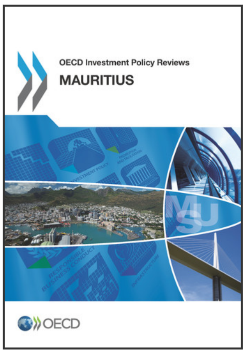

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Executive summary

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Executive summary

Government policy in Mauritius is firmly centred onpromoting foreign and domestic investment. Once a mono-crop economy reliant on sugar, Mauritius is today an upper-middle income country with a diversified production base. In recent years, the government has been especially intent on attracting FDI from emerging economies. Mauritius has built a sound network of Investment Promotion and Protection Agreements, notably with other African countries. Its network of Double Taxation Treaties, political stability, robust banking system, pro-business environment, and good infrastructure, further add to the comparative advantage of Mauritius as an investment hub for FDI into Africa.

The government strongly supports private sector development and has introduced supportive legislation and policies. Notable reforms include: strengthening legal provisions for investor protection; opening most economic sectors to foreign ownership; establishing the Mauritius Board of Investment (BOI); providing predictability and certainty to foreign investors; and embarking on bold economic reforms aimed at global competitiveness – notably, opening up the economy, improving the investment climate, attracting foreign talent and introducing structural reforms to support sustainable growth.

However, structural challenges have come to the fore in recent years. Systemic constraints to investment include small market size, geographical isolation, and high labour costs, which have contributed to some deterioration in export competitiveness. More fundamentally, the skill base is not tailored to the requirements of sectors promoted by government. There is also reluctance among domestic businesses to venture beyond the "established" sectors of sugar, tourism, financial services and real estate. Private sector investment in infrastructure could notably be further encouraged. For instance, no independent pricing and regulation mechanisms exist for water and energy – thus limiting market access and predictability for private investors. The labour market mismatch and weak growth of domestic private investment pose long-term development risks, but the government is taking encouraging steps towards addressing these shortcomings.

To date, investment policy has not been fully leveraged to tackle the above challenges. Remaining incentive schemes risk biasing investment towards real estate and property development, while detracting it away from other sectors – such as agriculture, financial services or tourism – where avenues for employment creation, value-addition, and trade linkages might be greater. More generally, while the investment regime is sound, it is spread over numerous laws and regulations and is not backed by a national investment strategy aligned with long-term infrastructure and human resource development plans. Likewise, there is no self-standing trade strategy to address supply-side impediments to export competitiveness and product upgrading. Aligning investment and trade objectives, and formalising co-operation among implementing bodies, would help coherently address investment and trade bottlenecks.