



Protocol on Finance and Investment Baseline Study: Mauritius Country Report

August 2011



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A report reflecting the state of progress of implementation of the Protocol on Finance and Investment in SADC

Imprint

Published by:

Southern African Development Community (SADC) Secretariat
SADC Headquarters
Plot No. 54385
Central Business District Gaborone

Botswana

<http://www.sadc.int/>

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This study was supported by

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Government and
- FinMark Trust.

August 2011

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LIST OF ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
BIS	Bank of International Settlements
BOI	Board of Investment
BoM	Bank of Mauritius
CISNA	Committee of Insurance, Securities and Non-banking Financial Authorities
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
CSTO	Committee of Senior Treasury Officials
DBM	Development Bank of Mauritius
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
DTAA	Double Taxation Avoidance Agreements
ESAAMLG	East and Southern African Anti-Money Laundering Group
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIP	Protocol
FSAP	Financial Sector Action Programme
FSB	Financial Services Board
FSC	Financial Services Commission
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
ICSID	International Centre for the Settlement of Investment Disputes
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IOPS	International Organisation of Pension Supervisors
IOR-ARC	Indian Ocean Rim-Association for Regional Cooperation
IOSCO	International Organisation of Securities Commissioners
IPA	Investment Promotion Agency
IPPA	Investment Promotion Protection Agreements
IPSAS	International Public Sector Accounting System
JSE	Johannesburg Stock Exchange
MACSS	Mauritian Automated Clearing and Settlement System

MIGA	Multilateral Investment Guarantee Agency
MoF&ED	Ministry of Finance and Economic Development
MRA	Mauritius Revenue Authority
MSX	Mauritian Stock Exchange
PLACH	Port Louis Automated Clearing House
PPP	Public Private Partnerships
REC	Regional Economic Community
RISDP	Regional Indicative Strategic Development Plan
RTGS	Real Time Gross Settlements
SADC	Southern African Development Community
SMSD	SADC Macroeconomic Statistical Database
USD	United States Dollars
VAT	Value-added Tax

1. CONTEXT

Mauritius, as a small island off the coast of Madagascar, identified Africa as critical to Mauritius' economic growth and stability. Mauritius is a member of multiple Regional Economic Communities (RECs) including the Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) and the Indian Ocean Commission (IOC), positioning the country as a key stepping stone between Asia and Southern and Eastern Africa. Mauritius is engaged wholly in the need for regional economic integration. As a relatively better resourced country when compared to others in SADC, Mauritius contributes resources in terms of human capacity, technical advisory services and often provides facilities to host meetings and workshop. Mauritius acceded to SADC in 1995, and ratified the Protocol for Finance and Investment (FIP) in 2009.

Mauritius was ranked 20th of 183 countries reviewed¹ in 2011 for Doing Business, being the highest ranked SADC country. Further, it is currently ranked 12th on the Index of Economic Freedom² of 179 countries, again the highest ranked SADC country (the next highest SADC country is ranked 73rd of all nations).

Mauritius, an island with a small population, has proactively strategized and developed a variety of diverse niche markets to ensure a competitive edge in the global economy. Natural resources in Mauritius, other than a beautiful coastline attracting a vibrant tourism industry, are limited. Agricultural opportunities are almost exclusively limited to sugar. Mauritius has also been relatively successful in developing other industries including financial services, textiles, health & wellness amongst other 'value adding' industries. With an unemployment rate of approximately 7.8%³, it is the lowest in SADC.

The promises of Mauritius as the stepping stone into Africa from the East is however, perhaps somewhat exaggerated and simplified. Using Mauritius from a shipping and trade perspective is not particularly cost-effective. Most industries in Mauritius require both the import of primary products making production for the domestic economy uncompetitive.

¹ <http://www.doingbusiness.org/rankings>

² <http://www.heritage.org/index/Country/Mauritius>

³ <http://www.trademarksa.org/news/mauritius-2010-unemployment-rate-rose-78>

2. STATUS OF FIP IMPLEMENTATION

2.1. STATUS OF FIP RATIFICATION

Mauritius is not a founding member of SADC, but the country's date of accession to the SADC Treaty is 28 August 1995. Mauritius signed the FIP on 18 August 2006 and ratified the FIP on 11 February 2009.

2.2. FIP STRUCTURES

Within the Ministry of Foreign Affairs, Regional Integration and International Trade, the Regional Integration Division acts as the focal point for the country's membership to both SADC and COMESA, and the Indian Ocean RECs, to coordinate initiatives under all other Ministries. Furthermore, the Ministry of Foreign Affairs chairs the SADC National Committee which oversees the implementation of all SADC protocols within relevant Ministries in Mauritius.

FIP coordination is the responsibility of the Ministry of Finance and Economic Development (MoF&ED) and Economic Planning, who indicate that there is no formal coordination amongst the various stakeholders responsible for FIP implementation, however, despite any formal coordination, there appears to be a relatively high level of shared knowledge of the various FIP activities.

Mauritius has been active on multiple FIP subcommittees including holding the chairmanship or deputy chairmanship previously or currently of Annex 1, Annex 2, Annex 8, Annex 9, and Annex 10. The Board of Investment (BOI) of Mauritius representative takes an avid interest in the activities of the subcommittee and has been active in developing the Investment Promotion Agency (IPA) forum and drafting its three year strategy. The chair of the Banking Supervision is from the Bank of Mauritius (BoM), the deputy chair of the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) subcommittee is from the Financial Services Commission (FSC), and the chair of the DFI network is from the Development Bank of Mauritius.

2.2.1. ANNEX 1: COOPERATION ON INVESTMENT

The Mauritian BOI is tasked with leading Mauritian activities at the SADC level as well as from a private sector perspective. Mauritius is observably committed to developing SADC as an attractive SADC market destination for FDI (foreign direct investment), and views itself as having a significant role in the facilitation of investment into the region. Despite the fact that there is yet to be an Investment Framework for SADC countries, Mauritius is promoting the need for clear and transparent investment guidelines in place for the region that are implemented consistently. Mauritius indicated that they have proposed to the subcommittee that each member state commits to a certain number of reforms per year and that these are

highlighted and acknowledged. Understanding the challenges that all member states face, BOI has proposed that reforms should be simple and progressive.⁴

The BOI have developed a 3 year action plan to take the SADC Investment Sub-committee forward, of which several activities have already been implemented. Mauritius organised a peer-to-peer event, with the purpose of consolidating cooperation between Investment Promotion Agencies (IPA) within SADC and ensuring IPAs' commitment to improving the investment climate within SADC. The subcommittee member interviewed stated that there is a disconnect between the focal point and the IPA, and that this is symptomatic of various FIP stakeholders within Mauritius not communicating with each other. Since the FIP is now ratified and must be implemented, progress is being stalled by "bureaucratic, non-result oriented people" in key decision-making positions, as well as the SADC Secretariat's lack of resources.

From a domestic perspective, Mauritius earned USD 256.7 million in FDI in 2009, which amounts to roughly 2.99% of GDP (gross domestic product). This figure decreased from 4.05% of GDP in 2008.⁵ According to the BOI the current high-growth sectors in the Mauritian economy are property and real estate, financial services, tourism, ICT, health and wellness, education, seafood and creative industries.

In order to facilitate the expansion of the economy and create a favourable investment climate, Mauritius is committed to ensuring investor protection. According to the World Bank Doing Business report, Mauritius scores 7.7 in terms of the Strength of Investor Protection Index (index runs from 0 for weak to 10 for very strong), giving the country a rank of 12 out of all countries surveyed.⁶ Mauritius currently has 36 Investor Protection Agreements, of which 11 are with African states.⁷ The objective of these agreements is to protect outward Mauritian investment at a bilateral level. Mauritius has membership to the International Centre for the Settlement of Investment Disputes (ICSID) (ratified and entered into force in 1969), Multilateral Investment Guarantee Agency (MIGA), the New York Convention for the Recognition and Enforcement of Foreign Arbitral Awards (ratified and entered into force in 1996). All Investment Promotion Protection Agreements (IPPAs) and Bilateral Treaties are listed on the BOI's website.

Mauritius' investment strategy is three fold:

- 1) Promoting FDI into Mauritian industries;
- 2) Structuring FDI destined for SADC (and other African countries);
- 3) Mauritian investment into SADC region.

⁴ Interview with Board of Investment subcommittee member.

⁵ World Bank. 2010. World Bank Databank. [available online] <http://databank.worldbank.org/ddp/home.do>

⁶ World Bank. 2011. Doing Business 2011. [available online] <http://www.doingbusiness.org/reports/global-reports/doing-business-2011>

⁷ Information sourced from interview with Board of Investment representative

According to the BOI, Mauritius is the second largest investor in SADC (after South Africa), which is believed to be the result of the FIP as it has encouraged the decision makers to come together, to bring IPAs together, as well as enhanced collaboration with the private sector. The BOI has established an outward investment division, looking primarily at SADC.

Multiple articles in Annex 1 of the FIP refer to the commitment to have transparent policies, regulations and procedures available to investors. The BOI website⁸ includes all relevant documents that are needed by investors including all legislation governing finance, investment and business operations. Further, a 152 page document “The Cost of Doing Business (in Mauritius)” for 2010 outlining all aspects of business in Mauritius is available on the website, articulating information about taxation, permits & licensing, financing, labour issues as well as minute details such as the cost of airtime on prepaid contracts and the minimum deposit amount for opening current accounts at six commercial banks.

2.2.2. ANNEX 2: MACROECONOMIC CONVERGENCE

Mauritius has managed to curb inflation to 2.55% in 2009, down from 9.73% in 2008. Government spending is kept within prudent, sustainable levels with an overall deficit of 3.5% of GDP and the external debt stock (public and publicly-guaranteed debt) at 7.9% of GDP.⁹ Thus, Mauritius has achieved the targets of both the FIP and the Regional Indicative Strategic Development Plan (RISDP). The macroeconomic environment is maintained more due to domestic economic policy than due to FIP guiding principles. In fact, there is consensus among the Macroeconomic subcommittee members in Mauritius that, while the FIP emphasises parameters that should be included in any sound economic policy, these are not followed in a structured manner. Mauritius has established its own macroeconomic agenda, and is admittedly ahead of the curve in terms of implementation. This agenda and all targets are set by the MoF&ED. The National Treasury manages all government expenditure based on a budget approved by parliament and aligned to a 3 year medium term framework.

Macroeconomic data for Mauritius is published on the BoM website.¹⁰ Macroeconomic data is collected on a real-time system, and is compiled in compliance with international cash-based accounting standards using the online Oracle software. The collection and compilation of this data is governed by the Finance and Audit Act of parliament. Forecasts are received based on the national budget, which is updated weekly and monthly. Data collected from private companies are compiled using accrual-based accounting standards and is managed by the Companies Act. These procedures for the management of macroeconomic data are all aligned to the International Public Sector Accounting System (IPSAS).

Currently, the population of the SADC Macroeconomic Statistical Database (SMSD) operates with member states preparing reports, which are compiled by the Secretariat (with no review) and then submitted to the Ministers. Mauritian subcommittee members believe that SADC

⁸ Available at www.investmauritius.com

⁹ World Bank. 2010. World Bank Databank. [available online] <http://databank.worldbank.org/>

¹⁰ Available at <http://bom.intnet.mu/?id=51856>

member states should arrange with the International Monetary Fund (IMF) to prepare and compile macroeconomic reports, to ensure these are standardised and to alleviate the burden on subcommittee members of this Annex rather than duplicate work already being done by other institutions.

In terms of the peer review mechanism proposed under this Annex, Mauritian subcommittee members believe that this is a worthy idea since it will capacitate SADC with greater authority. However, a note of caution was expressed, that it is vital that all member states agree on the process and support the mechanism.

2.2.3. ANNEX 3: COOPERATION IN TAXATION AND RELATED MATTERS

The Tax Policy Unit of the MoF&ED, in collaboration with the Mauritius Revenue Authority (MRA) has performed an extensive analysis and reform of tax incentives policy, including a cost-benefit analysis of the removal of tax exemptions and the design of a consolidated framework for the treatment of tax incentives. This process was guided by the requirements of the IMF's Article IV programme concerning the removal of tax incentives. The MoF&ED does not believe that this process was detrimental to the Mauritian economy since there has been a massive increase in FDI in the last three years, regardless of this change in policy. However, MoF&ED authorities stated that it is very difficult for all member states within SADC to adopt a common model governing tax incentives, given various levels of development and fiscal revenue needs. This proves challenging, since domestic pressure exists even within Mauritius to reintroduce tax incentives or to find ways to compensate for the revenue lost through the elimination of tax incentives.

Mauritius is the appointed chairperson for the Indirect Taxation Working Group under the subcommittee for Annex 3. Guidelines for the administration of value-added tax (VAT) are being developed for implementation (a workshop for this purpose was planned for June 2011). In terms of excise taxes, the Mauritian delegates were in attendance at a SADC workshop to achieve harmonisation of administration procedures and rates, although some disagreement was expressed regarding the treatment of zero-rated items. The MoF&ED representatives are of the opinion that current zero-rated items can remain but new items should not be added to the tax schedule within member states. This matter still needs to be resolved at subcommittee level.

Mauritius has also adopted the SADC Model Tax Agreement on the Avoidance of Double Taxation, and has amended domestic legislation to achieve compliance with regional requirements on double taxation and other tax areas. Mauritius has signed double taxation avoidance agreements (DTAAs) with eight SADC member states and is currently in DTAA negotiations with Malawi and Zambia. The DTAAs, IPPAs and Bilateral Treaties are accessible on the BOI's website.

In order to effectively implement the requirements of Annex 3 of the FIP, MRA authorities interviewed stated that there are various skills training requirements that are of primary importance. To address this, Mauritius has submitted a list of capacity building requirements to the SADC Secretariat, not all of which have been addressed as yet. However, Mauritius has sent two officials to be trained to learn how to update the SADC Tax Database. Currently,

these officials are awaiting usernames and passwords from the SADC Secretariat to be able to submit data online. The MRA does, however, publish all relevant tax information for all taxpayers within the economy online.¹¹

MRA and the MoF&ED acknowledge that the World Bank's Doing Business ranking is considered vital when reviewing policies, regulations and administrative procedures.

Even though a mechanism for the resolution of tax disputes has not been adopted at a regional level, MRA authorities stated that tax disputes are discussed and resolved at regional level.

2.2.4. ANNEX 4: COOPERATION AND COORDINATION OF EXCHANGE CONTROL POLICIES

Mauritius was the first SADC country to abolish all exchange controls on both current account and capital account transactions. This was completed as part of a more general process of modernisation and liberalisation of the economy. Since the completion of this process in 1994, the Mauritian rupee is fully convertible into all major currencies.¹²

Since no exchange controls exist, it has been necessary for the BoM to adopt a fully automated cross-border reporting system. The BoM compiles a monthly report of all foreign exchange transactions completed by the 20 licenced commercials.

2.2.5. ANNEX 5: HARMONISATION OF LEGAL AND OPERATIONAL FRAMEWORKS

Mauritius has been actively participating in the Legal and Operational Frameworks subcommittee; however the representative was unavailable at the time of the country visit. The Mauritian regulatory framework has experienced a series of reforms aimed at facilitating business and investment activity in recent years. The BoM has *de jure* autonomy whereby "Subject to this Act, the Bank shall, in the pursuit of its objects, perform..."¹³ and the President appoints the Governor and Deputy Governor and the MoF&ED appoints the other Directors.

Ranked amongst the twenty freest economies in the world, Mauritius is leading SADC with regards to investment and business sector reforms.

2.2.6. ANNEX 6: COOPERATION ON PAYMENT, SETTLEMENT AND CLEARING SYSTEMS

The BoM operates a fully automated real time gross settlements (RTGS) system on the SWIFT platform. The RTGS is called the Mauritian Automated Clearing and Settlement System (MACSS), which has been operative since 2000. While the MACSS was first introduced to

¹¹ Available at <http://www.gov.mu/portal/sites/mra/index.htm>

¹² Keith Jeffries. Forthcoming, 'The Status of Exchange Controls in SADC'

¹³ Bank of Mauritius Act, 2004.

handle large payments, Mauritian clearing houses have been automated using code line clearing principles in order for settlements to be handled directly through the MACSS. New legislation has been adopted to ensure that the legal framework supports the RTGS and new National Payments System (the Banking Act of 2004 and the Bills of Exchange Act, which provides for the truncation of cheques). Revisions have also been captured in the Port Louis Automated Clearing House (PLACH) rules, which have been approved and adopted.¹⁴

BoM authorities interviewed expressed that it does not see any potential problems in linking the MACSS to an integrated and fully automated SADC payments system, if the system is built on the premise of a multi-currency system. Currently, MACSS is the only RTGS that has a multi-currency facility in SADC and the SADC Payments Systems project seems to be moving towards a single-currency target. Due to the large offshore banking industry, Mauritius implemented a multi-currency system from the outset.

Furthermore, Mauritian subcommittee members are not in total agreement in using Common Monetary Area (CMA) countries for the SADC Payments Systems project. It was stated that the CMA pilot of a linked RTGS is far too simplistic for lessons to be translatable to the broader SADC environment, and that the pilot countries should include non-CMA SADC members too. The CMA pilot does not allow the RTGS to be tested against issues that may arise in other countries and is premised on two core principles which is that there is a monetary union with a single currency and there is a single central bank, both of which may not be implemented as early as a linked regional clearing and settlement system could potentially be in place.

The BoM carries out on-going oversight of the MACSS, which includes the collection and compilation of daily liquidity reports and other payments systems information, the analysis of all information and the initiation of action where appropriate. BoM has also adopted a credit-push system to manage operational risk as the entity initiating payment should have funds in his/her account before issuing instruction for transfer. In order to ensure business continuity, the MACSS has been supported since inception by a fall-back site. Operations of the MACSS are conducted from the fall-back site once every quarter to ensure that all stakeholders are prepared for, and are fully aware of, contingencies. Finally, the guidelines governing the implementation of the MACSS are governed by the Bank of International Settlements (BIS) Core Principles for Systemically Important Payment Systems and the BoM completes risk mitigation audits regularly¹⁵. These guidelines are published on the BoM website¹⁶.

The Bank of Mauritius is also actively participating in the COMESA Regional Payment and Settlement System (REPSS), which is as a cross border payment system linking the 19 central banks of the COMESA region. REPSS is a clearing system with settlement in either EUR or

¹⁴ SADC Bankers. 2006. SADC Payments Systems Project Progress Reports. [available online]
[http://www.sadcbankers.org/SADC/SADC.nsf/LADV/EE4A070FF6B42213422572EA0044EA5D/\\$File/ADDENDUM.pdf](http://www.sadcbankers.org/SADC/SADC.nsf/LADV/EE4A070FF6B42213422572EA0044EA5D/$File/ADDENDUM.pdf)

¹⁵ SADC Bankers. 2006. SADC Payments Systems Project Progress Reports. [available online]
[http://www.sadcbankers.org/SADC/SADC.nsf/LADV/EE4A070FF6B42213422572EA0044EA5D/\\$File/ADDENDUM.pdf](http://www.sadcbankers.org/SADC/SADC.nsf/LADV/EE4A070FF6B42213422572EA0044EA5D/$File/ADDENDUM.pdf)

¹⁶ Bank of Mauritius website available at <http://bom.intnet.mu/>

USD where the Bank of Mauritius acting as the settlement bank. REPSS guarantees same day settlement and risks are minimised through the use of pre-funded accounts.

Representatives of the Bank of Mauritius also mentioned that in the first implementation phase, the SADC Payment Systems initiative will also be linking the central banks of the SADC region with settlement in a dummy SADC currency. With this feature, the REPSS and the SADC models resemble closely. In this case it would be economical to develop only one model for the region given that several members of the SADC are already members of the COMESA. The REPSS has been tested and is on the verge of going live.

Finally, it has already been proposed to the SADC Payment Systems project team to use the REPSS software for the purpose of testing cross border payment concepts in the SADC region.

2.2.7. ANNEX 8: COOPERATION AND COORDINATION IN THE AREA OF BANKING REGULATORY AND SUPERVISORY MATTERS

BoM is largely compliant with Basel II. All guidelines for full Basel II implementation and banking supervision in general are available on the BoM website¹⁷. The CAMEL rating system has also been implemented, the information of which has been made available to all banks operating in the country. All BoM accounting and auditing standards are aligned with international standards and best practise.

As per domestic laws, self-assessments investigating BoM's compliance to Basel Core Principles are conducted every two years. The BoM official interviewed stated that self-assessments in the context of this Annex are reports or questionnaires completed for the banking supervision subcommittee.

BoM have attended many courses convened by both the IMF and BIS including e-learning programmes and those on risk-based supervision, to ensure that BoM is aligned to international standards of banking supervision.

The country is a member of the East and Southern African Anti-Money Laundering Group (ESAAMLG). Guidelines for anti-money laundering and for combatting the financing of terrorism are available on the BoM website¹⁸. The IMF and World Bank's Financial Sector Action Programme (FSAP) was implemented in the country, and a visit was conducted to complete an assessment of the AML/CFT (anti-money laundering and combatting the financing of terrorism) regime. Recommendations were provided, all of which have been included in the BoM's guidelines document¹⁹.

¹⁷ Bank of Mauritius website available at <http://bom.intnet.mu/>

¹⁸ Bank of Mauritius website available at <http://bom.intnet.mu/>

¹⁹ Available at http://bom.intnet.mu/pdf/Legislation_Guidelines_Compliance/Compliance/Compliance.pdf

2.2.8. ANNEX 9: COOPERATION IN RESPECT OF DEVELOPMENT FINANCE INSTITUTIONS

The Development Bank of Mauritius (DBM) is the sole Mauritian member of the SADC Development Finance Institution (DFI) network. The DBM is a small scale lender mandated to issue loans to small and medium enterprises in Mauritius primarily for industrial, hotel and tourism, and agro-industry businesses. Loans vary from approximately USD 1000 – 200,000. DBM is not involved in any large scale infrastructure, communications or transport oriented financing as this is primarily the role of the government in partnership with international donors. There are currently no PPPs (public private partnerships) within Mauritius and this is not a strategic direction that the government is pursuing.

DBM values the capacity building initiatives that are offered by the Development Finance Resource Centre (DFRC) and indicated that they have completed the DFRC's annual survey of training needs of member DFIs. This initiative is crucial to the development of DFIs within SADC, with more than 300 DFI officials being trained to date. The representative of the DBM stated that the focus of these training initiatives should be on re-engineering the role of DFIs in the region, skills-upgrading and understanding DFIs mandate to spearhead the formation of PPPs. DFIs also have capacity needs in areas of corporate governance, risk analysis and management and human resource management. All capacity building initiatives of the DFI network are currently sponsored by donors, with an annual budget of USD 4 million. DBM officials have participated in the training and capacity building activities of the DFRC to date including corporate governance, risk mitigation, human resource management and the executive development programme.

The representative did acknowledge that there are disparaging mandates amongst the member states, and thus they can opt out of specific training sessions offered if they are not aligned to the DBM's operations. With regards to the other mandates of the DFI network such as cooperation on regional projects and the pooling of resources, DBM is not aligned to these objectives.

2.2.9. ANNEX 10: COOPERATION ON NON-BANKING FINANCIAL INSTITUTIONS AND SERVICES

The Financial Services Commission (FSC) is a member of the International Organisation of Securities Commissioners (IOSCO), the International Organisation of Pension Supervisors (IOPS) and the International Association of Insurance Supervisors (IAIS). The FSC is highly committed to internal capacity building and in 2010, spent approximately USD 500,000 for training, amounting to 2, 000 hours of training for at least 130 staff. The FSC also contributes membership fees for all personnel attending training organised by the Learning Centre, the KM Centre and the Auditorium in Mauritius. In terms of financial literacy, the FSC is committed to working more aggressively on consumer awareness campaigns. The FSC have designed a

project, entitled 'Broadening Access to Financial Services', with a view to having a financially literate population in five years times.²⁰

The FSC is entirely on board and supportive of the capacity building, knowledge sharing and information exchange commitments of the FIP. FSC currently holds the deputy chairmanship on CISNA. FSC highlighted that as membership to these international bodies has been identified as a target for all SADC Member States (CISNA members), the obstacles to membership need to be highlighted as membership is expensive firstly, and secondly, even if member states are not members, that they should be able to participate in the capacity building activities to not miss the opportunity to improve skills and be kept abreast of industry standards and improvements. The FSC highlighted that it is crucial to enable all SADC member states to continue to receive the assistance and learning required to develop their markets as those that are kept behind and in the dark will become more difficult to integrate and harmonise. The FSC wants to partner with the Financial Services Board (FSB) of South Africa to create a database capturing technical expertise in order to support the development of other markets in the region.

With regards to the CISNA website, the FSC is committed to making changes to current data collection practises in order to make sure that the data it submits is useful for the purposes of regional financial integration. Furthermore, the FSC suggests that the SADC Secretariat and member states contribute to a pool of funding to finance capacity building activities, provide financial assistance to regulators in the region and to improve information exchange between member states.

2.2.10. ANNEX 11: COOPERATION ON SADC STOCK EXCHANGES

The Mauritian Stock Exchange (MSX) is a privately-owned stock exchange, with 20 to 25 shareholders and no controlling shareholder.²¹ It has two main markets, the main market and a secondary market for small and medium-sized enterprises. All securities are listed in Mauritian rupees.²² The development of the stock exchange has been fundamental to the more general process of economic development and the diversification of economic activity in Mauritius. The MSX has proven to be an attractive destination for capital, since tax legislation does not provide for capital gains tax and stipulates only a very low tax on dividends earned. Thus, the MSX is seen by many foreign investors to be a stepping stone into the economy

The market capitalisation of all Mauritian firms on the MSX amounts to USD 6.51 billion, with 86 firms listed²³, as of 2009. The MSX representative interviewed stated that there were 89 firms listed as of February 2011, with a market capitalisation of USD 7.9 billion which is roughly

²⁰ Information provided by FSC representative interviewed for this study

²¹ Information provided by FSC representative interviewed for this study

²² Information provided by FSC representative interviewed for this study

²³ World Bank. 2010. World Bank Databank. [available online: <http://databank.worldbank.org/ddp/home.do>]

82% of GDP. Furthermore, total capital raised through the exchange is twice the size of GDP at 18.5 billion Mauritian rupees (roughly USD 660.71 million).

The net foreign inflow into the market is 1.6 billion Mauritian rupees, so foreign ownership is at 9.4% of the entire market (including secondary market) or 11.5% of the main market. Total annualised returns on the MSX are at 21% using Mauritian rupee figures or 17% using US dollar figures. There are a number of global funds listed on the MSX, as well as a number of dual-listed firms on the African Platform. Furthermore, 60% of investment into the Indian market is diverted through the MSX. The MSX has been in negotiations with the Johannesburg Stock Exchange (JSE) on dual-listings, but the MSX representative interviewed stated that the exchange does not see much value in cross-listings, which seems unnecessary if a company can raise capital in its own jurisdiction. Further, the concept of cross-listing has many parameters to investigate to ensure that all parties benefit without harming the domestic market.

Since 1997, an electronic clearing and settlements system has been in place at the MSX. Electronic trading was adopted in 2001. The MSX is now connected in real time to Reuters. This is possible since there are no exchange controls in Mauritius which allow foreign investors to move funds in and out of the market freely. Recently, the MSX has also introduced a real-time settlement platform for trading in US Dollars, Pounds and Euros. This was made possible since the BoM holds reserves in all these currencies.

The MSX has been harmonised with JSE since 2006, in terms of regulatory and operational frameworks and listing requirements. These principles are also aligned to international standards. The MSX is aligned to international standards as a full member for the World Federation of Exchange, as a recognised stock exchange by the UK Tax Authority, and as a recognised stock exchange by the Cayman Islands Money Authority.²⁴ The MSX representative believes that it is essential that listing requirements adopted by the Committee of SADC Stock Exchanges (COSSE) should be informed by international principles.

In terms of SADC capacity building activities, the MSX hosted delegations from other member states, including Mozambique and Botswana. The purpose of these visits was to share information, experiences and knowledge on the operations and regulation of stock exchanges. The MSX have also made presentations to COSSE, displaying their commitment to transparency and information sharing within the region.²⁵ Furthermore, the MSX member interviewed stated that cross-border investment and enabling greater access to a wide selection of investment products is a crucial component of financial integration. The MSX is committed to the activities of COSSE, to enable information sharing among stakeholders in the region to improve the investment climate and increase capital flows. For example, investment inflows from Mauritius to Zambia will improve where Mauritius brokers are made aware of developments in Zambian mines. Finally, the MSX representative expressed the need for

²⁴ Information supplied by MSX representative

²⁵ Information supplied by MSX representative

greater coordination between FIP structures at member state level so that all Mauritian stakeholders are aware of developments across all Annexes of the FIP.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1. CONCLUSIONS

The political, economic and regulatory decisions that have been made in Mauritius over the last two decades have created the foundation for Mauritius to be the most liberal economy as well as the 'easiest' country in which to do business in SADC. While it is certain that the variety of decisions that were required to be taken were not easily achieved, meetings with stakeholders revealed the presence of a holistic strategy and shared country vision. It is clear that all institutions in Mauritius have the same objective guiding the development of processes, regulations and strategies. Mauritius has made substantial progress in reaching many of the FIP Annex objectives; however it is apparent that the FIP may only have been incidental in this process. The resolve of Mauritian authorities to align their policies, systems and regulations with international best practises to create in a sophisticated and advanced economy was perhaps the primary driving force. This does not detract from the commitment by subcommittee members in advancing objectives of the FIP.

Mauritian representatives are active in nearly each of the subcommittees as they believe that it is important to be involved and drive the FIP and integration processes. The MoF&ED leads the coordination of FIP in Mauritius, and leads by example as the Chairperson of the Macroeconomic Convergence subcommittee, the subcommittee, that according to the FIP is the core of the FIP structures (Committee of Senior Treasury Officials - CSTO). Mauritius has made significant investment to the commitments in the FIP domestically as well as investment to the activities of the various subcommittees in effort to assist other member states to progress FIP implementation as well.

3.2. RECOMMENDATIONS

Mauritius has made significant progress on all aspects of FIP implementation and now looks to support and guide other member states to take the appropriate steps in the same direction in effort to see progress in the region as a whole. In some instances, Mauritian support to other member states should be bolstered, to ensure that technical assistance and the availing of resources is sufficient to meet member states' needs. To this end, Mauritius and other SADC states who provide support to their fellow members should be and would appreciate some other external support to assist some of the other member states or subcommittees to facilitate the strategy and/or recommendations required for implementation.

The Mauritian authorities did highlight that there has not been formal coordination and communication amongst the various stakeholders of the FIP. Perhaps because the FIP commitments are aligned with the national strategies in general, there is a united perspective applied by all stakeholders. It would, however, be best if a formal FIP coordinating structure were to be put in place so that all subcommittee members were familiar with the activities of each Mauritian representative to ensure a comprehensive viewpoint. For example, the

challenges faced in COSSE by the MSX would be helpful to share with the colleagues that sit on other subcommittees, as well as the initiatives of the BOI under the investment subcommittee as investment is influenced by many other factors.

4. REFERENCES

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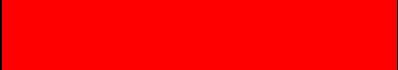

5. APPENDICES

5.1. APPENDIX 1: INTERVIEW LIST

Annex Subcommittee	Institution	Name
Macroeconomic Convergence	Ministry of Finance & Economic Development	Mr Vishnu Bassant
Macroeconomic Convergence	Ministry of Finance & Economic Development	Mr G.Beegoo
	Ministry of Finance & Economic Development	Mr. P. Hurry
Tax	Ministry of Finance & Economic Development	Mr M. Bheekhee
Banking Supervision	Ministry of Finance & Economic Development	Mr D. Ghurburren
Banking Supervision	Ministry of Finance & Economic Development	Mrs S. Hurryman
Payments Systems	Ministry of Finance & Economic Development	Mr D. Thakoor
Exchange Control	Ministry of Finance & Economic Development	Mr A. Z. Ackbally
Regional Integration Coordination Unit	Ministry of Foreign Affairs, Regional Integration & International Trade (Regional Integration Div.)	Mr M. D. Phokeer
Investment	Board of Investment	Mr D. Chamroo
COSSE	The Stock Exchange of Mauritius Ltd.	Mr. Sunil Benimadhu
	The Treasury	Mr M. Ramparsad
CISNA	Financial Services Commission (FSC)	Mr W Vardin
CISNA	Financial Services Commission (FSC)	Ms T.,Isree
	Mauritius Chamber of Commerce and Industry	Mr M Cheeroo
	Joint Economic Council	Mr Makoond
DFI	Development Bank of Mauritius (DBM)	Mr. H. Bissessur

5.2. APPENDIX 1: MATRIX OF COMMITMENTS

Colour	Status
Achieved	
Partially achieved	
Not achieved	
Not assessed	
Not applicable	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
None	None	FIP instrument ratified by all member states.		SADC Secretariat	
None	None	National FIP coordinating structures in place to facilitate better FIP implementation.		SADC Secretariat	
Annex 1: Cooperation in Investment	5,6,8,9,27	Existence of domestic investment law that: Protects investors, allow repatriation of profits, allows access to courts		www.investmauritius.com/	All three present = green

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	21	Signatory to international conventions: New York Convention		http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYC_convention_status.html	Member = green
Annex 1: Cooperation in Investment	21	Signatory to international conventions: ICSID		http://icsid.worldbank.org/ICSID/FrontServlet?requestType=ICSIDDataRH&reqFrom=Main&actionVal=ViewContractingStates&range=A~B~C~D~E	Member = green
	21	Acceded to international conventions: MIGA		http://www.miga.org/about/index_sv.cfm?stid=1695	Member = green
	8	Investment policies, information etc. easily accessible to investors		www.investmauritius.com/	
	23	MS has an active IPA		www.investmauritius.com/	
	2	Member ranked above (or equal) to OECD average rating of the Strength of Investor Protection Index	7.7	http://www.imf.org/external/pubs/ft/scr/2010/cr10143.pdf	Better than or equal to OECD average = green; worse = red

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	19	MS's national policies and regulations comply with the Regional Investment Policy Framework and/or the minimum principles for investment regimes in the region.	Not Assessed (not measured in 2011)	Invest Mauritius, relevant ministry	
	19	Regional Investment Policy Framework is drafted and agreed to by MS	No standard framework yet exists in the region.	Investment subcommittee	
Annex 1: Cooperation in Investment	23	Evidence of events and activities run by IPA Forum and attended by MS IPAs	The SADC IPA forum has been established, however the most recent event was poorly attended by CEOs of IPAs operating in MS	Investment subcommittee	
Annex 2: Macroeconomic Convergence	2,3,4	Inflation rate low and stable (< 9%)	2.55%	Ministry of Finance/Bank of Mauritius	Within range = green; out of range = red
	2,3,4	Public and publicly guarantee debt to GDP < 60%	7.90%	Ministry of Finance/Bank of Mauritius	Within range = green; out of range = red
	2,3,4	Budget deficit to GDP ratio at widely accepted prudent levels (< 5%)	3.50%	Ministry of Finance/Bank of Mauritius	Within range = green; out of range = red

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	5,8	Cooperation/Information Sharing: submission of data to SMSD		Ministry of Finance/Bank of Mauritius	
	7	Cooperation/Information Sharing: participation in peer review panel	N/A	Ministry of Finance/Bank of Mauritius	
Annex 2: Macroeconomic Convergence	7	The Peer Review Mechanism is approved for establishment and operational	Discussions towards establishment of the mechanism are on-going. Framework and guidelines have not yet been adopted. Generally, MS are supportive of the Peer Review Mechanism, but have specific concerns which need to be addressed at subcommittee level.	Macroeconomic Convergence subcommittee	
Annex 3: Cooperation in Taxation Matters	5.3	Number of DTAs signed with other SADC member states	8	www.investmauritius.com/	< = 6 red, 7 - 10 orange, 11 - 14 green
	2	Up to date and publicly available tax database (national)		www.investmauritius.com Ministry of Finance	
	2	Up to date information submitted to SADC Tax Database (when fully operational)	N/A	www.investmauritius.com Ministry of Finance	
	6..6	Signatory to the Mutual Agreement for Information Exchange with member states (AATM)	N/A	www.investmauritius.com Ministry of Finance	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	6	Harmonised to the regional guidelines for the administration of Indirect Taxes	N/A	www.investmauriti.us.com Ministry of Finance	
	4	Harmonised to the regional tax incentives guidelines	N/A	www.investmauriti.us.com Ministry of Finance	
Annex 3: Cooperation in Taxation Matters	3	Tax officials participate in capacity building activities		Ministry of Finance/Revenue Authority	
	5	Existence of Model Double Taxation Avoidance Agreement	Model DTAA and Commentary approved and adopted by all member states.	Tax subcommittee	
	4	Guidelines for the appropriate treatment of tax incentives drafted and approved for adoption by MS.	Drafting of guideline documents still in progress.	Tax subcommittee	
	4	A Fiscal Model for cost benefit analysis developed and approved by Ministers of Finance. Fiscal Model must comply with items articulated in Art. 4 section 5.	Cost Benefit Analysis model not yet developed.	Tax subcommittee	
	6	SADC Agreement for Assistance in Tax Matters (AATM) approved and signed by all member states (multi-lateral agreement).	Finalised in 2008, waiting for approval by Ministers of Justice/Attorneys General awaiting clearance and signature by Summit.	Tax subcommittee	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	6	Guideline for the administration of indirect tax in the region is approved for adoption by member states.	Still under review by the Indirect Taxation working group.	Tax subcommittee	
	7	Mechanism for the Settlement of Tax Disputes developed and approved by Ministers of Finance.	Has not been developed or approved for implementation	Tax subcommittee	
Annex 4: Cooperation on Exchange Control	2a	Liberalised Current Account		Bank of Mauritius	
	2a	Liberalised Capital (Financial) Account		Bank of Mauritius	
	2c,3.1.c	Full Currency Convertibility		Bank of Mauritius	
	2d, 3d	Collect and publicise data on foreign exchange transactions (e.g. automated cross border reporting system)		Bank of Mauritius	
	2a	Roadmap for exchange control liberalisation in current and capital (and financial) account transactions is drafted and approved	The roadmap has been drafted by the subcommittee. All countries except the DRC have signed and approved the roadmap, and so it has not been implemented as yet.		
Annex 5: Harmonisation of Legal and Operational Frameworks	3b	Autonomy/independence of Central Bank		Bank of Mauritius	
	2	Compliant with SADC Central Bank Model Law (when/if made binding)	N/A	Bank of Mauritius	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	4.2	Adoption of price stability as mandate		Bank of Mauritius	
	3c	Ability of Central Bank to set own budget		Bank of Mauritius	
	2e	Extent to which central bank can lend to government	Yes - grant advances to cover negative net cash flows at a rate agreed with government	Bank of Mauritius	
Annex 5: Harmonisation of Legal and Operational Frameworks	3	Existence of Model Central Bank Law	The Model Central Bank Law has been drafted and approved by all SADC member states	Legal and operational frameworks subcommittee	
	2	Roadmap for the establishment of a Common Central Bank developed and approved.	Legal & Operational Committee has recently been tasked with the development of a roadmap for the establishment of a single Central Bank. No progress yet on this matter.	Legal and operational frameworks subcommittee	
Annex 6: Cooperation on Payments Systems	3a	Payments systems in place domestically		Bank of Mauritius	
	3c, 3e, 4.1.c	Risk mitigation strategy implemented		Bank of Mauritius	
	4.1.d	Existence of national payments system law		Bank of Mauritius	
	2	National payment system law aligned to regional model law	N/A	Bank of Mauritius	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	2, 3d	MS linked to SADC regional payments systems (when operational)	N/A	Bank of Mauritius	
	2	Model Payment System Law developed and approved	Law is being drafted for approval at regional level	Payments System subcommittee	
Annex 6: Cooperation on Payments Systems	3	Model Payment System Strategy is developed.	This is not in place yet. However, the strategy is being developed for the CMA countries to be piloted in this sub-regional bloc. The intention that this will allow a 'tried and tested' strategy to be rolled out to the rest of the region	Payments System subcommittee	
Annex 7: Cooperation in the area of ICT	3, 4	Legal framework for data privacy in place	Not Assessed (not measured in 2011)	Each Central Bank & IT Forum	To enable cross border business based on ICT taking in account that all business are supported by ICT platform

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
	3	Standard regarding ICT systems interpretability in place	Not Assessed (not measured in 2011)	IT Forum	Promote cross border business specifically for Payment Systems
	3.5	IT Governance framework adopted for the region.	Not Assessed (not measured in 2011)	Each Central Bank & IT Forum	
Annex 7: Cooperation in the area of ICT	3	ICT communication Infrastructure to connect member states in place	Not Assessed (not measured in 2011)	IT Forum	
Annex 8: Cooperation in Banking and Regulatory Supervision	2	Compliant with the 25 BASEL core principles	Largely compliant with Basel II	Bank of Mauritius	Less than 20 = red; 21 to 25 orange; 25 green
	2	Self-assessment audit happening on annual basis	Audits conducted every 2 years	Bank of Mauritius	
	Annex 14	Membership of ESAAMLG & completion of a mutual evaluation		Bank of Mauritius	
	Annex 13	Compliant with international standards for auditing and accounting - IFRS		Bank of Mauritius	
	2, 4	Regional agreement on framework for central bank supervision.	Harmonisation of banking supervision and regulatory principles in progress.		

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Annex 9: Cooperation on Development Finance Institutions	3, 9	Participate in regional development projects through cooperation in pooling of funds, project identification, project management.		Development Bank of Mauritius	
	3f, 7	Attending capacity building activities organised by DFRC (secondment, work placement, training)		Development Bank of Mauritius	
	Annex 1	PPP: Establishment of PPP Policy Framework, Legal Framework, Institution Framework	Not Assessed	Ministry of Finance	
Annex 9: Cooperation on Development Finance Institutions	2	The DFI network and DFRC are established and active.	Yes.	SADC Secretariat	
	11	Regional Insurance Guarantee system in place and approved.	The Regional Insurance Guarantee scheme has not been agreed upon or implemented.	DFI Network	
	3	Number of regional development projects in progress (where regional refers to projects with benefits to more than one country, or with more than one country collaborating on a project)	Only evidence of regional projects is DBSA projects, which are not necessarily attributable to the DFI network. No collaboration between DFIs on regional development projects.	DFI Network	
Annex 10: Cooperation on Non-Banking Financial	7	Membership of IOSCO (harmonising to international standards)		http://www.iosco.org/lists/display_members.cfm?memID=1&orderBy=None	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
Institutions and Services	7	Membership of IOPS (harmonising to international standards)		http://www.iopsweb.org/document/14/0,3343,en_35030657_35030370_35152654_1_1_1_1,00.html	
	7	Membership of IAIS (harmonising to international standards)		http://www.iaisweb.org/IAIS-members-31	
	3, 4, 5	Committed to information sharing (Multi-lateral agreement signed by all CISNA members)		Information shared by CISNA members	N.B. except Seychelles who has not yet participated in CISNA
Annex 10: Cooperation on Non-Banking Financial Institutions and Services	10	Participating in capacity building activities		Financial Services Centre	
	9	Alignment to SADC regulatory framework for Non-Banking Financial Institutions (when drafted and approved)	N/A	Financial Services Centre	
	9	SADC regulatory framework for non-banking financial institutions established and approved for the region	SADC Framework is not yet developed. But progress has been made in that member states' NBFIs authorities have been tasked with drafting the various components of the framework.	CISNA	
Annex 11: Cooperation in	2	Cooperation: Member of COSSE		Mauritius Stock Exchange	

Annex	Article	Indicator	Status 2011	Source/Institution	Criteria
SADC Stock Exchanges	2	Cooperation: Information Exchange		Mauritius Stock Exchange	
	2.3	Participate in capacity building activities (either attend or host)		Mauritius Stock Exchange	
		MS harmonised to SADC common principles.	Not Assessed (not measured in 2011)	Mauritius Stock Exchange	
	2.5	MS who are completing the minimum standards for surveillance and risk assessment.	Not Assessed (not measured in 2011)	Mauritius Stock Exchange	
	2.7	Extent of diversification of the registered market participants on MS stock exchange (% individuals, % trusts, % corporates)	Not Assessed (not measured in 2011)	Mauritius Stock Exchange	