportunity: The Creole community must be included more in the political and economic sphere, and there must be female representation in politics and in business.

Private enterprise  
8

Social safety nets  
8

Equal opportunity  
6

There is little doubt that the problem of the disadvantaged Creoles is the most serious issue Mauritius faces domestically. Creoles opposed the independence of Mauritius in the 1960s as they were afraid of a Hindu majority. To a certain extent, their fear was justified, as the political arena was indeed dominated by the Hindu community. Creoles were even encouraged to leave Mauritius at the time of independence and the Creole elite largely left, thus hindering the development of an entire ethnic group. It took until the first decade of the 21st century for a new Creole elite to emerge and lead the way for improved conditions for the Creoles. An indication of the improvement is the fact that Creole is finally starting to be recognized as a formal language. Creole used to be a spoken language with no rules indicating how it was written. The recent introduction of a Creole dictionary with mandatory regulations helped to boost Creole self-confidence.

Women gained more importance in Mauritius's political sphere, yet they remain under-represented in parliament and business. However, it is also true that women are playing a more important role in business, particularly within the Sino-Mauritian community. Nevertheless, there are scholars who claim that the democratic deficit in Mauritius lies in the under-representation of women (Bertha Chiroro). Cultural factors come into play and gender equality has not been a necessity in the minds of all Mauritians until recently.

Violence against women remains a major problem that is only beginning to be taken seriously by the police and the courts. A new organization called Women in Politics was active in encouraging women's involvement in the 2010 election.

## 11 | Economic Performance

The Nobel Price laureate James Meade predicted in 1961 that Mauritius's economic future was bleak due to its overpopulation and its heavy dependence on sugar. But the islanders proved Meade wrong and Mauritius undoubtedly became an economic success story. Its GDP per capita is amongst the highest in Africa and is constantly on the rise, despite a smaller growth in 2009 due to the impacts of the global economic meltdown. Whereas the annual GDP growths in 2008 and 2007 were 5.1% and 5.5% respectively, the growth rate dropped to 2.2% in 2009.

Mauritius was heavily dependent on sugar when it became an independent country. It now has a diversified economy that relies on four sectors, namely sugar, textiles, tourism and financial services. Public and agricultural revenue has dropped sharply since the 1970s, from about 25% to less than 5%. Furthermore, Mauritius's government somewhat successfully implemented a strategy aiming to transform the

Output strength  
8



island into a cyber island that provided various IT services. To continue the diversification of the economy, Mauritius sees the fishery sector as a possible pillar in the future. Fishery provided 5.8% of the total value of exports in 2007.

Mauritius remains an attractive location for international capital. Although FDI dropped recently due to the global crisis, it is still more than in 2006 (1.6%) and was at 3% of its GDP in 2009 (2007: 4.5%, 2008: 4.1%). Despite less direct foreign investment, less tourism and the relocation of some textile companies to China and Madagascar, the unemployment rate did not reach the level it stood at in 2006 when it was 9.1%. It is estimated that 7.5% of the workforce was unemployed in 2009 (2008: 7.0%).

## 12 | Sustainability

Mauritians have an ambivalent relationship with their environment. On the one hand, they know that the natural beauty of the island is important for tourism. On the other hand, the government intends to double the number of tourists over the next decade, thus placing the natural beauty at risk. For instance, many coral reefs close to the beaches have already died and the increasing number of beach hotels will accelerate this process.

The Mauritian government has not yet solved the consequences of increasing traffic. Port Louis' chronic traffic congestion remains unsolved and plans to build a railway to connect the residential areas of the central plateau with the city center of Port Louis seem to remain a distant wish.

Despite these challenges, Mauritians are aware of the need to protect the environment and hence some politicians voice the proposal to develop Mauritius into a "green island" in order to be at the forefront of the struggle against climate change and global warming. This vision has its roots in the islands' vulnerability to cyclones, which hit Mauritius's main island and the smaller islands regularly, causing severe damage to the countryside and agricultural production. Major inroads have been made in terms of ensuring that the housing stock will withstand cyclones, with grants given to home owners building or expanding houses to higher building standards.

Major inroads have also been made in improving the aesthetic nature of the island with improvements in garbage collection, beach cleanliness and hygiene, and the reduction in the use of non-recyclable materials.

Modeled on the British system, Mauritius's education system has two optional years of pre-primary schooling, six years of compulsory primary schooling and either five years of compulsory secondary schooling or three years of pre-vocational education at its core. According to the Mauritian Central Statistics Office, the gross

Environmental  
policy

7

Education policy /  
R&D

7

enrollment ratio (i.e., the number of students enrolled per 100 aged 6 – 11) was 101% in 2010 and the pupil/teacher ratio 28. The gross enrollment rate in secondary schools drops to 68% for the population aged 12 – 19, but the pupil/teacher ratio reaches 15. Tertiary enrollment was at 7.4% in 2010. Among the tertiary institutions are the University of Mauritius and the University of Technology of Mauritius.

Equal access to education is granted and a reality when it comes to primary and to a lesser extent secondary education. This explains the high literacy rate on the islands (87.5%), which will continue to rise in the future due the enrollment rate in primary schools and the dying out of the generation that grew up during colonial times. Equal opportunities are not necessarily assured when it comes to the tertiary sector because university study is in reality socially based, although education is free in principle. Public expenditure on education is 3.6% of GDP (2008).

## Transformation Management

### I. Level of Difficulty

Mauritius basically fights two structural deficits, which are firstly its geographic location in the middle of the Indian Ocean far away from mainland Africa and the Asian continent, and secondly, the cyclones that regularly hit the islands, causing severe damage to agricultural production, which is one important pillar of Mauritius's economy. There is no solution to the second problem and Mauritians have to live with this vulnerability. With regard to its geographic location, Mauritians use this disadvantage and turn it into an advantage by trying to establish the country as a bridge between Asia and Africa and as an anchor of stability for Western investment in Africa. Similarly, Mauritius's small size is not necessarily a structural constraint, but could be seen as pivotal to its development. Mauritians copy other small states' successful strategies (Singapore in particular) and engage in the global market at the same level as other major players. Mauritius's lack of natural resources forced its population to become a nation of traders in order to foster their prosperity and participate in the Western world's leisure business.

Structural  
constraints  
3

Other structural constraints, namely the monocrop (i.e., the production of sugar cane that led James Meade to predict a bleak future for Mauritius) have been overcome and a functioning and diversified economy has developed. Moreover, there is no extreme poverty, there are no severe infrastructural deficiencies and there are no widespread pandemics that hinder socioeconomic development.

There is a well-organized and vocal civil society. It is estimated that there are about 6,000 voluntary organizations registered with the Registrar of Associations with about 300 organizations that correspond to the characteristics of NGOs. This almost unmanageable number of CSOs (Mauritius has only 1.2 million inhabitants) makes it difficult for the interested citizen to decide in which organization to participate. The large number of trade unions is just one example. As a result of the numerous possibilities, the African Peer Review Mechanism (APRM) self-assessment failed in its first attempt (2003 – 2005). Mauritians are said to have been so tired of taking part in so much voluntary work that they refused to take part in the self-assessment process. Combined with an initial lack of interest on the part of the political elite,

Civil society  
traditions  
3

capacity problems in the APRM implementing body and the upcoming elections in 2005, the self-assessment process failed and a second round was needed, meaning that the APRM report was only finalized in 2010.

The economic success of Mauritius sustains a functioning welfare regime but masks some latent conflicts between ethnicities and religious groups. However, riots like those that happened in 1999 are unlikely to occur, because Mauritius's society is now more stable due to the promotion of Creoles. The country's consensus-orientation, which is reflected in politics and business and manifested in the complicated "best-loser system" in the elections, ensures that all ethnicities are represented in parliament, helps to overcome social cleavages and to promote an inclusive society.

Conflict intensity  
3

## II. Management Performance

### 14 | Steering Capability

The government sets and maintains strategic priorities. Currently, the government and private sector have made the improvement of education one of their major economic goals. Policies are largely consensus-based in Mauritius and all policy actors agree on the basic elements of politics. Disagreement occurs on the means but not on the end. The various post-independence governments of Mauritius have agreed on developing the group of islands into a modern, democratic, viable state with a diversified economy that relies on several pillars in order to fight the vulnerability they once experienced due to sugar production. In the past, the country has shown that it implements its policies and enforces them with vigor. Examples include policies designed to increase tourism and textile production as well as policies to promote financial services and later on, IT services. In other words, there has been a commitment to structural reforms, which still exists today, demonstrated recently by Mauritius's calm reaction to the economic meltdown.

Question  
Score

Prioritization  
9

Administration is the prop of stability in Mauritius's political system, as the well-educated and reliable bureaucrats are loyal to the government of the day irrespective of the parties that form the ruling coalition.

The government is relatively effective in implementing its own policies. However, due to its trade-driven economy and its uninfluential role in world affairs, which is linked with its size and location, Mauritius faces structural difficulties. It aims to overcome this challenge through an active diplomatic service and its engagement in various international organizations where it can express its opinions. Mauritius is particularly active in securing access to markets in Europe, the USA, Africa and

Implementation  
8

Asia. Both internationally and domestically, Mauritius is far ahead of other African states in implementing its policies. The stable and functioning bureaucracy helps Mauritius in this regard.

Mauritius's political and economic success is mainly based on learning and copying from other states. Mauritians first learned from Taiwan and built an export-oriented economy (textile industry) based on the Taiwanese model. It then copied the experiences of Singapore and started to boost the financial service sector. More recently, it copied the Indian Bangalore experience, successfully promoting the vision of a cyber island. The current government leaves no doubts that it wants to continue the earlier success and to remain flexible in the context of a changing economic and political environment. Flexibility, openness to innovation and creativeness are a hallmark of Mauritius's way of doing business. The vision of a green island fits into this category. Mauritius's governments have always aimed to provide the country with an up-to-date infrastructure, which is the reason why the island has a working, well-maintained infrastructure.

Policy learning  
9

## 15 | Resource Efficiency

The government makes efficient use of available human, financial and organizational resources. Apart from problems that are related to the Hindu- and Franco-domination of politics and business, Mauritius's government recruits on the basis of qualification. It is a different picture when it comes to the diplomatic service and the level of ambassadors in particular. Almost all ambassadors are political appointees and not career diplomats. This leads to low-level cleavages in diplomatic services but does not affect the efficiency of the foreign ministry.

Efficient use of  
assets  
8

The government also makes efficient use of financial resources. A good example lies in the Mauritian government's decision against the construction of a second international airport on the main island to deal with more passengers. Instead, the government decided to modernize and expand the existing airport. Publicly financed large-scale (prestige) projects do not exist on the islands. In the past five years there has been a major initiative to improve basic infrastructure such as street lighting, roads, sidewalks, public security such as police stations and schools. The state does not waste money on state employees that are effectively not needed to serve the public.

Generally, the trade-offs between policy goals are well balanced and the options are thought through carefully. In fact, Mauritius owes its economic success to well-thought-through political decisions. These policies are largely based on consensus, which became a hallmark of Mauritius's post-independence politics. It is known that the minister of finance coordinates the budget allocation with his cabinet colleagues and CSOs and based on this, it can be assumed that there is some

Policy  
coordination  
8

coordination among the ministries. However, redundancies may still occur at the lower level of the ministerial hierarchy and there are verified occasions when state bureaucrats did not act according to the guidelines given by the ministry. However, such incidences are uncommon.

Mauritius's government is aware of the islands' corruption problem, which developed in the context of its increasing role as an offshore banking location and financial services center. The measures it undertook were to establish the Independent Commission Against Corruption and the Financial Intelligence Unit. Moreover, it was one of the first 30 nations to sign the United Nations Convention Against Corruption in 2003. To commemorate this event, a national anti-corruption day is held annually on 9 December. In general terms, the government is often successful in containing corruption. Some anti-corruption mechanisms are in place and function with some effectiveness. Yet it remains unknown how problematic corruption really is in Mauritius.

Currently, there are more than 100 cases pending before the immediate court, with some 143 individuals involved. The Mauritius Independent Commission Against Corruption attained some international popularity as it held documents related to the case of Jacob Zuma, at that time South Africa's deputy president, and his financial adviser Schabir Shaik, who were allegedly involved in corruption charges.

There has been criticism in the past about party funding and there remains a lot to be desired in this field. The national audit office monitors state spending and points out malpractices and money squandering. However, the national audit office is toothless in redressing or seeking reparations.

## 16 | Consensus-Building

On several occasions Mauritius has faced what would appear to be an economic downturn: At the time of its independence; when preferential sugar prices were ended; when competition from lower-income countries threatened the textile industry and when environmental problems and overbuilding threatened the "haute gamme" of the tourist trade. Each time the country, politicians and business worked together to find another platform for success. Currently it is Cyber Island and technology. The language facility of the population, the geographic location and the levels of education of the population are all resources that should enable continued growth potential into the future.

There is no disagreement on the need to consolidate and strengthen democracy in Mauritius. In the same vein, there is wide consensus that a market economy is best suited for the country. The political elite has been successful in convincing the citizens in both realms through involving social and religious groups in the

Anti-corruption  
policy

6

Consensus on goals

9

discussions about long-term strategies. There are no radical tendencies among the citizens to overthrow the current political and economic system. The security and strengthening of the political system are underpinned by the fact that all major political parties in Mauritius are left of center and that Mauritians have adopted the Indian belief in negotiated compromise.

Observers agree that Mauritius's democracy is consolidated and manifested and some even argue this is an irreversible fact. Anti-democratic elements have little chance of success. There was an incident in the past when it emerged that the Libyan ambassador had allegedly engaged in building up a stronger Muslim community with radical tendencies. The Mauritian government withdrew the accreditation of the ambassador, closed the Libyan embassy and has since refused to reopen it despite strong pressure from Libya. This shows the vigor with which Mauritius's political elite defends its achievements in terms of democratization. The Creoles who rioted in 1999 never intended to overthrow the political and democratic system.

Anti-democratic  
actors

9

The political leadership of Mauritius, which is largely of Indian descent, sometimes finds it difficult to understand the problems of other social and ethnic groups, thus making them feel not entirely welcome. The development of a well-advanced welfare regime that reaches all sectors of the society helped to reduce latent ethnic tensions. However, it is also true, as mentioned above, that consensus is the hallmark of Mauritius's policy-making and this political attitude also helps to overcome the cleavages that exist. There are regular consultation processes between political and business stakeholders that take place ahead of reform projects helping to mitigate conflicts and often resulting in a consensus.

Cleavage /  
conflict  
management

7

Generally, an active civil society is encouraged. The economic interest associations are particularly strong and are also considered to be civil society stakeholders. Their influence on the policy-making process is not to be underestimated. Mauritius's government is aware of the need for a functioning and permanently developing economy to continue the island's success story, to keep the welfare regime alive and the political elite unchallenged. Thus, the government listens to the economic interest groups and generally tries to please them. Other civil society groups that often suffer from a number of similar and competing groups have more difficulties in being heard by the government and hence their influence is significantly smaller.

Civil society  
participation

8

Mauritian society has never been intransigently at odds amongst itself. The dispute during the decolonization phase when the party that represented the Creole minority opted to remain part of Great Britain, fearing a Hindu dominance, whilst the Hindu majority wanted independence, has been overcome very quickly. The Creole-representing party became part of the first post-independence government and helped to build Mauritian democracy. With regard to the Chagos islanders, no reconciliation has been achieved. However, this is not a domestic task, but an

Reconciliation  
n/a

international one for which Great Britain and the United States are responsible as they refuse the right of the islanders to return to their original homes. The Mauritian government, on the other hand, is working to achieve this goal of return.

## 17 | International Cooperation

The government of Mauritius has a clear foreign policy strategy, namely to serve as the bridge between Africa and Asia and as a springboard for China and India on their way into Africa. Mauritius is predestined for this role due to its geographic location as well as the configuration of its population, with about two thirds of its population being of Asian descent, and about one third of African descent.

Mauritius's foreign policy reasoning is based on its economic interest. It does not engage in various African institutions such as the AU, SADC or COMESA unless it serves its economic interest. Hence, Mauritius is largely passive when it comes to conflict resolution such as the crisis in Zimbabwe in 2008. A notable exception was its involvement in the Madagascar crisis in 2009 following a coup d'état. However, the main reason for Mauritius's engagement in this conflict is that Mauritians have notably invested in the neighboring island and Mauritius's government helped to secure these investments. In fact, Mauritian politicians admit that Mauritius acts "very selfishly" in international politics.

Despite (or maybe because of) its small size, Mauritians are very ambitious and the government implements policies that help to advance the political and economic development of the country including an active foreign policy that seeks to attract foreign investors. These investors are attracted by a stable democratic order, the respect of the rule of law and a fully developed country with several amenities. Mauritius's foreign policy is distinctively different from that of other African countries since it developed a paradigm of "trade, not aid," which means that the country's economic rise and success is neither based on donor money nor dependent on it, but that the economy is in fact self-sustaining.

Acknowledging that Mauritius is a small country that is often ignored by the international community, Mauritius joined various regional groupings and international organizations to voice its opinion through these forums when necessary. One of its main foreign policy goals is the inclusion of the Chagos Islands into the Mauritian territory. The Chagos Islands were part of Mauritius during colonial times but transferred to the British Indian Ocean Territory. One of the islands, Diego Garcia, is permanently rented by the United States, which uses it as military base in the fight against terrorism. Mauritian attempts in the UN and other organizations to bring the islands back under its jurisdiction have so far failed.

Effective use of  
support  
9



Investment from all parts of the world has flowed into Mauritius's economy. This suggests a high level of trust in the state and its economy. Recent investments stem from China, India and South Africa. Mauritius has an excellent record of credibility both politically and economically. It has signed all major international treaties with respect to industrial and commercial property and fights piracy. Cooperation with the World Bank, the OECD and other organizations is solid, especially with regard to money laundering and international tax evasion.

Credibility  
9

Mauritius maintains cordial relations with other states in its region, yet, due to its location far away from mainland Africa, its foreign policy agenda is not limited to Africa and its region, but extends beyond it. Nevertheless, Mauritius is part of various regional and continental blocs including the AU, SADC and COMESA as mentioned above, as well as the Commonwealth and its French counterpart La Francophonie, the Indian Ocean Commission, the Indian Rim Association for Regional Cooperation, the Alliance of Small Island States, the ACP group, the UN, the World Bank and is a signatory state of the International Criminal Court and International Court of Justice. Mauritius tried to locate the recently established African Court of Justice to its territory but failed with its bid. The court is now located in Arusha, Tanzania.

Regional  
cooperation  
8

Prime Minister Bérenger (2003 – 2005) has been particularly active in regional and continental affairs, attending summits on a regular basis, while the incumbent Prime Minister Ramgoolam has not been involved to the same extent. The NEPAD APRM, a monitoring process that evaluates the democratic and socioeconomic development of the countries under review, became a disaster for Mauritius, as it failed to complete the self-assessment phase in the first attempt and needed a second attempt and external help to conduct the review in a proper and acknowledged manner. Mauritius completed the APRM review process mid 2010 and the report is due to be released mid-2011.

## Strategic Outlook

Mauritius has successfully transformed itself from a vulnerable island confronted with severe structural problems into a success story. The main tasks are further consolidation of its democracy and necessary policy adaptations to a changing economic environment in order to compete with other global players. Mauritius suffered during the recent global economic and financial crisis due to its export dependency. Its recovery seems certain. In the past, the ability of the political and business elite to react appropriately and creatively to emerging challenges kept the country on the road to success and will continue to do so. Mauritians are visionary, as the previous implementation of the cyber island strategy and the currently articulated vision of a green island underscore.

According to a World Bank report which sketches out a comprehensive development framework profile, Mauritius's key challenges *inter alia* include forging a new consensus on its future directions, referring to the era following the preferential access to the EU market that was pivotal for the islands' success and working with external partners.

Furthermore, the fight against corruption must rank high on the priority list. The preservation of Mauritius's fragile environment and eco-friendly tourism should also not be neglected. The government should undertake further measures to improve the situation of Creoles and Muslims who feel disadvantaged by the Hindu majority. Similarly, it must ensure gender equality and must secure equal access to education and ensure that tertiary education becomes less dependent on social factors.