Report on the Mauritius Mission

October 19, 2012
GRIPS Development Forum

The policy research team of the GRIPS Development Forum (GDF), consisting of Prof. Kenichi Ohno, Prof. Izumi Ohno and Ms. Sayoko Uesu, visited Mauritius from 1 to 4 October, 2012. The mission objective was to collect information on (i) industrial policies, tools and policy formulation mechanisms of Mauritius in the past and present, and (ii) its current economic policy direction. We have conducted similar missions in a number of other Asian and African countries in search of best and diverse policy practices. Information from these countries, including Mauritius, will be used in our policy dialogue with other developing countries as well as for informing the Japanese authorities involved in development cooperation, including those preparing for the Fifth Tokyo International Conference on African Development (TICAD V) scheduled in June 2013. We would like to express our sincere appreciation to all organizations and individuals who kindly received us and shared valuable information and insights with us[1].

1. History

Mauritius is a small island located in the Indian Ocean with a population of 1.3 million. The island was inhabited until the Dutch came to colonize the island, unsuccessfully, in the 17th century. After being abandoned by the Dutch in 1710, the French took possession of the island in 1715 and ruled for the next hundred years bringing Malgash and other African people from the continent. As a result of France-Britain battles, Mauritius was colonized by Britain in 1810 and a large number of Indians were brought to the island as labor at sugar and tea plantations. With a constant influx of Chinese workers beginning in the early 20th century, Mauritius became a multi-ethnic society where the majority was Hindu followed by Créole, Muslim, and Chinese. Ethnic and cultural diversity has become a fundamental feature and asset of Mauritius to this date, where every citizen speaks both English and French as well as their native language. Mauritius became independent in 1968 and has enjoyed relative political stability since then.

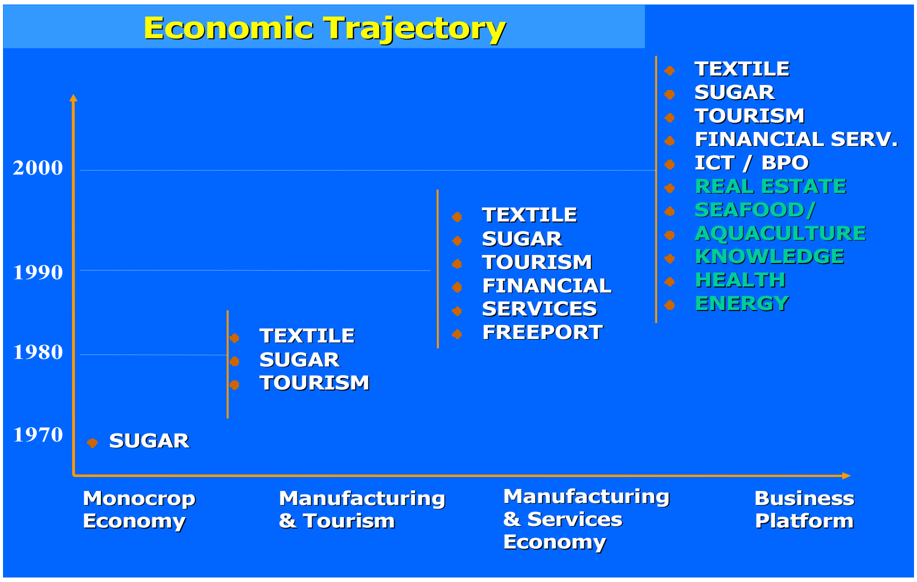
At the time of independence, the economy was dominated by sugar plantation which exported raw sugar to Europe. In the 1980s, Mauritius initiated economic development with steady progress in structural transformation. With its per capita GNI reaching US$8,240 in 2011 (World Bank), by now the country is regarded as one of the most successful economies in Africa and extensively studied as model cases. Mauritius is also ranked high in terms of investment climate, competitiveness, climate and governance. For consecutive

[1] Our deepest gratitude goes to Mr. Seewraj Nundlall, Director of Goods Producing Sector of the Board of Investment, who kindly coordinated all meetings with the public sector. The mission members would also like to thank Dr. Jean-Claude Maswana of the JICA Research Institute for his intellectual and pragmatic help in conducting the field research.

years, the country has been ranked top in Africa in the World Bank's Ease of Doing Business Report[2]. The World Economic Forum's Global Competitiveness Index ranked Mauritius at 54 out of 133 countries in 2011-12, behind only South Africa in the Africa Region. The country scored the highest in the 2011 Ibrahim Index of African Governance.

However, success was neither naturally arising nor easily foreseeable at the outset when the economist and Nobel Prize winner James Meade, around the time of independence, gave a pessimistic view on the future of the island nation due to the lack of natural resources and remoteness to any industrial areas, which were seen as major obstacles for industrialization[3]. However, monoculture and isolation did not prevent Mauritius from achieving an economic miracle. In retrospect, the Mauritian government has been reasonably wise and strategic, making right choices at every difficult point in the nation's short history. Proactive and foresighted policies included establishment of Export Processing Zones (EPZs) and development of the textile sector in the 1970s, as well as a more recent and successful restructuring of the sugar sector, as explained below. Mauritius has diversified its industrial base and moved up to high-end products and services, as described by the Joint Economic Council (JEC) in Figure 1 below, a movement that still continues today.

Figure 1. Economic Trajectory of Mauritius



Source: Joint Economic Council (2012).

---

[2] Mauritius was ranked 23rd out of the 183 countries in the 2012 Doing Business Report, losing three ranks from the 2011 Report. Although the country remains top rank in Africa, this situation has aroused concern among the government and private sector. For example, the JEC memorandum on 2013 budget suggests that Mauritius improve its "Ease of Doing Business" environment and aim at the top 15 countries in the next three years.

[3] James Meade, British recipient of the Nobel Prize in economics, prophesied in the early 1960s that Mauritius's development prospects were poor—that the country was a strong candidate for failure, with its heavy economic dependence on one crop (sugar), vulnerability to terms of trade shocks, rapid population growth, and potential for ethnic tensions.

By the 1990s the national economy had three pillars of sugar, textile and tourism. The textile industry was particularly remarkable, as it created more jobs, boosted export, and contributed significantly to the industrialization of the island.

Whenever possible, the mission asked public and private sector leaders of Mauritius for the reason of success. Common answers included the smallness of the country where all key players in businesses and government personally know each other and work together intensively; and historical existence of entrepreneurs and strong business culture which can interact with and lead government effectively. With a capable public sector and a dynamic private sector, balance between state and market has also been well managed historically without going to either extremes.

2. New policy direction

However, success up to recent past was mainly due to ample supply of unskilled labor and trade privileges such as sugar quotas and price guarantees in the European market as well as the Multi-Fiber Agreement (MFA) and the US African Growth and Opportunity Act (AGOA) for Mauritian garments. In recent years, harsh competition from China and other Asian countries emerged. Moreover, as the country gradually lost generous trade preferences in sugar and textiles mentioned above, especially with the dismantlement of MFA at the end of 2004, many investors relocated their factories to other countries and the manufacturing sector of Mauritius began to shrink. This compelled the government to shift its policy focus from privileged market access to a more open economy in pursuit of global competitiveness based on human resource and technology.

The government has often sourced developmental ideas from East Asian economies such as Taiwan and Singapore. In particular, the experiences of Singapore, an island nation with spectacular performance, have been closely studied, influencing the economic and administrative management of Mauritius as reference points and benchmarks. In 2005, when the administration of Navin Ramgoolam came to power, the new government initiated a series of bold economic reforms, which were also inspired by Singapore's experiences.

One of the boldest measures was extreme simplification of tax rates. All taxes, including corporate tax, VAT and personal income tax, are now uniformly set at 15%. No special treatment or exemption is offered unlike the previous incentive system built on generous tax holidays.

The government currently promotes both traditional sectors and new growth areas. Traditional sectors—sugar and textile in particular—are supported for consolidation and more value creation. Mauritius still wants to develop manufacturing as it has greater spillover effects than other sectors[4]. At the same time, ICT, medical devices and services,

---

[4] According to a certain study, an output increase of 1 rupee in manufacturing generates additional 51 cents

precision engineering, pharmaceuticals, seafood, "land-based oceanic" (deep sea water development), and so on, are added as newly targeted sectors. The government is preparing skills upgrading programs to meet human resource needs of these industries.

Another policy initiative is opening up to more aggressively absorb financial and human resources from abroad to stimulate the economy. While Mauritius has always tried to attract professional expatriates such as accountants and lawyers, the government has extended the policy even to unskilled labor despite some social concerns. In fact, because of the shortage of non-professional labor in the country, the manufacturing sector now has to recruit unskilled workers from China, Bangladesh, Madagascar, and so on.

Deepening regional integration and becoming an international bridge is another important pillar. Being a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), Mauritius now sees countries in Eastern and Southern Africa as promising markets. The government is also trying to take full advantage of its geographical location to become a bridge between growing Asia and Africa for business and finance. In this connection, the government is negotiating a new Air Access Policy to increase flights to these regions. Currently, Mauritius is accessible only by Air Mauritius, Air France, and Emirates with no direct flights to targeted African countries except South Africa.

Two recent instances of successful policy adjustments in key industrial sectors of textile and sugar deserve special mention.

First, in order to cope with the announced disappearance in January 2005 of the MFA, from which Mauritian garment producers had benefited greatly, the government established a High-Powered Committee led by the Ministry of Industry. The committee reviewed the sector and decided to put much greater emphasis on productivity and competitiveness instead of guaranteed access to large markets. A Textile Emergency Support Team (TEST) [5] was set up in July 2003 as a joint private-public initiative to assist any enterprise which showed serious intention to become more competitive. TEST conducted work in two stages: (i) diagnosis of individual enterprises, followed by (ii) financial assistance to restructure them with the help of external consultants. Free diagnoses were carried out by the National Productivity and Competitiveness Council (NPCC, see below). Out of 260 eligible textile and garment firms, only 43 took advantage of free diagnosis, and none of them actually availed itself of subsidized restructuring. A balanced mix of private effort and partial official support succeeded in downsizing the sector. Weak producers exited while remaining enterprises are continuing to improve productivity and becoming lean[6].

---

in other sectors whereas a similar increase in the service sector creates only 27 cents additionally.

[5] Gilles Joomun, "The Textile and Clothing Industry in Mauritius," pp.206-207, in Herbert Jauch and Rudolf Traub-Merz (eds.) *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, Bonn: Friedrich-Ebert-Stiftung, 2006, see http://library.fes.de/pdf-files/iez/03796/14mauritius.pdf.

[6] The mission visited the main factory of Esquel (Mauritius) Ltd., a member of Esquel Group of Companies headquartered in Hong Kong. It employs 3,000 people with additional 2,000 in three other factories on the

Second, when the sugar industry was seriously hit by the removal of price and quota privileges of the EU market and forced transition to global competition in 2007, the Mauritian government negotiated with the EU for the provision of funding for an upgrading program, in which the sugar industry was assisted in consolidation and upgrading. New activities such as establishment of refineries, development of specialized sugar, creation of the bio mass industry, and distillery of rum were initiated. Job loss due to the closure of many sugar mills for consolidation into four large mills was compensated by a general retirement scheme. The fact that the Mauritian sugar industry could be transformed in this way within only five years was considered a miracle.

In the current policy debate, another wave of policy adjustments, which may be larger than the case of textile or sugar, is discussed. Since around 2005 Mauritius began decisively to shift from the trade privilege regime to the open competition regime. However, before solid results were obtained, global situations became severely unstable with the Lehman shock and the Euro crisis. Challenges from emerging economies such as China and India are also constraining the competitiveness of Mauritius. One group, for example the Ministry of Finance and Economic Development, advocates further external opening and freer markets for actively inviting foreign enterprises and talents to invigorate the economy. Another idea, which seems more widely shared among various public and private bodies, wants government to do a little more, especially in sectoral targeting and incentives, to push the private sector because this group feels that leaving economic development to market alone does not always attain the nation's full potential. There are also people in the middle who support new policy initiatives but are hesitant to endorse selective promotion. This is a fundamental question in industrial policy and it is interesting to see how the debate goes in the context of Mauritius.

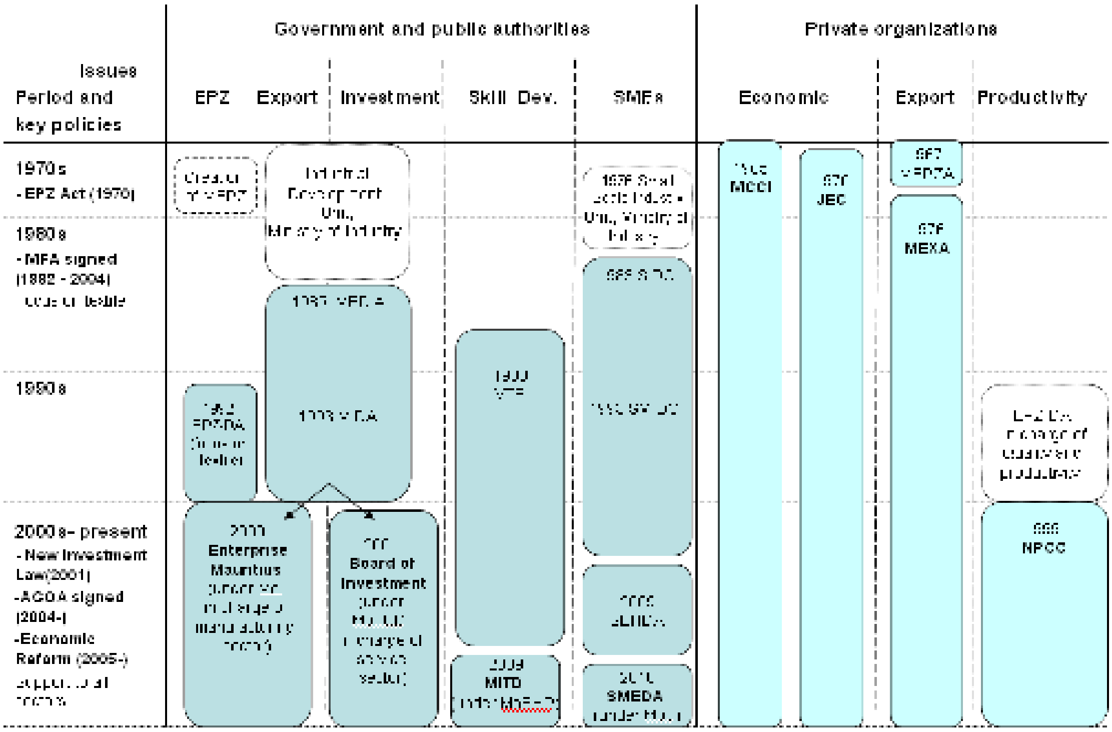
3. Key support institutions and their evolution

Since the late 1960s, institutions have been created to promote economic development, initially to support the sugar industry and EPZs for the textile industry and subsequently to promote other industries. Figure 2 shows their evolution over the last four decades.

---

island. All materials come from China and this factory manufactures high-end cotton shirts (retail prices of $60-80) for the US market. It was the most advanced garment factory that the mission had known in terms of processes, skills and quality control. Although workers' wages are high and rising ($300-650 per month), they are easily offset by continuous productivity increase. Orders are rising despite global economic crises and the company has to expand capacity every year.

Figure 2. Evolution of Major Institutions since 1970



EPZs and export promotion

The history of Mauritius Miracle is closely associated with the development of Export Processing Zones (EPZs) initiated in the late 1960s. With limited impact of the previous import substitution program, the government under the leadership of Prime Minister Seewoosagur Ramgoolam and Minister Duval explored alternatives including the establishment of EPZs, although foreign (European) experts advised the Prime Minister that EPZs would not work in Mauritius because of remoteness and resource constraints.

The driving force behind the introduction of EPZs was Professor Edouard Lim Fat, a Sino-Mauritian professor and engineer, now respected as the “Father of Mauritius EPZ.” Intrigued by the success of EPZs abroad, he traveled to Hong Kong, Puerto Rico, Singapore, and Taiwan to study their experiences. Having been assured of its applicability in Mauritius, he submitted a report to the government for its adoption and convinced the Prime Minister to opt for this approach. Prof. Lim Fat’s background, originating in East Asia, also helped to bring initial investors from Hong Kong and other Asian countries. Hong Kong manufacturers were first to come in Mauritius EPZs as they feared that the expected return of the British colony to China in 1997 would destroy their business environment and looked for another production base. Together with Prof. Lim Fat, Ministers of Industry, Foreign Affairs, etc. traveled extensively to promote Mauritian EPZs, which showed firm commitment of the government to this policy and had a considerable impact on attracting foreign investors[7].

The state worked hard to forge a difficult political consensus toward establishment of EPZs. In December 1970, the Mauritian parliament passed the Export Processing Zones Act and the government created the necessary framework for EPZs. As strengthening the capacity of the Ministry of Commerce and Industry was imperative, the government called for various technical cooperation programs of international partners to increase its staff size and expertise, and created the Industrial Coordination Unit that covered project evaluation and monitoring, investment promotion, export marketing, project funding, and provision of insurance to protect exporters against defaults by importers. While foreign consulting firms were initially mobilized, they were replaced as soon as Mauritian authorities gained expertise. This unit, initially created for simplifying investment procedure in EPZs, later expanded to become the Mauritius Development and Investment Authority (MEDIA) in 1983 and further renamed to the Mauritius Industrial Development Agency (MIDA) in 1993.

MEDIA and subsequent MIDA had the following objectives:[8]

- Promotion of goods and service export
- Development and operation of industrial sites and estates
- Plan, implement and review action programs for developing export-oriented manufacturing
- Advice to the Minister on all matters relating to export promotion

More specifically, it provided market information to entrepreneurs, organized and assisted participation in trade fairs, promoted SME development, conducted market surveys, and developed industrial estates which offered. Though MEDIA/MIDA was not meant to be serving only the textile and garment sector, it was in reality one of the main support agencies for this sector which became the dominant industrial engine of EPZs.

Another important institution was the Export Processing Zones Development Agency (EPZDA) set up in 1992 to ensure smooth transition from a labor-abundant to a skills-intensive economy. This agency focused its assistance on the textile and garment sector with its main objectives as follows[9]:

- Diversification of product range
- Maintenance of growth of core textile products
- Moving up the market to attain higher value added exports
- Fostering textile clusters
- Promotion of technology transfer and acting as a technology watch
- Provision of support services in the field of regional cooperation
- Reinforcing knowledge transfer through research and information dissemination

---

7 Sir Edouard Lim Fat, *From Vision to Miracle: Memoirs of Sir Edouard Lim Fat and the Story of the Mauritius Export Processing Zone (EPZ)*, Printed by T-Printers Co. Ltd., Mauritius, 2010.

8 Gilles Joomun, "The Textile and Clothing Industry in Mauritius," pp.205, in Herbert Jauch and Rudolf Traub-Merz (eds.) *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, Bonn: Friedrich-Ebert-Stiftung, 2006. see http://library.fes.de/pdf-files/iez/03796/14mauritius.pdf.

9 Ibid, pp.205-206.

- Skills development
- Promotion of ICT application in industry
- Enhancement of enterprise efficiency through Business Process Re-engineering

One of the main achievements of EPZDA was the establishment of the Clothing Technology Center where training was delivered to employees of the garment sector to enhance their capacity to use new technologies in their factories.

In 2001, MIDA and EPZDA were merged into a one-stop service, Enterprise Mauritius (EM), which provides assistance to the private sector that produces exportable goods which are "Made in Mauritius." It assists manufacturing firms with such services as export promotion, export facilitation, export development, and policy advocacy on international trade. Although EM is specialized in export promotion, it must cooperate closely with other agencies to achieve results. For exporting SMEs, the Small and Medium Enterprises Development Authority (SMEDA, discussed below) must first strengthen their design and production capabilities. Once their products become exportable, EM can take over and assist SMEs. For exporting FDI, the Board of Investment (BOI, also discussed below) must initially attract appropriate foreign investors. Once they establish production base in Mauritius, EM steps in to help and advise them in marketing their products abroad. While the division of labor among EM, SMEDA and BOI is theoretically clear, according to some observers, coordination among these implementing agencies is in reality not perfect.

FDI attraction

With the promulgation of a new investment law in 2001, the Board of Investment (BOI) was established to facilitate and promote investment in Mauritius. BOI is the national Investment Promotion Agency under the aegis of the Ministry of Finance and Economic Development. Similar to the Economic Development Board in Singapore, it serves as a one-stop shop to both domestic and foreign investors. BOI oversees both the production sector (manufacturing) and the service sector, and also coordinates multi-sectoral investment projects such as the Jin-Fei Economic Zone, a Chinese investment program to create an integrated city combining industrial, commercial and residential areas. Activities of BOI include counseling on investment opportunities in Mauritius, provision of sector-specific and tailor-made information for potential investors, organization of customized meetings and visits, and identification of joint-venture partners. The Board has about 90 staff, which includes about 60 professionals and 30 support staff. It had three overseas bureaus in Mumbai, Paris and London but they are now closed.

The majority of FDI come from the UK, India, France and South Africa, accounting for more than 75% of the total FDI flows in Mauritius in 2010. Real estate, financial services, healthcare, hotels and restaurants are the major sectors attracting FDI for Mauritius. With the Euro crisis continuing, Mauritius is moving towards new markets in Asia and Africa. The country is increasingly positioned itself to be a major business platform in the Indian Ocean, serving as a bridge between Asia and Africa.

Being a small island country vulnerable to external shocks, Mauritius has been always mindful of sending a strong pro-investment signal to both local and foreign investors. As explained before, Mauritius has one of the world's most generous tax regimes, where personal and corporate tax and VAT are harmonized at 15% and where dividends are tax free. There is no exchange control, and export-oriented firms enjoy duty-free privilege for their inputs and equipment. Mauritius has also singed non-double taxation agreements with 39 countries so far (of which 13 are African countries) and is signatory to a number of Investment Promotion and Protection Agreements, namely with 36 countries (BOI website).

For these reasons, BOI was awarded the ‘Investment Promotion Agency of the Year Award’ for the second consecutive year at the Africa Investor Investment Business Leader Awards, held in Tokyo in early October (during the IMF/World Bank Annual Meetings), outperforming the Rwanda Investment Promotion Agency, the Kenya Investment Authority, the Department of Trade and Industry of South Africa, the Investment Promotion Centre of Mozambique, the Ghana Investment Promotion Centre, and so on.

SME development

Starting one’s own business as an independent and innovative SME is emphasized in Mauritius for absorbing highly-educated talents. At high schools and universities, students are encouraged to “be your own boss” instead of looking for a job at an established firm.

In Mauritius SMEs are defined as enterprises with an annual turnover not exceeding 50 million rupees (about US$1.5 million). The country has about 100,000 registered SMEs in manufacturing and service sectors[10]. The creation of EPZs had a positive effect on the development of local SMEs as most of the textile factories provided materials and subcontracted CMT (cut-make-trim) works to local firms. It thus created a vertical linkage in the textile industry, and as local SMEs gradually gained expertise in production and quality control, they became more independent from large firms and began producing clothing for the domestic market (including the tourist market).

The government has always supported SMEs since the import-substitution period of the 1960s. In 1976 the Small Scale Industry Unit was established within the Ministry of Industry. It became the Small Industry Development Organization (SIDO) in 1983 with further reorganization as the Small and Medium Industry Development Organization in 1993. After more reorganization in the 2000s, the Small and Medium Enterprises Development Authority (SMEDA) was set up in 2009. SMEDA works under the auspice of the Ministry of Business, Enterprises and Cooperatives, which was separated from the Ministry of Industry in 2008. It has about 100 staff (of which 20 are professionals), allocated in the headquarters and four outstations (three in Mauritius and one in Rodriguez Island). SMEDA provides a

[10] About 40-50 % of trade establishments are not registered and excluded from the statistics.

range of assistance to SMEs covering business counseling, business facilitation, training, and marketing support. The mission visited the SMEDA headquarter complex which comprised of classroom, library, training center, exhibition hall as well as administrative office.

The budget for export marketing is normally allocated to Enterprise Mauritius (EM, see above). But for 2012, because of the difficulties that SMEs are facing, SMEDA is additionally allowed to assist SMEs directly to participate in international trade fairs. SMEs are also supported by the Mauritius Business Growth Scheme, launched in 2011 with the World Bank assistance, which provides financial resources for consultancy.

Skills development

Mauritius stresses skills development and has created mechanisms for this purpose, which are somewhat similar to the ones in Singapore. All firms must contribute 1.5 % of their employees' salary bills to the levy fund for training managed by the National Human Resource Development Council, an agency established in 2004 under the Ministry of Education and Human Resource Development. Firms are reimbursed when they send employees for training at the rate of 60-75% of training cost depending on the sector.

The Mauritius Institute of Technology and Development (MITD), established in 2009 as a successor of the Industrial Vocational Training Board (IVTB), offers a wide range of skill development programs totaling 65 full-time courses at its 22 training centers. MITD has a governing board supported by strong partnership with the private sector. The feedback mechanism with industries allows MITD to develop appropriate courses in response to business needs. In the future MITD plans to become a regional hub for trainings as there is a large unfilled demand for skill training in Africa, and Mauritius is a short distance away from the continent.

Universities are also a part of the skill development mechanism. Mauritius has two universities: the University of Mauritius, established in 1968, and the University of Technology Mauritius, established in 2001. The latter and the newer, which the mission visited, started with some 600 students initially and has now expanded to boast 5,500 students with 19 programs. It has four Schools of Business Management and Finance (to be soon split into Businesses and Finance-Law), Innovative Technology and Engineering, Sustainable Development and Tourism, and Health Sciences. Many programs are developed in collaboration with the private sector as well as in support of government policy, with the ICT sector as the most active collaborator with the university showing strong performance. The university is preparing a new course in aeronautical engineering starting in 2013 in response to the new government policy. Like MITD, it plans to attract foreign students to become the knowledge hub in the region. The target set by the government is 100,000 foreign students by 2020.

4. Policy making process and public-private dialogue

Mauritius ceased to make medium-term development plans in 2005, and since then the overall development direction is stipulated in the annual Budget Speech, prepared by the Ministry of Finance and Economic Development after consultation with line ministries and relevant private organizations.

Sectoral policies are drafted by line ministries. In the case of industrial policy[11], the Ministry of Industry and Commerce leads the process in consultation with private exporters, the Mauritius Chamber of Commerce and Industry (MCCI, see below), and other business associations. Once approved, the policy is implemented by several public organizations, while the Ministry in charge assumes the monitoring function.

Since about four years ago, all government programs have been monitored through program-based budgeting (PBB) with concrete targets allocated to individual departments and agencies with evaluation and future budgets depending on performance. Under PBB, all public authorities must make three-year rolling plans which are submitted to the Ministry of Finance and Economic Development for review. While this mechanism compels each office to seriously pursue given targets at hand, overall consistency of various policy components, across different sectors for producing ultimate economic performance, is usually harder to obtain.

Inter-ministerial coordination at the policy level is ensured by cabinet meetings held every Friday, which are chaired by the Prime Minister and attended by ministers. Additionally, for important topics, *ad hoc* mechanisms are used. Recently, the Prime Minister created the High-Powered Committee to examine bottlenecks of the economy, which was chaired by the Cabinet Secretary (the highest civil servant). It invites the heads of EM, BOI, and other public authorities to discuss critical issues such as the progress of the Jin-Fei Economic Zone. However, high-level mechanisms such as these may not be sufficient to attend to the details of concrete issues arising in individual sectors. More than one source admitted that coordination among implementing agencies, as well as overall implementation records of economic policies, had room for improvement.

One of the prominent features of policy making in Mauritius is very strong and highly productive state-business relationship. It is in fact one of the most productive public-private dialogue we have seen in any country. The mission confirmed that small wise-men groups, with members coming from both public and private sectors, has played a central role in policy making of Mauritius, enabling the country to engage in substantive policy discussions and make appropriate choices at difficult moments. Mauritius seems to be full of key

[11] Mauritius has published the Industrial and SME Strategic Plan (2010-2013), drafted by the Ministry of Industry which was later split into the Ministry of Industry and Commerce (focusing on large establishments) and the Ministry of Business (focusing on SMEs). The mission was unable to meet the Ministry of Industry. The Strategic Plan is a well-organized document with detailed action plans. Its challenges seem lie mainly in implementation and monitoring.

persons who are often long-time friends or alumni of the same university, who can flexibly interact, migrate across government, business and academia, and collectively draft policies. For instance, from around 2000 to 2005, when the country needed to revise economic policies as trade privileges for Mauritius were being removed, Mr. Sithanen, a prominent economist who later became the President of the National Productivity and Competitiveness Council (NPCC, see below) and the Minister of Finance, drafted a proposal for opening up the nation and steered the government towards that strategy.

In such intensive public-private dialogue, the role played by major business organizations such as the Joint Economic Council (JEC) and the Mauritius Chamber of Commerce and Industry (MCCI) are particularly important, as they are the ones that develop proposals that eventually become policies.

MCCI, established in 1850, is the oldest Chamber of Commerce in the Southern Hemisphere. It has about 400 member firms, which covers 90% of the country's larger establishments. While it provides usual business facilitation services to member firms, its recent focus is advocacy at the policy level. For instance, MCCI sits in all international trade negotiations together with the Ministry of Industry and other public authorities, a practice which is uncommon for traditional chambers of commerce and industry.

JEC, established in 1970 (two year after independence), is a summit organization for coordinating different views of the private sector and advising the government on policy matters. The Council has six sectoral associations and three multi-sectoral organizations under it and its chairman is elected from among leading business leaders[12]. JEC is an influential private sector actor, integrating all sectors of the economy. Regular meetings are held between the government and JEC, on broad economic policies, usually twice a year. These meetings are chaired by the Prime Minister and are attended by senior Ministers as well. Furthermore, JEC has an important say in the annual budget process, and its suggestions for better industrial policies are frequently taken up by government budgets (Rojid et. al 2010, te Velde 2010).

JEC was initially less active in the policy field, but it gradually became more proactive as trust had built up between it and government. It is now quite active, for example, in jointly preparing the Business Facilitation Program in 2006 with BOI, and jointly proposing the economic reform in 2006 with the Ministry of Finance. At the sector level, representatives of relevant ministries and private organizations from JEC meet twice a week to discuss policy issues and make decisions. Mr. Raj Makoond, the incumbent Director of JEC, stressed that linkage between policy and practice was crucial in effective implementation; theoretical

[12] The six sectoral associations include: Mauritius Producer Association (MSP), Mauritius Bankers Association (MBA), Mauritius Exports Association (MEXA), Association Hoteliers Restaurateu de Lile de Maurice (AHRIM), Insurer Council Mauritius (ICM), and Association Mauritian Manufacturer (AMM). The three multi-sectoral organizations are: Mauritius Chamber of Agriculture (MCA), Mauritius Chamber of Commerce and Industry (MCCI), and Mauritius Employers Federation (MEF).

inputs from academics are not very useful. In fact, unlike India, Mauritius does not have any think tanks that drafts policies or conducts studies for the government. All policies are generated through the interaction between government and businesses. The below summarizes various interaction channels between the public and private sectors in Mauritius.

Figure 3. Interaction Channels between the Public and Private Sectors

Formal	Informal
• Governemtn/JEC meetings (chaired by the Prime Minister) • Tripartite wage negotiations • Proposals for the National Budget • Representation in a number of committees	• Regular meetings between Private Sector organizations and relevant Ministries on sectoral issues • Joint promotional activities • *Ad hoc* Committees

Source: S. Rojid, B. Seetanah & R. Shalini (2010), "Are State Business Relations important to Economic Growth? Evidence from Mauritius", IPPG Discussion paper 36.

5. Kaizen in Mauritius

According to Imai (2009), Mauritius is one of the first African countries that adopted kaizen practice. The National Productivity and Competitiveness Council (NPCC), an NPO established in 1999 (operational in 2000), is charged with the task of advancing the productivity movement in Mauritius. The history of quality and productivity movement dates back to the 1980s, when the textile sector struggled to attain quality standards set by foreign clients. EPZDA mentioned above, which was handling the quality issue at that time, introduced kaizen to the country by inviting quality experts dispatched by UNIDO to train local firms and people. When EPZDA was reorganized to become Enterprise Mauritius, its productivity branch was separated to form NPCC.

At present NPCC has a relatively small organization with 14 staff (of which 9 are professionals). Its supervising ministries changed frequently from the Ministry of Planning and Economic Development to the Ministry of Training, then the Ministry of Education, and the Ministry of Business. Since this year (2012) it is under the Ministry of Finance and Economic Development. The most (80%) of financial resource comes from government budget with the rest financed by training fees.

Since its establishment, more than 80 firms have been trained in productivity and quality tools such as 5S, cell production, kanban, TQM, and TPM. The Council has benefited from Japanese cooperation from 2006 to 2010 with experts from the Japan Productivity Center regularly visiting selected firms for quality improvement. At the end of the training, a few model companies were selected and awarded a trip to Japan. In parallel, the Asian

Productivity Organization has also trained NPCC staff since 2006.

Under the vision “Better Living for the Nation,” NPCC has launched a series of campaigns to raise awareness. For instance, “Make Mauritius Muda Free” was a nation-wide campaign from 2003 to 2006 which included the younger generation to learn a productivity culture. It is now replaced by “Make Mauritius Work Together” campaign. Many related programs were conducted for students, communities and women organizations, some of which are still in place. The Council also has some projects in the pipeline for which it plans to work closely with the Ministry of Industry and SMEDA. However, recent funding cuts from the government and the absence of its Director at the moment are causing delay and downsizing in these activities.

At one time kaizen generated great interest in Mauritius. Kaizen appears to be one of the effective tools to chart the nation towards productivity and innovation. In order to re-ignite productivity fever, however, NPCC needs stronger support from political leaders as well as increased budget and staffing.

6. Concluding remark

Mauritius is widely viewed as a development success story. However, its experiences reveal that the success is not brought by luck. Rather, it is the result of conscious efforts by key leaders of the government and business sectors, over the past four decades, to manage the development process with strong ownership and forward-looking mindset. As a small island economy, Mauritius faces inherent vulnerabilities. Sharing a sense of crises and the country’s future vision, the public and private sectors have established joint policy formulation mechanisms, both formally and informally. In particular, small wise-men groups from the public and private sectors have played a central role in policy making of Mauritius, enabling the country to engage in substantive policy discussions and make appropriate choices at difficult moments. As such, they have developed quite an advanced level of public-private alliances. Although Mauritius experiences cannot be directly copied to other countries, we should bear in mind that “an economic miracle” does not just happen, but that it has been made happen by the efforts by foresighted leaders in both public and private sectors.

Attachments:
1. Mission schedule
2. Organizations/persons visited
3. List of information collected

Attachment 1

Mission Schedule (29 Sept.- 4 Oct. 2012)

1. Mission Members

Kenicni Ohno	Professor, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
Izumi Ohno	Professor, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
Sayoko Uesu	Research Associate, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan

2. Mission Schedule

DATE				TIME	ACTIVITY
1	Sep	29	Sat	PM	Arrival (Sayoko Uesu)
2	Sep	30	Sun	AM	Arrival (Kenichi Ohno & Izumi Ohno)
3	Oct	1	Mon	AM	Board of Investment
				PM	SEZ visit
4	Oct	2	Tue	AM	Ministry of Finance and Economic Development
					Mauritius Chamber of Commerce and Industry (MCCI)
				PM	Joint Economic Council (JEC)
					Mauritius Export Association (MEXA)
					Enterprise Mauritius
5	Oct	3	Wed	AM	Small & Medium Enterprise Development Authority (SMEDA)
					National Productivity and Competitiveness Council (NPCC)
				PM	Mauritius Institute for Training and Development (MITD)
					University of Technology Mauritius
6	Oct	4	Thu	AM	Esquel Group
				PM	Departure

Attachment 2

Organizations/Persons Visited

The Government / Governmental Organization of Mauritius

Organization	Name	Position
Ministry of Finance and Economic Development	Vishnu D. Bassant	Director
	F. Dilmahamood	Analyst
	K. Rughoomkh	Analyst
	P.Kutwoaroo	Analyst
	P.Hurry	Consultant
Board of Investment	Seewraj Nundlall	Director, Goods Producing Sector
	Shakeel Jaulim	Investment Advisor
Small & Medium Enterprise Development Authority (SMEDA)	Indranee Seebun	Managing Director
	Maurice Chi Kam Chun	Assistant Manager
	Mohammad Ehsan Saumtally	Assistant Manager
	S.Bhanji	Director
Enterprise Mauritius	Dev Chamroo	Chief Executive Officer
	Nitish Gobin	Manager, Market Research

University / Institute

Organization	Name	Position
University of Technology Mauritius	Dharamand Fokeer	Director General
Mauritius Institute for Training and Development (MITD)	Pradeep Joosery	Officer in Charge

Private Sector

Organization	Name	Position
Mauritius Chamber of Commerce and Industry (MCCI)	Mahmood Cheeroo	Secretary-General
	Renganaden Padayachy	Manager, Economic Analysis and Industry Division
Joint Economic Council (JEC)	Raj Makoond	Director
National Productivity and Competitiveness Council (NPCC)	Dominique Louise	Productivity Executive
	Dev Appalswamy	Productivity Consultant
	Hemlata Ramsohok	Productivity Specialist
Mauritius Export Association (MEXA)	Daniel Wong	Director
Esquel Group	Hemraj Ramnial	Director
	Jeebun L.K.	Technical Engineering Dept. Manager

Attachment 3

List of Information Collected

Source	Title	Authors/Publisher
Board of Investment (BOI)	Pamphlet on Mauritius	BOI
Mauritius Export Association (MEXA)	MEXA Directory of Export	MEXA
	Annual Report 2010	
	The Exporter, Issue No.13 Dec. 2011	
Ministry of Industry, Commerce and Consumer Protection and Ministry of Business, Enterprise and Cooperatives	Mauritius Business Excellence Award 2012	Ministry of Industry, Commerce and Consumer Protection
Mauritius Business Growth Scheme (MBGS) Unit, Ministry of Business, Enterprise and Cooperatives	Leaflet etc.	MBGS Unit
National Productivity and Competitiveness Council (NPCC)	*Competitiveness Foresight -What Orientations for Mauritius-* (A Disucussion Paper, January 2005)	NPCC
	NPCC News Letter, Vol.9 No.3-4	
	Annual Report 2007/2008, 2008/2009, 2009/2010	
	Leaflet	
SMEDA	SME Directory 2011	Ministry of Business, Enterprise and Cooperatives
Enterprise Mauritius	Mauritius, Your Sourcing Destination	Enterprise Mauritius
Esquel Group	Pamphlet	Esquel Group