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2012
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 REPORT

L'expérience de l'avenir



President's speech



Welcome and thank you for taking the time to be with us this morning. I would like to extend the special thanks of the MCCI to our Ministers, who have honoured this function with their presence and who will, in a moment, share with us their thoughts on issues of great interest to the business community and the country at large.

Many among you have been attending the AGM of the MCCI in previous years. As you are aware, the main business of the AGM is to review the activities and accounts of the MCCI for the last year and approve our work programme and budget for the coming year; and, of course, to have elections to reconstitute the Council of MCCI.

I am pleased to report that during the past year we have increased further the already high levels of governance of our organisation, with new accounting and auditing standards, including the preparation of an impressive Manual of Financial Policies and Procedures and the commissioning of a Business Risk Assessment Study. During the year, the revised constitution of the MCCI, approved at the EGM of March 2011, came into force, making the MCCI an even more representative, open and rules-based organisation.

Speaking about the management of our organisation, let me also draw your attention to the major rebranding exercise carried out during the past year to boost the image of the MCCI. The new logo and tag line, which you can see besides me, are the most visible projections of the true dynamic character of the MCCI.

We shall have the opportunity in the second part of this meeting to deal in greater detail with the management of the business of the MCCI. I have the duty during this inaugural session to speak to you about the 'State of the Economy', which is a tradition established by my predecessors. Given the global economic environment and the local context, this is indeed a daunting task. However, I am comforted in this exercise by the internal analytical strengths of the MCCI and the new tools it has developed recently to support its analytical work. I am, of course, referring to our econometric modelling tool, which has enabled us again to make the first GDP forecast in Mauritius for 2012, as well as the Business Confidence Indicator which gives us the pulse of the business world regularly on a scientific basis.

Let me hasten to add that we remain extremely prudent and humble in conducting this exercise on the 'State of the Economy'. It is not our objective to hit headlines. Nor is it in our tradition to shy away from issues, however disturbing they may be, which we believe can have an impact on our economic fortunes and the future well-being of our people. We take this exercise seriously as we see it as a major contribution of our organisation to the policy dialogue which determines the management of our economy.

During recent months there has been much apprehension about the impact of the Eurozone crisis and the downward revision of the world growth prospects on the Mauritian economy. This apprehension has been fuelled by the counter performance of some sectors most exposed to the European market, especially tourism and export manufacturing.

president's speech (continued)

The MCCI has conducted a detailed analysis of the performance of the Mauritian economy in 2011 and prospects for 2012 in a document which shall be posted on our website to-day. I shall limit myself here to the main conclusions of this report and spend some time on the challenges ahead.

Let me start our predicament on the state of the economy with an analysis of the macro picture. In our view, the economic fundamentals of the Mauritian economy remained stable in 2011 and should continue to be so during 2012. Revised estimates of GDP growth for 2011 point to a 4.1% increase while projections, including our own, for 2012 are in the range of 3.3 to 4%. Although this performance is lower than what prevails in the emerging economies and Sub-Saharan Africa, it is still higher than the estimated world average by about 1%.

A closer look at sectoral growth rates in 2011 shows that all sectors, except construction, have registered positive growth rates. Growth remains balanced although the services sector is on average growing faster.

On the external front, the trade balance of goods and services should deteriorate in 2012 but overall the balance of payments should register a surplus and the external reserves of the country should remain comfortable.

With an overall deficit, which should remain below 3% of GDP, and a public debt which should not cross the 60% level, public finance is no cause of worry, at least for the current year.

The rate of inflation has gone up in 2011 and should remain in the range of 5 to 6% in 2012, given the pressure on prices of imported raw materials, energy and food products, as the USA and Japan joined the emerging economies on the road of renewed growth.

Unemployment will edge a bit higher in 2012 from the 7.9% level of 2011, given that the rate of growth, added to the mismatch in skills, would be insufficient to absorb completely all new entrants in the labour market, as well as those coming from retrenchments.

Our macro-analysis is broadly in line with what the Vice Prime Minister and Minister of Finance presented earlier this year and the Public Information Notice of the IMF, released 10 days ago. We are not in a state of economic emergency and the country should sail through 2012 with its macro fundamentals broadly unchanged, unless the crisis in the Euro zone worsens significantly in the second half of 2012 and prospects for growth in world output are revised further downwards.

The problem with macro figures and averages is that they hide as much as they reveal. That is why we are getting so many conflicting signals as we move closer to the ground. Our overall performance is the result of strengths as well as weaknesses, appropriate business strategies as well as outdated business models, supporting policy stances as well as some specific measures going in the opposite direction. In this second part, I propose to shed some light on the undercurrents which support the Mauritian economic architecture.

There is no doubt that the diversification of the sources of growth has made the Mauritian economy more resilient over time. To-day no single sector can sway our economic trajectory on its own. We registered a 4.2% growth in 2010 when the sugar sector contracted by 6.4% and a 4.1% growth in 2011 as the construction sector registered a negative growth.

For 2012, tourism and textile seem to be again the first casualties of the deterioration in the Euro zone. Prospects for these two sectors will most likely have to be revised downwards in the coming months. But again the MCCI GDP forecast of 3.8% for 2012 will be probably only slightly lowered next month.

The diversified nature of the economy is a definite strength. But it also carries other challenges in terms of the alignment of macroeconomic strategies with sectoral support schemes, which I shall address later.

The other strength of the Mauritian economy is the capacity of our economic operators to address new challenges. The remarkable transformation of the sugar industry is one of many examples of the drive of the local private sector to rise to new challenges. The performance of the export manufacturing sector during 2011, with a 7.8% growth, in an extremely difficult situation in our main export markets, is yet another testimony to the resilience of our economic operators.



president's speech (continued)

Let us also recognize that public authorities have over the years adopted policy stances that support the emergence of new sectors, facilitate business development and promote investment and growth. To quote the last Public Information Note of the IMF : "Over the last two decades, wide-ranging structural reforms, supported by prudent policies, have established Mauritius as a top performer" end of quote.

Without this coherent and sustained policy stance Mauritius would not have registered the performance which has attracted attention worldwide.

The last but certainly not least strength of our economic performance is the public-private sector policy dialogue. Although we might not agree on all policy orientations, there is a process of consultations which has contributed to developing a shared agenda more often than not.

These strong foundations have served us well in the past. And to build upon, there is a need to critically look at some policies which, in our view, might undermine the coherence of our shared vision.

First, there is absolutely no doubt that the strategy adopted since 2006 has given a new dynamism to the Mauritian economy: the levelling of incentive regimes, the introduction of the uniform low tax regime, the opening of the country to foreign investment and talent and the significant improvement of the business environment, have all initially contributed to bring much higher levels of FDI, higher growth rates, low levels of unemployment and greater fiscal space. It has also contributed to enhance the resilience of the economy, as described earlier.

However, six years down the road there are some lessons to be drawn from the implementation of this strategy. First, the main thrust of this strategy which was 'Let 10 pillars bloom', has been proved unrealistic. The implicit assumption in the strategy that once the enabling environment is put into place, and the country is effectively made open to the world, the forces of entrepreneurship will be automatically unleashed and foreign investment and talent will flock in to take the country to new heights. In fact the bulk of FDI actually went to existing sectors, especially tourism and financial services, and two emerging sectors, property development and ICT, whose foundations, in terms of incentives, regulatory framework and accompanying policies, had been well laid. All the other prospective pillars, be it the land-based oceanic industry, the medical or education hubs have either been stalled or are still in their infant stage. Some, like the Freeport or the shopping tourism pillar, have actually gone down.

Some of these developments might be attributable to the global economic crisis. But the root cause of this counter performance is, in our view, a capacity constraint: we do not have the human, financial, technological and policy formulation resources to implement such an ambitious development agenda. We are spreading ourselves too thin in too many directions. More focus on some key clusters should yield higher dividends.

In this context we welcome the decision of the Ministry of Finance and Economic Development, to prepare a 10 year development plan. There is need for a coherent macro-economic framework that can lay out what the country can reasonably achieve over the next decade instead of the multiplication of sectoral strategies with very few linkages between them.

The other thrust of the 2006 strategy was an 'adopt or perish' directive to existing industries as the country embarked on an ambitious trade liberalisation programme. The implicit assumption again was that 'emerging pillars' will be the sources of future growth and, in the process, the country can do away with some 'sunset industries'. The manufacturing sector was in the line of fire of this new directive.

Fortunately for Mauritius, the manufacturing sector has showed its resilience and it is still the largest single contributor to GDP, with a share of 18%. The domestic manufacturing sector has withstood the drastic reduction in duties on manufactured products and has continued to grow. The export manufacturing sector has weathered the storm of the phasing out of the Multi Fibre Arrangement and the global liberalisation of the trade in manufactured products. It has registered a 6.5% growth in 2010, followed by a 7.8% growth last year, as mentioned earlier.

The manufacturing sector is not a sunset industry. It has had a glorious past. We believe it also has a future. Together with the Association of Mauritius Manufacturers, we have been spreading the good word of a revival of the manufacturing sector. On Tuesday last, MCCI and AMM released a comprehensive study on the local manufacturing sector, which we had commissioned to better understand the strengths and weaknesses of this back bone of the Mauritian economy. This will certainly be a major input in a new industrial strategy. We are satisfied that thanks to our initiatives, we are being more and more listened to and understood. First, by the Ministry of Industry and Commerce, with regular meetings with Minister Cader Sayed Hossen and his Officials, especially in the Industrial Monitoring Committee, which he has



president's speech (continued)



established. We are also getting much attention from our promotional agencies, Enterprise Mauritius and the Board of Investment. We are hoping to get the ear of the Ministry of Finance on the vital issue of a low residual duty on products which have a strategic importance in the industrial value chain and the need to scale up our efforts in export promotion, especially to the Region.

We remain confident, that if our policies are aligned, we can take the manufacturing sector to new heights and place it at the heart of our new development plan.

Another area where we need better alignment of the economic strategy is the contribution of the region to our economic development. A lot has been done in terms of market access and I would like to take this opportunity to thank the Ministry of Foreign Affairs and International Trade, and Minister Boolell in particular, for all the efforts put in to secure and improve preferential market access to the region and beyond. We, at the MCCI, have been alongside the Officials of the Ministry in all these trade negotiations and we know how tedious and protracted these negotiations can be.

But beyond market access, there is need for stronger policies in terms of market development and trade promotion as well as in terms of logistics, sea and air links. The export drive will rest on the efficiency and cost of bringing our goods to the region. More importantly, our ambition of being the 'platform' between Africa and Asia will be of no meaning without an efficient, competitive and reliable connectivity with the Region. These were some thoughts and proposals on the broader strategy of the country.

Let me end on a couple of comments on macroeconomic orientations and other policy measures.

I said earlier that one of our strengths is the constructive public-private dialogue on policy orientations. It works well and we have to thank the authorities for associating us to this dialogue. In the 2012 Budget we had broad convergence on a number of important issues and we had the opportunity to say so. Only last week we welcomed the 50 basis points cut in the Repo rate. We have been in agreement with the monetary policy of the Bank of Mauritius, although we had proposed some alternatives on the timing and sequencing of the variations in the Repo rate.

However, we do have diverging views on the exchange rate of the Rupee. According to the latest statistics the Rupee has appreciated by 5% in 2011. Let me repeat at the outset that the MCCI is not in favour of a policy of continued depreciation of the Rupee even if the slow depreciation policy of the 80s and 90s has served us well. In the new economic strategy of an open and diversified economic structure, stability of the rupee should be the main anchor of the exchange rate policy. It is clearly most unreasonable to have an appreciating currency in a difficult international environment, when our operators are battling to remain in business while some of their competitors are enjoying a depreciating currency. From our information on the ground, since the beginning of the pursuit of a policy of appreciating currency in 2008, never has this policy hurt so many enterprises across so many sectors. This policy is undermining the capacity of enterprises to invest, to innovate and take risks at a time when competition is so acute. The exchange rate policy has been too often portrayed simplistically as the lobby of

some interest group against the interest of the consumer. It is absolutely not. It is about the competitiveness of our national economy, about our capacity to continue to create wealth and take our country forward.

My last comment will be on the business environment. We have come a long way since the Business Facilitation Act was passed in Parliament. The high rankings earned by Mauritius from international rating agencies bear testimony to the excellent work done in this area. And the MCCI is still working on various committees to help make things even better. However, since a few years we have drawn the attention of policy makers, that while so much effort is being deployed, there is, now and then, some ad hoc initiatives in some Ministry or authority, which ran counter to our agreed roadmap. We suggested the adoption of the principle of a 'Regulatory Impact Assessment', to avoid such mishaps in the future and this principle was announced in the 2011 Budget.

Unfortunately it seems that there are still recurrences of this unfortunate phenomenon. The recent revision of the levy rates on bottled water and other drinks, without any consideration of its impact on this important industry, including export competitiveness, is a clear example.

We have an impressive track record of cooperation to ensure the sustained economic development of our country. Let us continue to work together to build on our strengths.

1

the global economic context



the global economic context

2009 was a highly eventful and revealing year, which laid bare the frailties of the current global economic model, resulting in world output contracting by 0.7 percent. In contrast, the revival in the level of economic activity experienced in 2010 came as a beacon of hope, signalling that the worse was probably over. World output increased by 5.2 percent, which even surpassed initial predictions of 4.8 percent growth, driven by improving conditions in certain advanced economies and the increase in economic activities of emerging countries. A 12.7 percent increase in trade volume also provided a much required impetus to world output growth.

The strong figures of 2010 caused renewed optimism in the growth prospects for the global economy for 2011. Despite the Japan Tsunami in the early days of 2011 and the Arab spring, which later caused further damage to production processes, as oil prices increased, global output was expected to expand significantly. However, the bell tolled for the global economy with the emergence of the debt crisis in the Eurozone. What was a private sector debt problem in 2009,

rapidly transformed into a sovereign debt problem in Europe after haphazard bailout plans. Further, an injudicious decision to increase the interest rate in the EU by the ECB at a time when more accommodative policy was required (which was the case in the US where the FED committed to a low interest rate for two years at least), added fuel to the fire that was undermining the fragile economic conditions prevailing in the Eurozone.

The result was dwindling global consumer and business confidence levels, adding potency to the possibility of a double-dip recession. Already, in September 2011, the IMF had revised its estimates for 2011 to 4.0 percent. Since then, the economic paradigm has undergone further strains. In January 2012, world output growth has been revised down to 3.8 percent.

The failure of policy makers to address the debt crisis with a sustainable long term solution, the inability to boost economic activity and create more employment and persisting instabilities in the financial systems have already led to the downgrade in the ratings of nine countries

in the Eurozone by Standard and Poor's, with France and Austria losing their Triple-A rating and Portugal and Cyprus falling into the junk category. The UN, in its semi annual "World Economic Situation and Prospects for 2012", published in January 2012, estimates world output growth for 2011 to amount to 2.8 percent. The World Bank, in the "Global Economic Prospects for 2012", which also came out in January, is in line with the UN's baseline forecast, estimating a 2.7 percent growth in world real GDP for 2011.

TABLE 1 : OVERVIEW OF THE WORLD ECONOMIC OUTLOOK PROJECTIONS (PERCENT CHANGE)

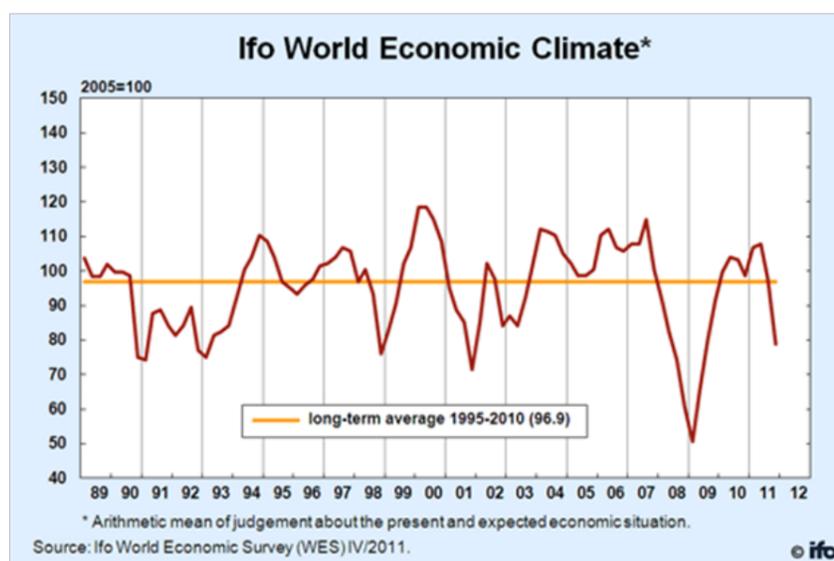
	IMF estimates (Jan 2012)				World Bank (Jan 2012)			
	2009	2010	2011(e)	2012 (f)	2009	2010	2011 (e)	2012 (f)
World Output	- 0.7	5.2	3.8	3.3	- 2.3	4.1	2.7	2.5
World Travel Volume	- 10.7	12.7	6.9	5.4	- 10.6	12.4	6.6	4.7

(e) estimates, (f) forecasts



global economic context (continued)

As far as the worldwide business confidence indicator is concerned, it stood in the final quarter of 2011 at 78.7, which while being better than the historic low of 50.1 in early 2009, is still lower than the 107.7 score obtained in the second quarter of 2011. The IFO Institute through its World Economic Survey confirms that there has been a marked deterioration in the world economic climate since the early 2011. The worldwide business expectations indicator of the IFO Institute has fallen from 129.8 at the start of 2010 to 71.9 by the final quarter of 2011.



The UN, in its semi annual 'World Economic Situation and Prospects for 2012', published in January, has presented a baseline scenario where growth rate is expected to amount to 2.6 percent for 2012. This situation assumes that the sovereign debt crisis will contain itself to a few small economies. The worst case scenario presented is one where all efforts made to prevent further damage go to waste, resulting in a mere 0.5 percent growth in world output. The UN points out that a growth rate of 3.9 percent is one which only the most optimistic can imagine but remains a distant reality. The World Bank, in the Global Economic Prospects for 2012, which also came out in January, is lower than the UN's baseline forecast, predicting a 2.5 percent growth in world GDP for 2012.

The World Bank and the UN have forecasted growth in trade in 2012 to be to the tune of 4.7 percent and 4.4 percent, respectively, while in January the IMF forecast was revised to 3.8 percent. As of now, macroeconomic indicators remain weak, with unemployment sticking at significantly high levels and inflation remaining above anticipated levels. Thus, demand has been unable to pick up, resulting in low levels of production. The road to recovery would necessitate a rebalancing from external to domestic demand and from public to private demand in the major developed economies. A long term solution to the Euro crisis, which would involve punitive measures against members failing to meet their obligations, would help restore confidence of investors and would be key to a sustained global

rebound. On the positive side, the level of economic activity in Japan is expected to pick up in the coming months which will have a significant impact on the level of world output. Solid demand growth in emerging economies is further expected to continue adding a much needed thrust to increase world output.

Austerity measures in several advanced economies and low demand could however cause negative shocks to output. For 2011 and 2012 respectively, the IMF predicts that growth will amount to 1.6 percent and 1.2 percent, respectively, for these economies. In the World Bank's "High income" category the forecast is slightly more optimistic, with growth expected to reach 2.7 percent and 2.5 percent respectively for 2011 and 2012.



global economic context (continued)

Among the advanced economies growth in the US is expected to be at 1.8 percent in both 2011 and 2012 according to the IMF (1.7 percent and 2.2 percent respectively according to the World Bank). The US is one of the few countries that have managed to get in the right path towards recovery, though the situation is still far from being completely in the green. Fiscal uncertainty, weaknesses in the housing market and household demand (as a result of high unemployment holding back wages) and low business confidence are the major risks to a sustained and complete recovery of the US economy. Further, if no solution is found to the Eurozone crisis, the effects on the US economy may be even more severe. It is believed that a debt reduction plan and the renewal of some temporary stimulus packages may to some extent mitigate the dwindling consumer and business sentiments and in the medium term boost the economy.

The situation in the Euro area is even more disquieting. The sovereign debt crisis has proved to be more tenacious than expected and is today even threatening the breakdown of the euro. The outlook looks bleak and the risk of a double dip recession is more acute in the Euro area than anywhere else. The IMF estimates growth to be at 1.6 percent and -0.5 percent for 2011 and 2012, respectively, while the World Bank also predicts that growth in 2012 will be negative at -0.3 percent. Both institutions are therefore expecting a recession in 2012. Lagging domestic demand and weak consumer and business confidence levels, due to threats of contagion, are impeding the growth potential of Euro area countries.

In fact, it can be argued that the growth predictions are linked closely to the business climate. Indeed if the world economic climate figures of the World Economic Survey for Western Europe are

compared with growth forecasts, a high correlation is noted. In early 2009 it was at its lowest level at less than 50 points, which announced the impending financial crisis. During 2010, the indicator rose beyond the 100 basis points which signalled the returning confidence in the global economy, and economic growth followed. This continued till the early days of 2011, when despite certain signs, growth was still picking up. However, since the second half of 2011, the overall climate changed drastically and the indicator plummeted to 81.4 points in the last quarter of 2011. This confirmed that growth was failing, with the IMF forced to release figures revised downwards for 2011 and 2012. Structural frailties are adding to the debt crisis and are severely constraining the growth capacity of the Euro area. Austerity measures in debt-plagued sovereign states like Italy, Portugal and Greece will increase unemployment, reduce income and hinder growth.

	IMF estimates (Jan 2012)				World Bank (Jan 2012)			
	2009	2010	2011(e)	2012 (f)	2009	2010	2011 (e)	2012 (f)
Advanced Economies / High Income Economies	- 3.7	3.1	1.6	1.2	- 3.7	3	1.6	1.4
United States	- 3.5	3	1.8	1.8	- 3.5	3	1.7	2.2
Euro Area	- 4.3	1.8	1.6	- 0.5	- 4.2	1.7	1.6	- 0.3
Japan	- 6.3	4	- 0.9	1.7	- 5.5	4.5	- 0.9	1.9
Other Advanced Economies	- 1.1	5.8	3.3	2.6	N/A	N/A	N/A	N/A

(e) estimates (f) forecasted



global economic context (continued)

Japan's economy is expected to contract in 2011 following the Tsunami early in the year which caused severe disruptions in production. However, in 2012, the economy is expected to bounce back, growing by 1.9 percent, helped by returning business confidence and a high jump in reconstruction investment. However, Japan's high public debt may have some undesired effects if this issue is not promptly addressed.

	IMF estimates (Jan 2012)				World Bank (Jan 2012)			
	2009	2010	2011(e)	2012 (f)	2009	2010	2011 (e)	2012 (f)
Emerging and developing economies	2.8	7.3	6.2	5.4	2.0	7.3	6.0	5.4
Sub - Saharan Africa	2.8	5.4	4.9	5.5	2.0	4.8	4.9	5.3
Commonwealth of Independent States	- 6.4	4.6	4.5	3.7	N/A	N/A	N/A	N/A
Central and Eastern Europe	- 3.6	4.5	5.1	1.1	N/A	N/A	N/A	N/A
Developing Asia / South Asia	7.2	9.5	7.9	6.3	6.1	9.1	6.6	5.8
Middle East and North Africa	2.6	4.4	3.1	3.2	4.0	3.6	1.7	2.3

(e) estimates (f) forecasted

Emerging and developing economies will continue to be the fillip to world output growth with expectations of 6.2 percent and 5.4 percent increases for 2011 and 2012 respectively, which is well above the world average growth rate. Growth has until now been boosted by high commodity prices, which have largely benefitted most of the developing countries. China and India continue to provide the thrust in this category with the IMF predicting 9.2 percent and 8.2 percent growth for China for 2011 and 2012, respectively, while for India the corresponding figures are estimated at 7.4 percent and 7.0 percent. In China however, there are signs that a housing market bubble has burst, with housing prices falling dramatically. Real credit growth has also receded to about 10 percent at an annual rate. These could undermine financial stability. Moreover, the IMF Inflation Tracker has pointed out that inflationary pressures remain high in emerging economies (especially Hong Kong, SAR, Brazil and India), with

downside risks to growth. Also, these countries may suffer from contractionary policies by their main markets which will reduce their volume of exports and increase the volatility of commodity prices. The World Bank's forecasts are somehow more mitigated, for they expect growth in developing countries to amount to 6.0 percent and 5.4 percent for 2011 and 2012 respectively. The growth in imports will continue to exceed the growth in exports in terms of volume.

Sub Saharan Africa is nevertheless, expected to boast relatively high growth rates, with most countries returning to their pre-crisis growth levels. The IMF forecasts growth in the SSA region at 4.9 percent and 5.5 percent for 2011 and 2012 respectively, mainly due to expansion in real activity underpinned by robust private and public consumption expansion. Limited integration into global financial and manufacturing networks has also limited the impact of the financial crisis.

High commodity prices have also largely benefitted some producers. However, there is the risk of inflation curbing the growth potential of these economies, especially in Ethiopia, Kenya and Uganda. Moreover, according to the IMF World Economic Outlook of September 2011, private capital flows into the SSA region have been directed mainly towards a handful of countries (Ghana, Mauritius and South Africa). The World Bank estimates somewhat similar figures for SSA, with output expected to rise by 4.9 percent in 2011 and 5.3 percent in 2012. The general consensus remains that growth is expected to accelerate in this region.

2



the mauritian economy



The Mauritian Economy

Since 2009 achieving high levels of growth has proved to be a tricky task worldwide, with major economies failing to increase their output at reasonable rates. This situation is particularly worrisome for countries like Mauritius which is heavily dependent on external trade and foreign direct investment, even more so with the rise of competition from emerging economies in Africa, Asia and South America. Since the beginning of the crisis back in 2008, domestic companies have been battered but are bravely facing the adverse conditions to survive, with the anticipation that respite would not be far. These companies, four years later, are finding it increasingly difficult to withstand the adverse conditions prevailing in their markets, especially in the absence of additional support from local authorities to boost investment and increase competitiveness. The tourism sector is highly likely to be next in line, with latest figures released signalling difficult times ahead.

Investment in hotels and restaurants has already fallen massively over the one year period. In 2007, investment grew at the rate of 37.7 percent. In 2011, it fell by 31.5 percent. A fall in investment harbingers only one thing: worsening prospects for the operators of this sector. This is confirmed by the latest figures in tourist arrivals and revenue of the sector. Growth figures for the sector will possibly have to be revised downwards in the coming months.

There are already signs that activity in the external sector is slowing down, with the level of employment in export oriented enterprises on a downward trend and a decline in the number of enterprises. Investment has also embarked on a downward trend, but thanks to significant investment prior to the global crisis and a re-engineering of activities, the sector was able to rebound in 2011 and even register a 7.8% growth rate. However, the unsustainable policy of maintaining an appreciating Rupee is thwarting the

potential of Mauritius to achieve even higher levels of GDP growth. The increasing costs of production due to a rising wage bill and the upward trend in the prices of raw materials, coupled with a decrease in profitability of local manufacturers due to lower receipts in Rupees (as a result of an unfavourable exchange rate), and the reluctance to commit further investment without any visibility will have a definite impact on future the growth rates.

Fortunately for Mauritius, despite reigning global uncertainties and the advance impact on some sectors, the economy has been performing rather well thanks to the good performance of other sectors, namely the booming ICT sector and financial intermediation, which resulted in a 4.2 percent growth rate in 2010 and an estimated 4.1% in 2011.

ESTIMATED GDP GROWTH RATES FOR MAURITIUS

	Statistics Mauritius	MCCI	World Bank	IMF
2011	4.1	4.0	4.1	4.2
2012	4.0	3.8	3.3	3.7



the mauritian economy (continued)

However, while 2011 started rather promisingly, the economic situation deteriorated in the second half of the year with the escalating Euro crisis and its ensuing austerity measures, putting pressure on external demand, which was further exacerbated by a notable appreciation of the Rupee relative to major currencies. The resulting loss of competitiveness will definitely have an impact on the performance of the economy in 2012. This is confirmed by the MCCI Business Confidence Indicator. In fact, business confidence amongst local producers worsened at the end of 2011, which resulted in a fall in private investment.

Therefore, considering the expected deterioration of several economic indicators and a situation of sustained global disarray, the MCCI expected in November 2011 a growth rate of 3.8 percent while Statistics Mauritius forecast growth at 4.0 percent. These rates will probably have to be revised downwards in the coming months.

The IMF, in September, expected growth in Mauritius for 2011 to amount to 4.2 percent and to 4.1 percent in 2012. In January, in the context of the Article IV consultations, the IMF revised their figures for the Mauritian economy to stand at 3.7 percent. The World Bank, in January, put forward a growth rate of 4.1 percent for 2011. For 2012, the World Bank believes that Mauritius will be hit severely by the situation in the Euro Area, and growth is expected to fall to 3.3 percent.



Main Aggregates

GDP at current basic prices increased by 4.1 percent from Rs 265,096 million in 2010 to Rs 287,212 million in 2011. The growth rate is lower than the 4.2 percent growth obtained in 2010, but still higher than the 3.1 percent growth attained in 2009.

GDP at market prices increased from Rs 299,052 million to Rs 324,763 million in 2011. Its appropriation points out that its three components have all experienced increases from 2010 to 2011. Compensation to employees for 2011 stood at Rs 109,671 million which represents a 7.6 percent increase over a year. Taxes (net of subsidies) on production and imports increased by 10.6 percent to Rs 40,309 million while gross operating surplus increased to Rs 174,783 million, an 8.8 percent rise.

Per Capita GDP at market prices in the local currency increased to Rs 252,471 in 2011 from Rs 233,754 in 2010. This 7.9 percent increase is higher than the 5.2 percent increase noted in the previous period. The increase in per capita GDP in terms of US Dollars and Euros was even more pronounced due to the appreciation of the Rupee vis-à-vis these currencies. The average exchange rate of the Rupee fell to Rs 28.65 per \$ compared to Rs 30.89 in 2010, which resulted in an increase in per capita GDP in dollar terms of 16.4 percent to \$ 8811. In terms of Euros, per capita GDP increased from € 5251 in 2010 to € 6353 in 2011, a rise of 21.0 percent, following an appreciation of the Rupee to Rs 39.74 per € in 2011.

GROSS DOMESTIC PRODUCT

	Unit	2007	2008	2009	2010	2011
GDP at basic prices	Rs M	215,449	243,115	251,264	265,096	287,212
Per capita GDP at market prices	Rs	193,543	216,192	221,723	233,754	252,471
Per capita GDP at market prices	US \$	6,170	7,623	6,942	7,567	8,811
Per capita GDP at market prices	€	4,509	5,196	4,973	5,717	6,353
Exchange Rate	US \$ to Rs	31.37	28.36	31.94	30.89	28.65
Exchange Rate	€ to Rs	42.92	41.61	44.52	40.95	39.74

main aggregates (continued)

SECTORIAL GROWTH RATES

	2008	2009	2010	2011
Agriculture, hunting, forestry and fishing	+ 3.0	+ 8.8	- 1.3	+ 2.9
Sugarcane	+ 4.8	+ 12.5	- 6.4	+ 0.6
Mining and quarry	+ 22.2	- 12.2	+ 0.5	+ 0.0
Manufacturing	+ 3.2	+ 2.1	+ 2.1	+ 3.5
Electricity, gas and water supply	+ 6.1	+ 0.1	+ 3.4	+ 3.9
Construction	+ 11.6	+ 6.2	+ 4.3	- 1.8
Wholesale & Retail trade	+ 4.8	+ 1.1	+ 4.1	+ 3.4
Hotels & restaurants	+ 1.3	- 5.9	+ 6.0	+ 4.0
Transport, storage and communications	+ 6.1	+ 4.8	+ 5.3	+ 5.5
Financial intermediation	+ 10.1	+ 3.8	+ 4.3	+ 5.5
Banks	+ 12.7	+ 3.0	+ 3.9	+ 5.9
Real estate, renting and business activities	+ 8.7	+ 5.9	+ 6.2	+ 6.3
Export oriented enterprises	+ 1.6	- 0.9	+ 6.5	+ 7.8
ICT	+ 13.2	+ 13.1	+ 13.3	+ 9.9

With the exception of construction, all sectors of the economy have experienced growth in 2011. However, these figures reflect mainly a reasonably good start in 2011 due to recovery, albeit modest, in global markets. During the second half of the year, nevertheless, re-emerging instability fears in financial markets and western economies have somehow curbed the growth potential of the sectors.

Revised figures for Sugar in 2010 show that output in that sector had contracted. For 2011, growth is expected to amount to 0.6 percent only, as a result of adverse climatic conditions. Growth in Manufacturing, Wholesale & Retail trade and Hotels and Restaurants remain under the 4 percent level, again as a result of the global economic situation and a stronger Rupee. Construction has been till date the worst hit sector, with output contracting in 2011 following years of successive strong

growth rates. In 2008, the growth rate was 11.6 percent. It is now at -1.8 percent. Growth in ICT, though still quite high, has declined in 2011. Financial intermediation remains resilient, increasing at a rate of 5.5 percent in 2011 compared to 4.3 percent in 2010, facilitated by the good health of the banking sector. The same can be said of Export Oriented Enterprises, which boast an increase in their growth rate at 7.8 percent compared to 2010.



Investment

In 2010, Gross Domestic Fixed Capital Formation (GDFCF) went slightly down to Rs 74,395 million from Rs 74,439 million in 2009. This raised some concerns over the Mauritian economy's medium term growth prospects. However, in 2011 investment went upwards once again, increasing by 4 percent to reach Rs 77,660 million, surpassing the GDFCF figures for 2009 in the process.

However, while total investment has increased, the distribution of GDFCF between private investment and public investment has shifted. In 2008, before the crisis, private sector investment represented 83.2 percent of GDFCF. In 2010, the figure stood at 75.5 percent falling to 75.2 percent in 2011. This highlights the increasing level of anxiety of private entrepreneurs to engage in new business avenues or consolidate their existing business sectors. Also, it might be indicative of lower levels of profitability.

The fall in private investment is estimated at -0.5 percent over the previous year. This trend, if not corrected, will have medium and longer term consequences on the rate of unemployment and the future productive capacity of the country.

All in all, the growth in total GDFCF seems to be pushed by public sector investment, the share of which has increased from 24.5 percent in 2010 to 24.8 percent in 2011. Public investment grew by 0.6 percent, mainly driven by major road construction and infrastructure projects.

The rate of investment, which is a key indicator of the development process, is usually measured by the GDFCF to GDP ratio. For Mauritius, the investment rate has been gradually declining since 2009, when despite the crisis; a 26.4 percent rate was managed. In 2010 it fell to 24.9 percent and it went further down to 23.9 percent in 2011. The investment rate is

nowhere near the investment rate of 30 percent normally considered reasonable for developing countries with targeted growth rates of over 5%.

Over the last five years, it can be noted that investment has increased by 27.0 percent. However, the continuing decline in the share of private sector investment and an over reliance on government expenditure to inflate the investment figure indicate that entrepreneurs are finding it difficult to develop their business. If this situation is not reversed, it could have some dire consequences on several macroeconomic variables in the medium term.

GROWTH RATES & RATIOS, 2008 - 2011

	Unit	2008	2009	2010	2011
Gross Domestic Fixed Capital Formation (GDFCF)	Rs M	67,528.90	74,429.89	74,394.83	77,659.80
Private sector investment / GDFCF	%	83.17	74.95	75.47	75.16
Public sector investment / GDFCF	%	16.83	25.05	24.53	24.84
GDFCF / GDP at market prices	%	24.62	26.39	24.88	23.91
Annual Real Growth of GDFCF	%	1.3	8.9	- 0.7	0
Private investment real growth rate	%	7.2	- 1.3	0	- 0.5
Public investment growth rate	%	- 20.2	59.5	- 2.8	0.6

Investment (continued)

When the annual growth rate of GDFCF by type of capital goods is examined, several insights are obtained. After several years of consistent (though gradually declining) growth, 'Building & construction work' contracted in 2011. In 2010 the growth rate stood at 7.0 percent and further back in 2007, this category expanded by 17.0 percent. While the growth rate was at 15.5 percent for the 'Residential building' sub category (which is even larger than the 2010 figure of 13.7 percent), investment in 'Non residential buildings' fell by a staggering 19.1 percent. This followed consecutive contractions of 0.8 percent and 2.1 percent in 2009 and 2010 respectively. It should be recalled that this particular subcategory achieved a 49.2 percent growth in 2007.

As for 'Machinery and equipment', following a contraction of 15.3 percent in 2010, there was a bounce in 2011 with an increase of 4.3 percent in investment. When disaggregated, it can be noted that growth of 1.9 percent was attained in the 'passenger car' sub category and 6.6 percent in 'other machinery and equipment'.

When analysed over a 5 year period, it is noted that the pattern of investment has changed significantly. While in 2007 there was a certain drive in investment in the construction of non-residential buildings (49.2 percent rise), a significant contraction of 19.1 percent was experienced in 2011. Investment is being directed towards construction of residential buildings, registering a 15.5 percent growth in 2011, which is much higher than the 6.8 percent change in 2007.

In the Machinery and equipment category, it can be noticed that investment is being less and less directed towards passenger cars. More importantly, in 2007, 41.2 percent of GDFCF was directed towards Machinery and equipment while in 2011, this share had fallen to 31.4 percent, implying investors increasing preference towards building and construction.

This is confirmed by the breakdown of GDFCF by industrial use. It shows how Real Estate is the major sector targeted with 32.6 percent of investment in 2011, growing from a share of 29.6 percent in 2010.

ANNUAL REAL GROWTH RATES (%) OF GDFCF BY TYPE OF CAPITAL GOODS

	2007	2008	2009	2010	2011
A. Building & construction work	+ 17.0	+ 13.3	+ 7.7	+ 7.0	- 1.7
Residential building	+ 6.8	+ 18.0	+ 8.1	+13.7	+ 15.5
Non-residential building	+ 49.2	+ 12.2	- 0.8	- 2.1	- 19.1
Other construction work	- 17.4	+ 8.1	+ 30.8	+ 15.8	+ 2.6
B. Machinery and equipment	- 6.7	- 15.8	+ 11.4	- 15.3	+ 4.3
Passenger car	+ 32.7	+ 5.6	- 25.8	+ 19.3	+ 1.9
Other transport equipment	- 38.0	- 41.1	+ 70.3	- 58.8	- 7.9
Other machinery and equipment	+ 3.3	- 12.7	+ 9.2	- 6.7	+ 6.6



Investment (continued)

Manufacturing on the other hand has expanded to 8.0 percent of total GDFCF from a mere 6.9 percent in 2010. However, it remains far from its 14.2 percent share realised in 2007, showing a definite shift of investors away from this sector. It should be noted that Public administration's share has increased from 2.9 percent in 2007 to 7.6 percent in 2011, highlighting the role the government is playing in maintaining the level of total investment.

FOREIGN DIRECT INVESTMENT (Rs Mn)

Sector	2007	2008	2009	2010	2011
Total FDI	11,514	11,419	8,793	13,948	9,456
Agriculture	12	447	-	-	177
Manufacturing	271	149	485	63	54
Construction	45	68	211	1,292	2,094
Accommodation and food services activities	3,189	1,348	1,850	836	579
Financial and insurance activities	4,056	4,564	1,371	4,645	1,646
Human health and social work activities	29	120	145	2,732	-
Real estate activities	3,820	4,525	4,305	3,422	4,580
- of which IRS / RES	2,791	2,637	2,074	2,033	3,352
Professional, scientific and technical activities	-	-	-	404	217
Direct investment abroad	1,826	1,612	1,412	4,009	2,545
Net foreign direct investment	9,688	9,807	7,381	9,939	6,911

Total Foreign Direct Investment (FDI) is estimated at Rs 9.5 billion for 2011, as opposed to Rs 13.9 billion in 2010. This represents a decrease of 25.4 percent. FDI represented 12.2 percent of total investment in 2011 while in 2010 the proportion stood at 18.9 percent. The main sectors that received inflows of FDI were Real Estate activities, Construction and Financial and Insurance activities which, combined, represented 88.0 percent of all inflows. It should be noted that FDI in Financial and insurance activities has decreased

significantly by Rs 2,999 million. FDI in Construction and Real Estate activities on the other hand has registered an increase. Human health and social work activities, which had fared particularly well in 2010, have attracted no FDI inflow at all in 2011. This is a serious concern for the government whose objective is to transform Mauritius into a medical hub.

For 2011, FDI has been coming mainly from France (Rs 3.3 billion), South Africa (Rs 2.2 billion) and the UK (Rs 1.8 billion). Inflows from India fell by 96.6 percent from

Rs 2.9 billion to Rs 99 million, while overall from Asia, FDI flows fell by 82.8 percent. The level of business confidence and the economic climate are amongst the main factors likely to play a significant role in determining the level of investment for 2012. Decreasing profits and uncertain economic prospects are expected to curb the enthusiasm of entrepreneurs to invest or expand their activities.



Consumption and Savings

Final consumption expenditure increased by 8.7 percent in 2011, which is higher than the 5.3 percent growth registered in 2010. In 2011, the figure amounted to Rs 284.6 billion, while in 2010 it stood at Rs 261.9 billion.

Households' share of final consumption expenditure has been hovering around the 85 percent figure, standing at 84.5 percent in 2011, up by 0.4 percentage point from 2010. In 2011, it stood at Rs 240.6 billion, increasing by 9.2 percent, while in 2010 it managed only a 5.5 percent increase. Expenditure in fact increased by more than compensation of employees

(7.6 percent), implying that households are increasing their indebtedness to maintain their purchasing power. Government consumption expenditure increased on the other hand by 5.8 percent to stand at Rs 44.0 billion.

With respect to Gross National Savings, an increase of 7.5 percent has been experienced in 2011. GNS now stands at Rs 50.0 billion while in 2010 it stood at Rs 46.5 billion. The figure is getting closer to its record in 2007 where it was at Rs 52.2 billion. The resource gap, which is the difference between GDFCF and GNS, has stabilized at Rs 27.7 billion

in 2011, from Rs 27.9 billion in 2010. This is, nevertheless, far from the Rs 8.8 billion gap of 2007.

Relative to Gross National Disposable Income, savings represented 15.4 percent, which is only marginally lower than the 15.5 percent share in 2010. Despite being far from the 20.7 percent figure obtained in 2007, the GNS/GNDI ratio is still better than the low point experienced in 2009, when it stood at 13.6 percent.

CONSUMPTION, SAVINGS

	Unit	2007	2008	2009	2010	2011
Consumption						
Final consumption expenditure	Rs Bn	201.0	235.5	248.6	261.9	284.6
<i>Households</i>	Rs Bn	169.5	200.8	208.9	220.3	240.6
<i>General Government</i>	Rs Bn	31.5	34.8	39.7	41.6	44.0
Final consumption expenditure as a % of GDP at market prices	%	82	85.9	88.2	87.6	87.6
Final consumption expenditure growth	%	+ 3.7	+ 5.2	+ 2.4	+ 2.7	+ 2.7
<i>Households</i>	%	+ 4.5	+ 6.7	+ 2.1	+ 2.6	+ 2.6
<i>General Government</i>	%	+ 0.6	- 1.4	+ 5.1	+ 3.4	+ 3.4
Savings						
Gross National Savings	Rs Bn	52.4	47.2	40.4	46.5	50.0
GNS / GNDI	%	20.7	16.7	13.6	15.5	15.4



External Trade

Total value of trade increased by 9.8 percent in 2011 from Rs 205 billion in 2010 to reach Rs 225 billion. The growth followed the global trend in trade which the IMF estimated in September to reach 7.5 percent in 2011. The growth was, however, lower than the previous annual growth rate of 12.4 percent from 2009 to 2010.

Total exports went up from a crisis level of Rs 69.6 billion in 2010 to reach Rs 76.0 billion in 2011. This is significantly better than the Rs 61.7 billion value registered in 2009. This rise occurred mainly in domestic

exports which increased from Rs 50.9 billion in 2010 to reach Rs 57.0 billion in 2011, representing an increase of 12.0 percent. The performance has been even more remarkable given the relative weakness of other currencies vis-à-vis the Rupee.

As far as imports are concerned, they are estimated to have increased from Rs 135.4 billion to Rs 149.0 billion between 2010 and 2011. It should be noted that in 2009 total imports had actually fallen to Rs 118.4 billion. These figures imply a trade deficit of Rs 73.0 billion in 2011,

larger than the deficit of Rs 65.8 billion that occurred in 2010, highlighting how imports are rising faster than exports. The deficit now represents more than a quarter of our GDP, at 25.4 percent as compared to about 23 percent in 2010.

QUATERLY TRADE SERIES, 2007 - 2011 (VALUE: RS BILLION)

Trade in goods	2007	2008	2009	2010	2011
Domestic Export (F.O.B)	50.5	46.4	45.8	50.9	57.0
Re-exports (F.O.B)	13.8	12.6	10.4	11.1	10.2
Ships' Stores and Bunkers (F.O.B)	5.4	9.0	5.5	7.6	12.5
Total Exports (F.O.B)	69.7	68.0	61.7	69.6	76.0
Totals Imports (C.I.F)	121.0	132.2	118.4	135.4	149.0
Balance of trade in goods	- 51.3	- 64.2	- 56.7	- 65.8	- 73.0
Balance of trade (exports - imports)	- 43.9	- 56.5	- 49.5	- 58.3	- 68.1
Trade in services					
Exports	71.5	77.2	76.5	87.4	97.7
Imports	50.2	56.8	53.5	63.0	71.1
Balance of trade in services	21.3	20.4	23.0	22.9	26.6
Overall balance in goods and services	- 22.7	- 36.1	- 26.2	- 37.0	- 41.5

Inflation

In 2009 and 2010, the local inflation rate stood at significantly low levels, at 2.5 percent and 2.9 percent respectively. This was mainly due to the crisis prevailing globally, with falling demand causing the prices of commodities to fall, with its impact spreading to our own economy. The appreciation of our Rupee also mitigated the rise in prices to a certain extent. However, the global recovery in early 2011 and various stimulus packages fuelled speculation in commodity markets which resulted in a rather sustained and heavy increase in prices, with many smaller countries starting to feel the brunt. In addition, increases in excise duties, utilities rates and other administered prices in the 2011 budget compounded the upward pressure in prices. Indeed, Headline inflation in Mauritius for 2011 is estimated at 6.5 percent.

The Consumer Price Index (CPI) averaged 128.1 in 2011, standing at 130.4 in the last month, while in 2010 the CPI averaged 120.2. Headline inflation thus increased from 2.9 percent in 2010 to 6.5 percent in 2011. Average year-on-year Core 1 inflation, which excludes 'Food, Beverages and Tobacco' component and mortgage interest on housing loan from the CPI basket, increased from 3.2 percent in 2010 to 6.0 percent in 2011, while Core 2, which excludes 'Food, Beverages, Tobacco', 'mortgage interest', 'energy prices' and 'administered prices', increased from 2.8 percent in 2010 to 4.8 percent in 2011.

Comparing 2010 and 2011 December figures for the sub- indices, it can be noted that 'Alcoholic beverages and tobacco' increased by 16.2 percent from 137.4

points to 159.7 points following increases in excise duties, while 'Restaurants and hotels' increased by 6.5 percent. 'Communication' was the only sub index that registered a fall, from 95.2 to 90.0 in December 2011, following cuts in prices of broadband and phone calls.

It is worth noting that if 'Alcoholic beverages and tobacco' are excluded from the computation of the inflation rate, the latter would work out to be 5.3 percent for 2011. For 2010, the rate would still stand at 2.9 percent.

INFLATION

	2007	2008	2009	2010	2011
Consumer Price Index	103.8	113.9	116.8	120.2	128.1
Headline inflation	8.8	9.7	2.5	2.9	6.5
Core 1 Inflation	5	8.7	2.4	3.2	6.0
Core 2 Inflation	5.7	6.1	3.8	2.8	4.8

The Import Price Index increased by 6.2 percent from the third quarter of 2010 to the corresponding quarter in 2011. The rise occurred following increases in the prices of 'Food and live animals' (up by 9.7 percent), 'Mineral fuels, lubricants and related materials' (an increase of 25.5 percent) and 'Manufactured goods classified chiefly by materials' (rising by 3.7 percent).

The Construction Price Index increased from October 2010 to September 2011 from 101.4 to 104.5. The increase was the result of increasing prices in highly weighted categories like cement, timber, electrical installation and steel bars.

The Producer Price Index for Manufacturing, which measures changes in effective prices received by producers in the manufacturing sector, rose steadily from October 2010 to September 2011, from 116.2 to 124.3, following increases in prices in 'Manufacture of soaps,

detergents and cleaning preparations and cosmetics' and 'Manufacture of ink, paints, etc'. The Producer Price Index for Agriculture also increased from the third quarter in 2010 to the third quarter in 2011 from 96.6 to 107.0, with notable falls during December 2010 and July 2011.

For 2012, the MCCI expects inflation rate to reach 5.5 percent, with lower commodity prices, due to low demand, curbing inflationary pressures from increasing petrol prices.



■ Employment

In 2008, the unemployment rate had fallen to 7.2 percent from 8.5 percent in 2007 with the implementation of the new economic strategy. However, since the crisis started, this relatively low level and the downward trend in unemployment have been difficult to sustain. In 2010 the unemployment rate stood at 7.8 percent, following the impact of the global downturn.

For 2011, Statistics Mauritius expects the rate of unemployment to increase slightly to 7.9 percent, following the increasingly difficult situation in several sectors of the economy, where low growth rates are unable to generate significant employment opportunities.

The Mauritian labour force is expected to reach 583.5 thousand in 2011 compared to 581.3 thousand in 2010, which is a mere increase of 0.3 percent. Employment increased by 0.3 percent from 536.1 thousand to 537.7 in 2011. These explain why the unemployment rate has remained more or less constant.

Employment of foreign workers has increased from 22.0 thousand in 2010 to 23.0 thousand in 2011. This, however, is lower than the 24.0 thousand foreign workers employed prior to the crisis in 2008.

EMPLOYMENT (IN THOUSANDS)

	2007	2008	2009	2010	2011
Labour Force (Mauritian)	548.9	559.4	572.2	581.3	583.5
Male	353.6	355.6	360.3	375.5	376.8
Female	195.3	203.8	211.9	227.8	229.7
Employment (Mauritian)	502.1	519	536.4	536.1	537.6
Foreign workers	21.6	24.0	21.0	22.0	23.0
Total employment	523.7	543	557.4	558.1	560.6
Unemployment	46.8	40.4	41.5	45.2	45.9
Male	18.6	14.6	15.8	16.7	17.2
Female	28.2	25.8	25.7	28.5	28.7
Unemployment rate (%)	8.5	7.2	7.3	7.8	7.9

■ Public Finance

In 2011 there has been much debate on the global scene on management of budget deficits and austerity. In the local context, revised figures for 2011 have shown that total revenue was lower than previously estimated, standing at Rs 69,207 million against a projected Rs 70,300 million. However, this amount actually increased by 5.7 percent from 2010, representing 21.3 percent of the GDP. Total expenses have more or less tallied with projected figures, at Rs 72,885 million, representing an increase of 8.81 percent over 2010, at 22.4 percent of GDP. The budget deficit amounted to 3.8 percent in 2011 (less than the 4.5 percent deficit previously estimated) and is expected to be unchanged for 2012 following estimated revenue of Rs 76,880 million and expenses of Rs 80,295 million.

PUBLIC FINANCE (RS MILLION)

	2010	2011		2012	
	<i>Actual</i>	<i>Estimates</i>	<i>Revised</i>	<i>Estimates</i>	<i>Planned</i>
Revenue	65,479	70,300	69,207	76,880	78,836
Expenses	66,983	72,593	72,885	76,126	80,295
Gross operating balance	- 1,504	- 2,293	- 3,678	754	- 1,459
Net acquisition of non-financial assets	8,076	11,436	8,571	14,345	13,582
Budget balance	- 9,580	- 13,729	- 12,249	- 13,591	- 15,041
<i>Budget balance as % of GDP</i>	- 3.2 %	- 4.3 %	- 3.8 %	- 3.8 %	- 3.8 %
Net acquisition of Financial assets	128	3,810	3,486	2,901	3,186
Borrowing requirements	9,258	17,040	15,330	15,622	17,487
Borrowing requirements / GDP	3.10	5.30	4.70	4.40	4.40
Primary balance	682	- 2,579	- 2,194	- 2,151	- 3,041
Primary balance / GDP	0.20 %	- 0.80 %	- 0.70 %	- 0.60 %	0.80 %



Public finance (continued)

The primary balance deficit will fall slightly to -0.6 percent of GDP in 2012 from -0.7 percent of GDP in 2011. This indicator is used by development partners in relation to disbursement criteria, and is thus an issue to be monitored closely. 'Net acquisition of non-financial assets' is expected to increase to Rs 14.3 billion in 2012 from Rs 8.6 billion in 2011. The projected figure for 2012, it should be noted, is nearly thrice the amount in that category for 2008/09.

As far as total public sector debt as a percentage of GDP is concerned, it was estimated that the figure would increase beyond the undesirable 60 percent barrier. However, final figures show that the debt amounted to 57.5 percent of GDP. For 2012, this ratio is expected to hold.

Given the current economic climate, it is important that the government adheres strictly to its policies to be able to achieve

the targets set. The maximum should be done to raise revenue and limit expenses only to the extent required by the implementation of infrastructural projects announced. Delays in the latter may have serious consequences.

GOVERNMENT DEBT (RS MILLION)

	Dec 2010	Dec 2011		Dec 2012	Dec 2013
	<i>Actual</i>	<i>Estimates</i>	<i>Revised</i>	<i>Estimates</i>	<i>Planned</i>
Domestic Government Debt	128,557	140,198	136,643	143,958	151,490
External Government Debt	22,201	29,636	28,945	36,252	45,207
Total Government Debt	150,758	169,834	165,588	180,210	196,697
as % of GDP	50.40%	52.70%	50.90%	51.00%	50.00%
Domestic Public Sector Debt	140,529	153,391	149,179	157,663	165,333
External Public Sector Debt	32,240	40,797	37,981	46,486	56,181
Total Public Sector	172,769	194,188	187,160	204,149	221,514
as % of GDP	57.80%	60.30%	57.50%	57.70%	56.30%

3

Sectoral Analysis





■ Sectoral Analysis

In 2010 a net improvement was noted compared to 2009 mainly because of increasingly optimistic prospects about the future economic climate, based on certain positive figures and news worldwide. Apart from the primary sector, which includes 'Agriculture, hunting, forestry and fishing' and 'Mining and quarrying', which had contracted by -1.3 percent, real GDP growth was given a major impetus by the tertiary sector which, at a 5.1 percent growth, fared much better than the 3.1 percent growth registered in 2009, one of the main reasons of low growth.

For 2011, however, all the three main sectors experienced growth. The primary sector expanded by 2.8 percent, with 'Agriculture, hunting, forestry and fishing' growing by 2.9 percent and 'Mining and quarrying' remaining steady over the previous year.

The secondary sector registered a lower growth rate in 2011 (2.1 percent) than the previous year (2.8 percent). The main sub categories in the secondary sector

are 'Manufacturing', 'Electricity, gas and water supply' and 'Construction'. Manufacturing increased by 3.5 percent in 2011 compared to 2.1 percent in 2010, following an increase of 1.6 percent in 'sugar milling', 0.7 percent in 'Food' and 8.3 percent growth in 'Textile'. It should be pointed out that in 2010, the growth in 'Textile' was nil. Activities of Export Oriented Enterprises expanded by 7.8 percent in 2011 while growth in 2010 was of 6.5 percent.

As far as the tertiary sector is concerned, growth is continuing at a sustained pace of 5.0 percent, which is slightly lower than the growth rate of 2010 when it stood at 5.1 percent. It is the main engine behind the overall GDP growth rate while progress in the other sectors remains more or less stagnant. The increase in the value of the tertiary sector in 2011 is the result of growth in 'Wholesale and retail trade, repair and maintenance' (3.4 percent), 'Hotels and restaurants' (4.0 percent), 'Transport, storage and communications' (5.5 percent), 'Financial intermediation'

(5.5 percent) and 'Real estate' (6.3 percent) amongst others. The corresponding growth figures for 2010 were 4.1 percent for 'Wholesale and retail trade, repair and maintenance', 6.0 percent for 'Hotels and restaurants', 5.3 percent for 'Transport, storage and communications', 4.3 percent for 'Financial intermediation' and 6.2 percent for Real estate'.

The primary sector contributed only 0.1 percentage points in 2011, while in 2010 the primary sector had actually deflated growth. Tertiary sector growth still remains the major contributor to GDP growth. 3.5 percentage points of the 4.1 percent growth in 2011 was the result of the tertiary sector. Given the high importance of the tertiary sector to growth, it is imperative that this sector is given special attention, especially in the financial intermediation and ICT sectors.

CONTRIBUTION TO GDP GROWTH (% POINTS)

	2007	2008	2009	2010	2011
Primary Sector	- 0.3	0.1	0.4	- 0.1	0.1
Secondary Sector	1.4	1.4	0.8	0.8	0.6
Tertiary Sector	4.6	3.9	1.9	3.5	3.5
Real GDP Growth	5.7	5.5	3.1	4.2	4.1

■ Agriculture

Estimates for 2011 indicate an increase in the value of Agriculture output to reach Rs 10.7 billion. In 2010, the value of the output went down by 2.8 percent from Rs 9.8 billion to Rs 9.7 billion. The growth is mainly supported by the 'Non- sugar' category which grew by 3.9 percent in 2011. Value added at current basic prices for 2011 stood at Rs 1,254 million compared to Rs 1,283 million in 2010.

The share of the agricultural sector to GDP increased from 3.2 percent to 3.3 percent. However, this is far from the 5 percent it represented in 2007, implying a gradual shift of production from the primary to other sectors.

AGRICULTURE

	Unit	2007	2008	2009	2010	2011
Sugarcane	Rs Bn	4.3	4.2	3.5	3.1	3.3
Non-Sugar Value	Rs Bn	5.3	5.8	6.3	6.6	7.4
Total Agriculture	Rs Bn	9.6	10	9.8	9.7	10.7
Sugar / GDP	%	2.5	2.2	1.8	1.0	1.0
Non-Sugar / GDP	%	2.5	2.4	2.5	2.2	2.3
Total Agriculture / GDP	%	5	4.6	4.3	3.2	3.3
Growth rates						
Sugar	%	- 13.6	3.7	15	- 6.4	0.6
Non-Sugar	%	3.4	1.5	6.2	1.4	3.9
Agriculture	%	- 5.4	3	8.9	- 1.3	2.9
Employment	No.	47,200	44,800	44,900	44,900	44,000
Sugar / Total employment	%	3.4	2.7	2.6	2.5	2.4
Non-Sugar / Total employment	%	5.6	5.6	5.6	5.6	5.5
Agriculture / Total employment	%	9	8.3	8.2	10.0	10.0



Agriculture (continued)

Sugar

Output in the sugarcane category (which excludes sugar milling) increased from Rs 3.1 billion in 2010 to Rs 3.3 billion in 2011 despite adverse weather conditions. This rise is mainly due to even worse conditions in 2010, when there was a drop of Rs 0.4 billion in sugar output value. Production of refined and special sugars in 2011 is estimated to be at 430,000 tonnes, which is lower than the 452,473 tonnes produced in 2010 but still higher than initial forecasts of 390,000. Increasing prices for sugar have to some extent mitigated the impacts of the fall in production over the previous year, revealing a growth of 0.6 percent.

Statistics Mauritius expects sugar production to amount to 450,000 tonnes of refined and special sugars in 2012, which would represent a growth of 4.2 percent over the 2011 figure.

Non Sugar

The non-sugar sector, which comprises of hunting, forestry and fishing, increased by 3.9 percent in 2011, representing 2.3 percent of GDP. In 2010, the non-sugar sector had increased by 1.4 percent.

In 2011, a growth of 21.8 percent was noted in both Green leaves and manufactured tea, despite lower area under tea cultivation by 6.7 percent. Favourable climatic conditions for the production of tea are the main cause behind the growth. For tobacco, the area under cultivation increased by 4.2 percent, and production increased by 11.3 percent.

For food crops, in 2011 a 0.7 percent increase in production from 114,844 tonnes to 115,618 tonnes was noted despite the area under harvest falling by 2.7 percent.

Tonnage of beef decreased by 7.8 percent from 2023 tonnes to 2194 tonnes in 2011. Local beef production, inclusive of Rodrigues, increased by 54.5 percent to reach 136 tonnes. This rise in production is the result of different schemes under the Food Security Fund. Local production is increasing its share in total production, from 4.0 percent in 2010 to 6.7 percent in 2011.

Goat meat and mutton production fell from 68 tonnes to 62 tonnes in 2011, as a result of a fall in the production of meat from the slaughter of imported animals. Pork production, on the other hand, increased by 4.3 percent. Poultry production increased from 46,600 tonnes in 2010 to 47,000 tonnes in 2011 while fish production fell by 2.5 percent.

AGRICULTURE (TONNES)

	2007	2008	2009	2010	2011
Tea (Green Leaves)	8,027	8,672	7,663	7,370	8,975
Tea (Manufactured)	1,563	1,668	1,481	1,467	1,787
Tobacco	316	349	314	222	345
Food Crops	99,130	93,021	113,943	114,844	115,618
Livestock (beef, goat, meat, mutton and pork)	2,432.7	2,308.5	2,595.0	2,885.6	2,535.0
Poultry	40,000	42,000	44,000	46,600	47,000
Fish	6,377	5,660	6,978	5,547	5,411



Manufacturing

For the manufacturing sector, an increase in output of 8.8 percent from 2010, to reach Rs 52.0 billion in current terms in 2011, was registered. Total manufacturing includes 'sugar milling', 'food', 'textile' and 'other manufacturing'. Real growth rate amounted to 3.5 percent, which is better than the 2.1 percent growth rates observed in 2009 and 2010. The growth is mainly explained by the good performance of the textile sector, which grew by 8.0 percent in 2011 after experiencing a no growth scenario in 2010. Sugar milling grew by 1.6 percent in 2011 after contracting by -4.0 percent in 2010 while food managed a mere 0.7 percent growth in 2011, as opposed to 4.4 percent in 2010.

Employment in the manufacturing sector continued on its downward trend, falling for the third consecutive year. In March 2008, employment in Manufacturing in large establishments stood at 79,819 while in March 2011 it had fallen to 77,422.

MANUFACTURING SECTOR

	Unit	2007	2008	2009	2010	2011
Sugar	Rs Bn	1.2	1.1	1.0	0.9	1.0
Food	Rs Bn	12.2	15.9	16.0	16.6	17.8
Textile	Rs Bn	14.7	13.9	14.2	13.6	15.0
Other	Rs Bn	13.3	16.2	16.1	16.7	18.3
Total Manufacturing	Rs Bn	40.2	47.1	47.3	47.8	52.0
Sugar / GDP	%	0.7	0.5	0.4	0.3	0.3
Food / GDP	%	5.7	6.6	6.4	6.2	6.2
Textile / GDP	%	6.8	5.7	5.6	5.2	5.2
Other sectors / GDP	%	6.2	6.6	6.4	6.3	6.4
Total Manufacturing / GDP	%	18.7	19.4	18.8	18.0	18.1
Growth Rates						
Sugar milling	%	- 13.6	3.7	15.0	- 4.0	1.6
Food	%	2.5	7.7	3.8	4.4	0.7
Textile	%	9.9	0.1	- 0.2	0.0	8.3
Other	%	- 4.4	2.3	1.5	2.1	2.5
Total Manufacturing	%	2.9	3.2	2.1	2.1	3.5
Empl. in large establishments	No.	92,261	93,877	82,635	79,819	77,422
Empl. in man. / Total empl. in large est	%	30.8	30.5	27.8	26.5	25.6



Manufacturing (continued)

The output of export oriented enterprises increased by 10.4 percent in 2011 to reach Rs 19.1 billion, up from Rs 17.3 billion in 2010. This growth has been surprising given the rapidly weakening currencies relative to the Rupee and the dwindling consumers' purchasing power (and demand) in our major markets. In 2010, the value of output had actually gone down by Rs 0.1 billion. Activities of the export oriented enterprises represented 6.6 percent of total GDP in 2011, slightly up from the 6.5 percent share it represented in 2010. These figures are far from figures in 2007 where it represented 8.3 percent.

The number of EOE in activity is expected to have fallen in 2011 to around 360, according to noted trends, down from 372 in 2010. The fall had been particularly sharp in 2010 following a rather difficult phase in 2009. In previous years, the number of EOE has been consistently above 400. The drop has mainly affected the 'wearing apparel' group of EOE. Estimates show that employment is also likely to have registered a slight drop from 55,828 in 2010 to around 55,740 in 2011. Employment in EOE has been falling mainly due to reductions in wearing apparel, electronic watches and clocks which offset the increases in 'textile yarn and fabrics' and 'jewellery and related articles group'.

EXPORT ORIENTED ENTERPRISES

		2007	2008	2009	2010	2011
Value at current basic prices	Rs Bn	17.8	17.8	17.4	17.3	19.1
Value /GDP	%	8.3	7.3	6.9	6.5	6.6
No. of enterprises	No.	404	412	413	372	360
Employment	No.	67,314	62,276	58,566	55,828	55,740
Investment	Rs Bn	4.5	2.2	1.1	0.9	1
Exports	Rs Bn	37.8	35.1	36	40.1	41.6
Exports/total exports	%	54.3	51.6	58.3	59.1	60.1
Imports	Rs Bn	21	20.2	17.3	22.7	24.2
Imports of raw materials/Imports	%	86.8	94.3	84.9	86.5	97.7



Manufacturing (continued)

The export value of EOE products totalled Rs 41.6 billion in 2011, which represented a growth of 3.7 percent over the Rs 40.1 billion registered in 2010. The share of exports of EOE stood at 60.1 percent of total exports in 2011. Again, watches and clocks, jewellery, goldsmith and silversmith and pearls, precious and semi precious stones exports increased while apparel and clothing exports fell.

Total imports of EOE are estimated to have increased by 6.6 percent in 2011 from Rs 22.7 billion in 2010 to Rs 24.2 billion in 2011. The share of imports of raw materials represents around 97.7 percent of total imports by EOE in 2011. In 2010 it stood at 86.5 percent. This highlights the fact that EOE are not importing capital goods for investment, signalling low confidence in the markets.

In 2012, Statistics Mauritius expects Manufacturing industries to expand by 1.5 percent, which is lower than the 2011 figures. Within this particular category, it is expected that 'sugar milling' grows by 4.4 percent, 'food processing' by 2.0 percent, 'other manufacturing' by 2.0 percent while 'textile' is expected to stagnate. Activities of EOE are forecast to expand by 0.5 percent.

Taking into consideration the adverse situation in our main markets and the difficulties faced by local entrepreneurs to engage in new ventures, the MCCI expects the manufacturing sector to register a 1.0 percent growth for 2012. Higher energy prices, falling local and external demand and unfavourable Rupee dynamics will weigh heavily in the balance. However, while exports are expected to remain at the same level, a rise in the level of activity of Domestic Oriented Enterprises is anticipated.



Hotels and Restaurants

In 2009 Mauritius had significantly suffered from the crisis, with tourist arrivals falling dramatically by 6.4 percent. In 2010, a marked recovery was noted, with the number of tourist arrivals rising to 934,827, which was even higher than the pre-crisis 2008 figure. 'Statistics Mauritius' provisional estimates show that for 2011 this figure is at 964,642, which is lower than their initial target of 980,000. This represents a rise of 3.2 percent. The contribution of this sector to GDP is expected to remain around 6.2 percent.

Most importantly however, is that gross earnings have increased by nearly 10.0 percent from Rs 39.0 billion in 2010 to Rs

43.4 billion in 2011. This figure is higher than the pre crisis amount of Rs 41.2 billion in 2008. Without an appreciating Rupee, earnings in this sector would have been higher.

Investment is expected to go down for the second consecutive year in the hotels and restaurants category. In 2010, it fell by only Rs 0.1 billion to Rs 12.7 billion. In 2011, the fall is expected to be more drastic, with a cut of -31.5 percent expected. Only Rs 8.7 billion of investment has gone to this sector in 2011. The share of investment in hotels and restaurants in total GDFCF has fallen to 11.2 percent in 2011 from 17 percent in 2010.

Employment in the Hotels and Restaurants category continued increasing for the second consecutive year, from 20,847 in March 2010 to 21,672 in March 2011, which represents a rise of 4.0 percent.

The room occupancy rate has remained at 65.0 percent for 2011, while the number of rooms available has been reduced from 12,075 to 11,925 following a fall in the number of hotels to 109 from 112 in 2010.

HOTELS AND RESTAURANTS

		2007	2008	2009	2010	2011
Value	Rs Bn	19.5	19,170	16,754	18,514	20,046
Value/GDP	%	9.4	7.0	5.9	6.2	6.2
Real Growth rate	%	+14.0	+1.3	-5.9	+6.0	+4.0
Tourist arrivals	No.	906,971	930,456	871,356	934,827	964,642
Gross earnings	Rs Bn	40.7	41.2	35.7	39	42.5
Employment	No.	20,233	22,314	20,478	20,847	21,672
Investment	Rs Bn	10.2	12	12.8	12.7	8.7
As a % of total investment	%	16.7	17.8	17.2	17	11.2
Real Growth rate	%	+37.7	+6.6	+6.7	-1.2	-35.1
Number of hotels	No.	97	102	102	112	109
Number of rooms	No.	10,857	11,488	11,456	12,075	11,925
Room occupancy rate	%	76	68	61	65	65

Hotels and restaurants (continued)

There were different fortunes concerning the number of tourist arrivals from our major markets. There was a fall of -6.7 percent in the number of arrivals from the UK, from 97,548 in 2010 to 88,182 in 2011. It is the third consecutive year that the number of tourists from the UK is falling. The number of arrivals from Italy fell as well by -6.7 percent, following another fall of -0.3 percent in 2010. On the other hand, there was relatively strong growth in the number of tourist arrivals from the Rep. of South Africa and Germany, respectively at 5.9 and 6.5 percent respectively. Disregarding the fall of 12.2 percent in 2009, the South African market has constantly registered healthy growth rates.

However, while still satisfactory, arrivals from France and Reunion Island might be pointing to increasing difficulties to tap these markets. Around 302,004 tourists are expected to arrive from France in 2011, which is 0.1 percent lower than arrivals in 2010 while the number of tourist arrivals from Reunion has contracted by -1.7 percent in 2011, stagnating at around 113,000, following several consecutive years of stable growth. The weakening of the Euro and the deteriorating situation in the European countries are bound to have adverse effects on the number of arrivals.

For 2012, a forecast of 980,000 tourist arrivals is expected by Statistics Mauritius. Initial forecasts projected tourist arrivals in excess of 1 million.

However, due to falling income in the Euro Area, our main market, and an overvalued Rupee, the MCCI believes that it is unlikely that there is a growth in the number of tourist arrivals in 2012.

TOURISTS ARRIVALS BY COUNTRY OF RESIDENCE

Country	2007	2008	2009	2010	2011
France	240,028	260,054	275,599	302,185	302,004
% change	31.7	8.3	6.0	9.6	- 0.1
United Kingdom	107,297	107,919	101,996	97,548	88,182
% change	4.9	0.6	- 5.5	- 4.4	- 6.7
Reunion	95,823	96,174	104,946	114,914	113,000
% change	7.5	0.4	9.1	9.5	- 1.7
S. Africa, Rep. of	81,733	84,448	74,176	81,458	86,232
% change	15.4	3.3	- 12.2	9.8	5.9
Germany	69,510	66,432	56,736	52,886	56,331
% change	0.1	- 4.4	- 14.6	3.1	6.5
Italy	65,165	61,484	51,279	56,540	52,747
% change	13.8	- 5.6	- 16.6	- 0.3	- 6.7



Financial Intermediation

The financial intermediation sector has performed better than most sectors of the economy. Output increased by 8.2 percent to Rs 28.8 billion in 2011 from Rs 26.6 billion in 2010. It continued to represent 10.0 percent of GDP in 2011, slightly up from levels in 2008. The real growth rate was found to be at 5.5 percent, better than the 2010 rate of 4.3 percent. The main thrust behind this performance resides in the good health of insurance, banks and other financial intermediation agencies which have expanded by 4.5 percent, 5.9 percent and 6.0 percent respectively in 2011. These figures are however significantly lower than

the growth rates registered in 2008 when total growth stood at 10.2 percent. The banks have continued their practice of prudent banking, with strong capitalization and low foreign exposure which had helped them go through the 2009 crisis relatively unscathed.

Investment in financial intermediation remained at the same level of Rs 2.4 billion in 2011 as compared to 2010. This figure is still better than the Rs 1.5 billion invested in 2009 and the Rs 1.3 billion in 2008. As a share of total investment, financial intermediation represented 3.1 percent in 2011 while in 2010 it was at 3.3 percent.

After several years of dynamic increases in the number of people employed in financial intermediation, the figure has fallen slightly from 11,387 in 2010 to 11,311 in 2011, according to the latest Survey of employment and earnings in large establishments.

Statistics Mauritius expects growth to tally at 4.7 percent in 2012. Given the soundness and stability of the banking and financial institutions of Mauritius, the MCCI expects growth to be slightly higher at 5.0 percent for 2012.

FINANCIAL INTERMEDIATION

	Unit	2007	2008	2009	2010	2011
Value	Rs Bn	20.8	23.9	25.4	26.6	28.8
Value/GDP	%	9.7	9.8	10.1	10.0	10.0
Growth rate	%	+7.6	+10.2	+3.8	+4.3	+5.5
Investment	Rs Bn	1.5	1.3	1.5	2.4	2.4
As a % of total investment	%	2.5	1.9	2	3.3	3.1
Empl. in large establishments	No.	9,293	10,216	10,765	11,387	11,311
As a % of total employment in large establishments	%	3.1	3.3	3.6	3.8	3.7



Information and communication technology

The ICT industry registered a strong real growth rate of 9.9 percent in 2011. However, this growth is lower than double digit growth rates registered in previous years, as in 2010 where it grew by 13.3 percent. The share of output of the ICT on GDP has increased from 6.4 percent in 2010 to 6.5 percent in 2011. Output in fact increased from Rs16.9 billion in 2010 to Rs 18.7 billion.

Employment in ICT has increased by 4.6 percent, to reach 13,412 in 2011. Its share over total employment in large establishment has increased from 4.2 percent to 4.4 percent. It can be implied that the ICT sector is still growing and is gaining in importance in the Mauritian economy. The number of large companies has however remained stagnant over last year at 138 after years of constant increases.

ICT

	Unit	2007	2008	2009	2010	2011
Value of the ICT sector	Rs Bn	11.7	12.9	14.9	16.9	18.7
Value /GDP	%	5.4	5.3	5.9	6.4	6.5
Growth rate in the ICT sector (%)	%	+ 15.1	+ 13.2	+ 13.1	+ 13.3	+ 9.9
No of large companies	No.	116	129	134	138	138
Employment in large enterprises	No.	10,170	11,250	12,360	12,826	13,412
As a % of total employment in large establishment	%	3.5	3.7	4.1	4.2	4.4

For 2012, the MCCI estimates growth in the ICT sector to be more or less equal to 2011 figures. A growth of 10.0 percent is expected, explained by the existing dynamism in this particular field of activity and the drive to make Mauritius an ICT hub.



■ Conclusion

On the onset, it can be said that Mauritius managed a decent economic performance in 2011, within an especially difficult environment with renewed fears of an impending recession on a global scale.

The continued uncertainty over the Euro Zone debt crisis, dwindling purchasing power in our major markets and low consumer demand are slowing the growth of the Mauritian economy. An overvalued currency is further eroding the ability of our entrepreneurs to face competition.

Private investment continues to fall, both in absolute terms and relative to total investment, signalling decreasing business confidence. The increase in current account deficit is also an issue that needs to be addressed. Some sectors of the economy, such as Hotels and restaurants and Manufacturing, are already starting to feel the strain.

It is unlikely that last year's growth performance is matched in 2012, given international trends and the local situation. It is also unlikely that the growth figures fall to the level registered in 2009.

On the global scene, it appears that the recovery has stalled, and some economies are sliding back into a difficult period. The IMF and World Bank are expecting a marked slowdown in economic activity both in developed and emerging economies. The latter, however, are still expected to provide strong enough figures for growth to prevent a contraction in world output.

Until now, the local economy has remained fairly resilient to external shocks, mainly due to coordinated macroeconomic policies and institutional stability. However, as risks on our external markets are increasing, there is the need for more action on the part of policy makers not to just wade through the turmoil but to embark on an even higher path of post crisis sustainable development.



President's Review



Overview



The short-lived recovery of the world economy after the 2008-2009 global financial and economic crisis, did not allow Mauritius to rebound from the low GDP growth of 2009. The expected 4.1% growth in 2011 and the projected 3.3% - 3.8% figures for 2012 have had a dampening effect on economic activities. This situation has impacted negatively on the capacity of the MCCI to pursue the ambitious programme of activities that it had embarked upon prior to the crisis. The fall in revenue from some of its main activities posed a threat to the pursuit of some major programmes.

However, mindful of the fact some of these initiatives were crucial to the long-term sustainability of the MCCI's services, meaningful resources were devoted to their pursuit.

First, following the study commissioned on the image of our institution, the MCCI embarked on a major rebranding exercise which culminated in the launching of a new logo in November 2011.

Second, taking stock of the new competitive environment which had developed in the tertiary education sector, the MCCI commissioned a study on the 'Centre d'Etudes Supérieures' (CES) to help to reposition the CES on the market. Since then, several actions have been initiated, including the identification of a strategic partner.

Third, as a response to the crisis which has hit our main markets for goods and services, the MCCI has been advocating a diversification of products and markets. In line with its position, the MCCI was in the forefront of all trade negotiations to enhance market access for our goods and services. It also had to heighten its efforts in trade promotion and facilitation.

Fourth, in a challenging economic environment, the MCCI enhanced its advocacy mandate in favour of a macro-economic stance that supports business development and specific measures that improve the business environment. The MCCI GDP forecasts, the first to be released for 2012 and the MCCI Business Confidence Indicator, proved to be useful tools to assert the authority of the MCCI in its advocacy role on economic issues.

Fifth, it pursued its efforts to modernise the delivery of its specialised services. The past year witnessed the introduction of our Electronic Certificate of Origin, major IT investment in the Tax Refund Counter at the airport and a strategic review of our GS1 bar coding services.

Last but not least, the MCCI pursued its quest for higher levels of governance. The new constitution of MCCI came into force during the year, a Code of Conduct for s was introduced, a Financial Procedures and Policies Manual finalised and a training programme for the whole staff on the values of the MCCI, was carried out.

It is comforting to note that the MCCI ended the year with a small surplus while pursuing all these initiatives in a difficult year.



The representative role

The New Constitution of MCCI

Members will recall that the new Rules of the MCCI were approved at the Extraordinary General Meeting held on 24 March 2011. The objectives of the new rules were to have a better representation of all sectors of the economy, including emerging ones, a more open Membership and enhanced democratic principles. The Rules have been approved by the Registrar of Associations on 18 November 2011.

The Membership of the MCCI has now been divided into eight main categories as follows: Commerce, Industry, Financial Services, Tourism, ICT, Logistics, Property Development, Other Business Services. A re-categorization exercise of existing sectors has been conducted in January 2012 and the list of sectors after completion of the exercise, is on the MCCI website.

The new Rules also make provision for more seats on the Council. The number of Members to be elected on the Council is now 16 compared to 12 as per our previous rules, and the mandate of Members of the Council has been reduced to two years, against three years in the previous rules. As a result, eight seats instead of four will be open for elections every year.

Direct Membership

During the past year the MCCI welcome 20 new Members, with the majority coming from the emerging sectors of the economy. This comforts the image of the MCCI as a multi-sectoral organization that can effectively represents the interests of all sectors.

The MCCI has also recently embarked on a Membership drive programme with a view to consolidating its representative character, as well as to increase its revenue from subscriptions of Members, which as a percentage of total revenue, has fallen well below what prevails in other Membership organizations.

Representation through Associations

The MCCI has continued its effort to enlarge its representation through sectoral associations.

The structured collaboration between the MCCI and the Association of Mauritian Manufacturers (AMM), the Outsourcing Telecommunication Association of Mauritius (OTAM) and the Association Professionnelle des Transitaires (APT) has become closer over the years.

The MCCI provides the secretariat to these associations as well as advice and technical assistance. Joint projects have been initiated to better promote the interests of each association.

Discussions are under way with other organizations from the emerging sectors (ICT, Property Development, Other Services) for these organizations to enter into similar partnerships with the MCCI.





■ Governance

During the year 2011, MCCI has pursued its quest to achieve higher levels of governance in all its activities, both internally and in its dealings with external partners.

Internal Audit

The Audit Committee was chaired last year by the Vice President, Mr. Kiran Juwaheer. The Committee worked to further enhance the financial management of MCCI.

First, following the presentation to the Audit Committee of the "Business Risk Self Assessment" report, commissioned from 'Ernst & Young', an action plan for 2012 is under preparation according to the recommendations made by the internal auditors.

Second, the publication of a Financial Procedures and Policies Manual to ensure greater transparency, control and continuity in work, is in its final stage. The manual, which covers all the activities of MCCI, takes into account the recommendations made by the internal auditors.

Third, a proper debtors follow-up structure has been put into place in line with best practice.

Finance

With the adverse impact of the global economic crisis on Mauritius, MCCI revenue-earning activities have not been spared. The revenue of the Tax Refund Counter has fallen by 8% while expenses have increased with more software developments introduced to provide better services to our operators. The impact of fluctuations of foreign currency have also had a negative impact on

revenue. Fortunately, some other services have fared better in 2011 and control in expenses has mitigated the impact of fall in revenue in our Tax Refund Counter. As a result, the MCCI has been able to finish the year with a surplus.

In this time of crisis the MCCI is also very near to its costs and is also doing its best to increase its revenue so as to sustain the financial stability of MCCI in the longer term.

Empowerment of Staff

The strength of the MCCI lies in the professionalism and values of its staff, as revealed by study on the image of the institution. A continuous training programme was held to ensure the alignment of the salaries and skills of the staff with the missions of the MCCI.

First, a workshop for the whole staff was organised on the values of MCCI with follow-up activities.

Second, through the SOPSED Project, described later, 10 MCCI Staff Members participated in capacity building workshops and secondment programmes held in various European and African countries. Themes dealt with in the capacity building activities included CSR, ICT, Arbitration and Mediation, Sustainable Chamber Services and Corporate Governance.

Third, some Members of the staff participated in specialised training to enhance their skills. Among these were the following:

- The Manager of the Trade Division, Mrs. Rooma Narrainen participated in a Seminar for Chambers of Commerce and Industry Associations of Developing Countries, held from 5 July to 25 July 2011, in Beijing, China.
- Mr Anwar Kaidoo, Operations Manager, participated in the Ethics Officer Certification Programme (EOCP) in April 2011 and is now a Certified Ethics Officer of the Ethics Institute of South Africa. He has further followed the EOCP Training of Trainers course in February 2012.
- Several Staff Members of the Tax Refund Counter Staff participated in the workshop 'Shaping Attitude and Behaviour at the Workplace' in August and December 2011.
- Dr. Renganaden Padayachy, Manager of the Economic Analysis and Industry Division, attended the CII Industrial Services training programme organised by the Confederation of Indian Industry from 18 to 27 March 2012 in New Delhi, India.

■ Advocacy

Advocacy is undoubtedly the greatest strength of the MCCI as it has the internal skills to authoritatively give its views on a wide spectrum of issues of interest to the business community and to take initiatives which can have a bearing on the long-term interests of the business community and the country.

National Economic Policy Orientations

Through extensive research, innovation in terms of economic methodologies, which support its submissions and views, the MCCI contributes to the national economic policy formulation. Amongst its main contributions are the 'State of the Economy', speech by the outgoing President on the occasion of the AGM and the Memorandum on the National Budget.

In addition, the 'MCCI Business Confidence Indicator' and the 'MCCI GDP Forecasts', two innovative economic tools which have been recently developed to support the analysis of the economic situation of the country, have prompted greater attention to the views of the MCCI on the state of the economy.

(a) The Speech on the 'State of the Economy'

In the speech on the 'State of the Economy' in March 2011, the MCCI made a thorough analysis of the strengths and weaknesses of the economy and made proposals on ways to improve fiscal, exchange rate, monetary and pricing policies. The stances proposed in these variables were to provide impetus to domestic companies to invest, diversify products and markets and achieve growth.

(b) Memorandum on the 2012 Budget

When the MCCI presented its Memorandum on the 2012 Budget to the Ministry of Finance and Economic Development, the economic environment both in and outside Mauritius had worsened. In this Memorandum, the MCCI laid emphasis on the correction of the conflicting signals given in the 2011 Budget and the need to have new incentives to support investment in innovation, productivity, research and development, as well as a stronger but targeted approach to export promotion.

The 2012 Budget did remove most of the conflicting signals in the 2011 Budget, including the removal of the Capital Gains Tax.

The 2012 National Budget Macro Analysis was also in line with our assessment of the needs of the economy regarding investment, innovation and diversification of products and markets. However, more emphasis was laid on addressing the effects of the current crisis rather than on a set of measures that would increase the future productive capacity of the economy.

(c) The 'MCCI Business Confidence Indicator'

The MCCI Business Confidence Indicator, based on OECD standards, points the needle in the direction of the mood and confidence of the business community and reflects the views of entrepreneurs on their current situation and future prospects into a single figure.

Launched in 2010, the MCCI Business Confidence Indicator is establishing itself as an important indicator to consider for policy makers in Mauritius and observers outside Mauritius. The insight it provides on what local entrepreneurs face in their day to day activities and the prospects over the short term is unique in Mauritius.

Over the last year, the four issues of this quarterly came out on time, bringing the total number of reports released so far to seven.



Advocacy (continued)

(d) The 'MCCI GDP Forecasts'

Growth forecasts have gained more relevance in the unstable economic environment as they assist in decision making processes that shape the economic future.

In Mauritius, policy workers had to rely on the forecasts of 'Statistics Mauritius' or those of the World Bank and the IMF.

Two years ago, our institution decided to establish its own GDP forecasts, using latest econometric models, as part of its economic research programme and its endeavour to introduce additional tools for economic analysis. Over the past year, the MCCI consolidated this initiative and it has already issued three reports for its biannual GDP forecasts. More importantly, it has been the institution in Mauritius which has produced a first GDP forecast both for 2010 and 2011. And its forecast of 3.8% for 2012, released in November 2011, which was considered pessimistic in many quarters, has been subsequently confirmed both by the international agencies and local estimates.

((e) Other Contributions to Policy Orientations

The MCCI continued to bring a clearer understanding on several key policy orientations through its interviews and articles in the press and in its own publications

Trade

During the past year, the MCCI was relentless in its efforts to improve the local trading environment and to resist temptations for state intervention in the market. On the external front, in line with its strategy to diversify export products and markets, it has been very active in trade negotiations.

(a) The Local Trade Environment

Price Observatory

The Price Observatory was officially launched in March 2011 and was one of the main initiatives on which MCCI had been working over the past couple of years. As Members will recall, as a response to the global economic downturn in 2008, Government, as part of the 'Additional Stimulus Package,' decided to set up a Sub-Committee on the Protection of Purchasing Power to study means of mitigating the adverse impact of price movements in Mauritius. One of the main recommendations of the Sub-Committee, which was jointly chaired by the MCCI and the Ministry of Consumer Protection, was the setting up of a Price Observatory.

The Price Observatory is now fully operational and has been publishing regular monthly reports, comparing prices of sixty products across twenty-two supermarkets around the island. The MCCI has two representatives on the Price Observatory Committee, one of which is a representative of supermarkets, and has been actively involved all the way through. In February 2012, a brainstorming session was organised to assess the work done after one year of operation and to discuss of the future orientations of the Price Observatory.

Review of Hire Purchase Legislation

The Hire Purchase & Credit Sale Act was subject to new discussions last year. Members will recall that substantial work was done in 2000 with an in-depth review of the Hire Purchase legislation and extensive consultations were held between the government and the private sector. In 2011, a new Committee on Hire Purchase was set up by the Ministry of Industry, Commerce and Consumer Protection to review the Act with the objective of making the legislation more business-oriented and consumer friendly. It was agreed that the Committee would be co-chaired by the Ministry of Industry, Commerce and Consumer Protection and the MCCI.

The MCCI has had several meetings with the operators in the hire purchase sector to discuss areas of the Hire Purchase legislation that were under review and the comments from the private sector were subsequently sent to the Ministry.

Review of Import and Export Permits

Over the past years, significant work has been done through various committees set up to rationalise the list of goods subject to permits and the MCCI had been actively involved in these committees. Several of the recommendations made have been implemented with the amendments made in the Finance Act 2011, where a number of products requiring import permits from the Ministry of Industry, Commerce and Consumer Protection, were removed, including products such as fresh/liquid milk, infant milk powder, canned corned beef/mutton, pilchards and pharmaceutical products.



Advocacy (continued)

In 2011, a new Committee was set up under the aegis of the Board of Investment and Ministry of Industry, Commerce and Consumer Protection to propose simplified procedures for the application and issue of import and export permits. The Committee comprises representatives of the relevant Ministries, the MCCI and other relevant agencies. The Committee will build on the work previously done and aim to further facilitating trade.

Price Control

For several years now, the MCCI has been pressing for a review of the legislation on price control which is unnecessarily extensive. With the Competition Commission now fully operational, the list of products subject to price control needs to be reviewed and reduced to a strict minimum. Moreover, the Price Observatory now provides valuable information on the prices of consumer goods whilst, at the same time, encouraging competition. In 2011, the MCCI has pursued its efforts in this direction and has written to the Ministry of Industry, Commerce and Consumer Protection requesting that a Sub-Committee be set up to review the list of products subject to price control.

Introduction of Excise Stamps on Alcoholic Products

One of the new measures introduced last year by the Customs Department of the Mauritius Revenue Authority was the affixing of excise stamp on certain categories of alcoholic beverages that would come into force as from January 2012. Several representations were

made to the MCCI from our Members on the practical difficulties that would be encountered with this new measure. The MCCI organized a meeting where Members were apprised of the new measure by a representative of the MRA-Customs. Subsequently, Members had the opportunity to express their concerns over the new measure highlighting the practical problems and cost implications of implementing the proposed measure.

Trade Portal

The MCCI has been the main private sector institution pioneering several trade facilitation initiatives. After having been a major player in the setting up of the 'Mauritius Network Services', which implemented the 'Tradenet' project, and the 'Mauritius Cargo Community Services', the MCCI is now on the steering committee, set up by the Ministry of Foreign Affairs, Regional Integration and International Trade, to establish a Trade Portal that would contain all the relevant trade-related information. The Trade Portal will include, inter alia, trade laws, trade agreements, administrative procedures, permits and applicable charges. The main objective will be to have an online database where the business community would be able to access all trade information.

Export Potential of the Poultry and Honey Sectors

A study was commissioned by the Ministry of Foreign Affairs to assess the economic interest and sustainability of the poultry and honey sectors to export to the European market. The study provided an

analysis of the actual status, the export prospects and the changes needed to the legislation and production facilities to be able to export to the European market. A Committee jointly chaired by the Ministry of Agro-Industry and the MCCI was subsequently set up to monitor the implementation of the recommendations of the report. A workshop was also organized to apprise all stakeholders on the findings of the report and also agree on the modalities to implement the action plan as proposed in the study.

Food Legislation

In 2011, a Committee on Food Legislation was set up, with the participation of some 30 Members operating in the Food industry, to reflect on the constraints posed by the current Food Act and Regulations, and to propose potential solutions.

As a result of the work of this Committee a 'White Paper of the Mauritius Food Industry on the Needs to Review the Food Regulations in Mauritius' was finalised in December 2011. The White Paper will be presented to the Minister of Health and Quality of Life.

In 2011, the MCCI also participated in a Research Group led by the Mauritius Research Council on the Impact of Food Quality on Human Health. Recommendations of the MCCI focused on the promotion of self-regulation and quality assurance along the value chain, and the early involvement of stakeholders in standard/regulation setting and amendments. The need for implementing a food traceability system in the food supply



Advocacy (continued)

chain in Mauritius, was also emphasised as was the need for improvement of a regulatory framework for food through the setting up of a National Food Regulatory Body, which would be multi-sectoral and federate all stakeholders of the food sector.

(b) The International Trading Environment

International Trade Negotiations

The MCCI has been actively involved in trade negotiations last year, with much attention being devoted to pursuing the bilateral trade and regional integration objectives. The main developments last year were the conclusion of the Mauritius-Turkey Free Trade Agreement and the new direction given to regional trade integration with the launch of the Tripartite negotiations. There was, however, no major development at the level of the WTO with the Doha Round of Negotiations being at a standstill. The main objective of the MCCI was to promote and safeguard the interests of its members in trade negotiations.

- Mauritius - Turkey FTA

Bilateral negotiations for the setting up of a free trade area between Mauritius and Turkey were launched in June 2009 following a shared interest from both countries to strengthen their economic and trade relations. The Free Trade Area between Mauritius and Turkey was signed on 9 September 2011 by the Honourable Dr. Arvin Boolell, Minister for Foreign Affairs, Regional Integration and International Trade and by the Minister of Economy, Mr. Zafer Çağlayan, for the Turkish Government. The MCCI was represented at the signing ceremony by the Secretary-General, Mr. Mahmood Cheeroo. It is to be noted that the MCCI has been participating in all the rounds of negotiations.

- Economic Partnership Agreement with EU

Following the signature of the Interim Economic Partnership Agreement (EPA) in August 2009, negotiations for the conclusion of a full EPA have progressed. A joint ESA-EU EPA meeting was held in Mauritius in November 2011 and significant improvements were noted on issues such as competition policy, development cooperation, agriculture and other trade related issues. The main outstanding areas to be agreed upon were the text on trade in services, export taxes, and the text on rules of origin. It is expected that the negotiations should be completed by the year 2013.

Regional Integration

Over the past years, we have seen the results of the substantial efforts put by the MCCI in regional trade negotiations with the significant increase in exports to the region. The main illustration remains the phenomenal increase in the export of textile and clothing products to South Africa, which exceeded Rs. 3 billion in 2011.

Last year, the MCCI has pursued its efforts in the various trade negotiating fronts to advance the regional integration agenda.

- COMESA-EAC-SADC

The major development in the region was the official launching of negotiations for the Tripartite Free Trade Area in South Africa in June 2011 for the establishment of an enlarged COMESA-EAC-SADC FTA. The first meeting of the Tripartite Trade Negotiating Forum (TTNF) was held in December 2011 in Kenya to adopt the key documents that would guide the negotiations, including the terms of reference, the rules of procedures and the work plan.

- SADC

The MCCI has also pursued its efforts at the level of the individual regional economic communities. In SADC, discussions for adopting more flexible rules of origin for the textile and clothing industry and the elimination of non-tariff barriers were the main issues under discussions.

- COMESA

At the level of COMESA, the 13th Meeting of the COMESA Council of Ministers held in Malawi in October 2011, adopted the recommendations of the Working Group on Rules of Origin and the Change in Tariff Heading rule was agreed for several products of export interest to Mauritius, including preserved tuna as well as textile and clothing products. Members will recall that, since 2006, the MCCI had been extensively involved in the discussions of the Working Group on Rules of Origin for the adoption of more flexible rules of origin in COMESA.



Trade Relations with the USA

The Fifth TIFA Council meeting aiming at establishing a high-level forum for advancing a cooperative partnership on trade and investment issues between the U.S. and Mauritius was held in Mauritius on 16-17 January 2012. The U.S. Delegation was led by the Deputy U.S. Trade Representative, Ambassador Demetrios Marantis, and included Ms. Florizelle Liser, Assistant U.S. Trade Representative for Africa. A broad range of issues of high

Advocacy (continued)

- MCCI Breakfast Meet on 'The Regional Market: Opportunities and Challenges'

The opportunities and challenges of regional integration was the theme of a Breakfast Meet organised by the MCCI on 13 September 2011. The Guest Speaker on this occasion was the Minister of Foreign Affairs, Regional Integration and International Trade, Dr. the Hon. Arvin Boolell. The main objective was to identify the constraints or challenges faced by operators in the region as well as measures required to increase trade and strengthen business relations in the region.

importance to the bilateral U.S.-Mauritian trade and investment relationship were discussed, including AGOA-related issues, the ongoing U.S.-Mauritius Bilateral Investment Treaty discussions, Intellectual Property Rights, ICT Principles, and Trade Capacity Building.

During his visit, Ambassador D. Marantis also made an address to the business community at the Le Labourdonnais Waterfront Hotel, covering the bilateral US-Mauritius trade and investment relationship, the U.S. trade policy towards sub-Saharan Africa and the African regional integration. A factory visit was also organised by the MCCI for the U.S. Delegation to 'Plastinax Austral', currently exporting sunglasses and eyewear to the U.S. under AGOA preferences

Workshops and Seminars on Trade Issues

The MCCI participated at various training sessions and workshops organized both in Mauritius and abroad. The objectives of the workshops were to apprise participants of technical issues related to trade as well as to the trade environment.

The main training sessions centred on the following topics:-

- Market Analysis and Research, Mauritius, January 2012
- Trade Policy Development Papers, Zambia, May 2011
- NTB Reporting, Monitoring and Eliminating Mechanism, Nairobi, April 2011
- Aid for Trade, Mauritius, April 2011
- Procedures for exports of fruits and vegetables to the US Market, Mauritius, September 2011



- International Maritime Convention, Mauritius, November 2011
- Investigation on Trade Remedies, Mauritius, January 2012

Industrial Development

Over the last decade, the Mauritian industrial sector has been sailing on rough waters as both the domestic and export markets were significantly liberalized in the absence of measures to ensure a level playing field. The difficulties of the industrial sector have been compounded by the global economic crisis and an implicit policy at local level that considered the sector as a 'sunset industry'. The MCCI engaged itself in an uphill battle to defend and promote the interests of the industrial sector, which it considers as one of the most important components of the Mauritian economy.

The resilience of the industrial sector in recent years has helped the MCCI to back its advocacy in favour of the sector.

(a) Cooperation with the Association of Mauritian Manufacturers

Since 1996, the MCCI has been hosting the Secretariat of the AMM and continues to provide administrative and technical support to this organisation. It is in line with our policy to develop and maintain strategic partnership with professional organisations and to contribute to the development, growth and promotion of the manufacturing sector.

Most of the initiatives of MCCI described in the following paragraphs of this section have been made jointly with the AMM.



Advocacy (continued)

(b) Advocacy on Industrial Strategies

Promoting the interests of the industrial sector has continued to be a daunting task during the past year as certain policy stances of the Government continued to undermine the interests of the sector.

Memorandum on the 2012 Budget

Among the various measures to support the industrial sector, the MCCI has put emphasis on the necessity to maintain a minimum residual duty for some strategic products to promote and support the development of the manufacturing sector. Furthermore, our institution proposed the maintenance and upgrading of the Leasing for Equipment Modernisation Schemes (LEMS). Consequently, the Government decided to extend the LEMS to all sectors of industry, under certain conditions. The MCCI's view on skills improvement and provision of training has also been taken into consideration with several measures in the budget aimed at increasing the mobility of labour.

Industrial Advisory and Monitoring Committee

One of the proposals of the MCCI to establish a forum to discuss industrial policies and devise supporting measures became a reality during the year. The Hon. Cader Sayed Hossen, Minister of Industry, Commerce and Consumer Protection, set up the Industrial Advisory and Monitoring Committee, under his chair, to identify difficulties encountered by the manufacturing sector in the short, medium and long term, and assists in the formulation of policies to address these issues. The MCCI was entrusted by the Minister to constitute the private sector representation, which was a mix of private sector institutions and operators, on this Committee.

The Committee has met several times during the year.

Study on the Local Industrial Sector

The MCCI, along with AMM, has chosen DCDM, through a selection process, to undertake a study, financed under the MASMED Fund, to provide an insightful view of the situation in the industrial sector and propose policies and strategies to support the development of important sector.

This study, in which both MCCI and AMM have been heavily involved, has just been completed in March 2012.

(c) Promotion of Industrial Products

National Brand for Mauritian products

The MCCI is providing support to AMM on the creation of a national brand for Mauritian products to facilitate the identification of Mauritian products by consumers and to encourage people to buy them. The project, which will be administered by AMM, is well under way.

Promoting the Interests of Industry Outside Mauritius

One of the most important objectives of the MCCI is to enhance market access to existing export destinations and to open new markets for our products. In addition to the negotiations discussed earlier, the MCCI has been active in tackling the Non-Tariff Barriers which are faced by our exporters.

(d) The Jewellery Sub-Sector

The jewellery sector is a fragmented one which inhibits the development of a coherent strategy which can build on the strength of its various segments.

The MCCI was requested two years ago by operators in the jewellery sector to offer its assistance to bring the local jewellery



sector together and to help chart out a development strategy. In spite of the efforts deployed by the MCCI, bringing together the sector has proved a daunting task. However, as part of the Jewellery Advisory Council, the MCCI has canvassed representatives of the Ministry of Industry, Commerce and Consumer Protection and other stakeholders in the jewellery sector to work together to assist in strengthening the production and increase the value added component of this sector.

Consensus is being reached on an Action Plan of the Jewellery Framework and towards the revision of certain regulations on jewellery, especially those relevant with second hand jewellery. A Jewellery Steering Committee has also been set up, of which the MCCI is a Member, to improve the business conditions of the jewellery sector.



Advocacy (continued)

Service Development

The advocacy work of the MCCI is being progressively extended to the services sector through its collaboration with associations active in the promotion of specific sub-sectors.

ICT and Telecommunications

The development of the ICT Sector over the past year has been remarkable. ICT has now become the third pillar of our economy thus contributing to 6.5 % of our GDP and a 9.9% growth rate. The sector employs 16,000 people.

The MCCI further contributed to the development and growth of the ICT Sector by hosting the Secretariat of the Outsourcing and Telecommunications Association of Mauritius (OTAM), the leading association in Mauritius regrouping the major operators in the ICT / BPO Sector for the sixth consecutive year. The MCCI team also assists OTAM to formulate policies for the development of the ICT Industry. OTAM, in collaboration with the MCCI, submitted a number of proposals during the preparation of the 2012 Budget, some of which were considered in the 2012 Budget.

The MCCI, selected as an Intermediary Organisation for the project 'Reinforcing the ICT Sector in the Indian Ocean', worked closely with OTAM and GOTICOM, the Malagasy sister association, and participated in workshops, training, B2B and networking events. Under the leadership of MCCI, OTAM has had further opportunities to participate in various missions to develop networking and business opportunities in Madagascar, Réunion, Kenya, and some European countries.

Further to these missions, OTAM has signed a Memorandum of Understanding (MoU) with GOTICOM in February 2011 and a framework agreement with MCCI, 'Conseil Régional de La Réunion', LADOM and ARTIC in September 2011 at the "1er Carrefour de l'Innovation et des Technologies (C.I.T)", held in Réunion.

The MCCI continued to be represented on the Information and Communication Technology Advisory Council (ICTAC) during 2011.





Specialized Services

Over the past year the MCCI continued to invest in the improvement of the delivery of its specialised services.

Tax Tourist Refund (TTR)

(a) New Identity

A new logo was designed to be in line with MCCI new branding strategy. The bilingual guide (English/French) giving all the details for tourists to enjoy duty-free or VAT-free shopping in Mauritius has been also redesigned and updated. It can be downloaded from the dedicated website www.touristrefund.org. The latter was also redesigned with the provision of a French version of the website and a 'Frequently asked Questions' section. Stickers with the new logo are being distributed to both existing and new operators.

(b) Software Development

The TTR software has been upgraded and migrated to a brand new server at the airport. The component that is to be linked to the Mauritius Revenue Authority (MRA) Customs counter at the airport has been completed and is awaiting internet broadband access from MRA to be operational.

(c) Redesign of the TTR system

A number of meetings were held with all our stakeholders (Ministry of Finance and Economic Development, MRA and operators) to simplify the refund system and thereby increase tourist spending in line with Government's endeavour to attract tourists and promote Mauritius as a Tourist Shopping Paradise. Our proposals have generated very positive feedback as well as general support. A massive marketing campaign will be carried out next year to promote the simplified system once finalised.

GS1 System

GS1 Mauritius, represented in Mauritius by the MCCI, welcomed in 2011 some 125 additional subscribers, the majority being SMEs and individual business entrepreneurs.

The MCCI concentrated its efforts to provide further value-added services. In this context, a committee – comprised of end users, associations, solution providers across sectors – was set up to better capture the requirements of the various stakeholders and to move further ahead. MCCI staff also participated in a fruitful meeting held at GS1 Global, Belgium in March 2011 to discuss challenges and opportunities of GS1 Mauritius.

In line with its value-based strategy, GS1 Mauritius and the MCCI hosted a series of activities in the week of October 10, 2011 to disseminate knowledge on the GS1 System. Mrs Fiona Van der Linde, an expert from GS1 South Africa, conducted a workshop on GS1 Standards and Product Traceability to educate subscribers and solution providers. Site visits were conducted in Member and non-member companies to advise on how to make better use and implement the application of GS1 across the supply chain to achieve operational excellence. Furthermore, GS1 Mauritius team followed an intensive train-the-trainer course and had consultative sessions where various challenges were addressed.

ATA Carnets

The ATA carnet, which the MCCI issues since 1984, facilitates the duty-free temporary imports of certain categories of goods in a number of countries. The ATA carnet covers namely professional equipment, commercial samples, and goods for presentation or use at exhibitions, trade fairs, shows and the like.

During the year, the MCCI intensified its efforts in view of promoting the use of ATA carnets by business travellers and professionals. Presentations on the use and benefits of the ATA carnet were given to various sectoral associations, namely MEXA and APT. The administrative fees for processing ATA carnets were also revised.

As a result, in 2011, an increase of 64% in the number of ATA carnets issued was noted for the year 2011, while revenue from the processing of ATA carnets increased by 167%.

Mauritius Cargo Community Services Ltd

The project, in which MCCI is a major stakeholder, has progressed in 2011. The import module was successfully launched in March 2011 and the community is enjoying the full benefit of the system. The challenge now is the launching of the air module in 2012 which will be followed by the export module in 2013.

Specialized services (continued)

Arbitration

In 2011, the MCCI Permanent Court of Arbitration intensified its collaboration with other international arbitration actors, namely the Centre Burundais d'Arbitrage et de Conciliation (CEBAC), the Centre de Mediation et d'Arbitrage de Paris (CMAP) and the Bruxelles Enterprise Commerce and Industry (BECI).

In October, the MCCI welcomed Mr. Isidore Rufyikiri, President of CEBAC for a best practice exchange programme, further to which a Memorandum of Understanding was signed between the two institutions in view of consolidating future collaborations.

Discussions have also been initiated with BECI and CMAP on the setting up of a training programme in arbitration and mediation, targeting law professionals and law graduates.

Various presentations on the MCCI Arbitration Court were also given by the Legal and Business Facilitation Division throughout the year. Moreover, a major project for revamping the MCCI Permanent Arbitration Court in 2012-2013 was initiated.

The MCCI Permanent Court of Arbitration also handled new applications for arbitration cases, involving important domestic companies.

Intellectual Property Rights (IPR)

MCCI Staff participated in 2011 in a WIPO Train-Trainers workshop on IPR, further to which a project has been initiated for the introduction of a short course on Intellectual Property Rights in 2012, targeting SMEs and entrepreneurs.

Moreover, in the context of the 5th TIFA Council Meeting held in January 2012, the MCCI advocated the promotion of the IPR Legal Process Outsourcing field as a niche market which can be promisingly developed in collaboration with US law firms.

The MCCI also initiated discussions with the Board of Investment in view of ensuring the promotion and development of this sector.

Competition

In August 2011, the MCCI organised a workshop on the theme 'Compliance with Mauritian legislation on Competition', in collaboration with the Competition Commission of Mauritius. The main speaker was Mr. Paul Luggard, an eminent Competition Law expert.

Around 30 participants took part in this workshop, during which was also launched a business handbook entitled 'The Mauritian Legislation on Competition

– A practical Guide for the Business Community'.

The handbook, written by 'BLC Chambers' and 'Webber Wentzel', and funded by the SOPSED project, has been specially conceived and drafted for our business operators with a focus on concrete examples that can be easily grasped and understood as well as on infringements and penalties aspects of the Law.

Under this project, the MCCI collaborated with 11 business associations from 10 European and African countries, namely Belgium, Burundi, Ethiopia, France, Germany, Italy, Kenya, Netherlands, Uganda and UK.



■ Communications

Image of the MCCI

Members will recall that the MCCI took the initiative in 2009 to take a critical look at its image, so as to consolidate its position as the multi-sectoral private sector organization in Mauritius. A survey on the image of the MCCI had been commissioned to assess the notoriety of the MCCI within its Members, Members of the business community, other stakeholders and the public at large. Following the findings of the survey, it was decided that the MCCI should develop a new branding strategy to consolidate its image.

A sub-committee, chaired by Mr. M. Venkatasamy, was set up to coordinate the brand building exercise of the MCCI.

(a) The MCCI's New Identity

In its endeavour to project an updated and energetic image of the MCCI to Members of the business community and the public at large, the brand building exercise comprised the development of new tools, materials and messages to enhance the value of the institution and finally, the launching of a new logo.

(b) Branding Campaign

An advertising campaign hinting the MCCI's new identity has been conducted both in the press and on the national television two weeks prior to the official unveiling of the new logo.

(c) Launching of the New Logo

The new logo has been unveiled on 30 November 2011. The official launching took place at the Link Ebène Cybercity Hotel.

The new logo, created by 'Facto We' shows a circle and two fluids which characterize the values of the institution, which include proximity, dynamism, trust and innovation.

The colours are very symbolic as well:-

The blue represents communications and justice, the red shows dynamism, the grey reflects the augustness of the MCCI, while the orange represents optimism.

A new tagline has been developed to accompany the new image "L'expérience de l'avenir", represents the forever forward looking institution.

(d) Publications and Web-Based Services

The publications of the MCCI as well as the website have been reviewed to reflect the new identity.

The MCCI's quarterly magazine and the electronic bulletin have been renamed MCCI Mag and MCCI News respectively.

The MCCI's Annual Dinner

The MCCI's Annual Dinner function was held on 9 March 2012 at the Intercontinental Mauritius Resort, Balaclava.

The Guest Speaker on this occasion was Mr. Jean Paul Adam, Minister for Foreign Affairs of the Republic of Seychelles and President of the Indian Ocean Commission Council of Ministers. He addressed the audience on the following theme: 'Réformes économiques et développement régional : Perspective des Seychelles'

The Annual Dinner function was attended by Ministers, high government officials and Members of the Diplomatic Corps.



Communications (continued)





Communications (continued)

100% Challenge

In its endeavour to sensitize the public at large on the contribution of the Mauritian companies in the economic development of Mauritius, the MCCI took the initiative in 2009 to produce a documentary series entitled 100% Challenge to showcase the know-how of local companies and to highlight the contribution of the employees in the company. For three consecutive years, five episodes of 26 minutes each were produced and broadcast twice per month on the national television and on satellite channels.

In 2011, the editorial team felt that the format of 100% Challenge should be reviewed so as to attract more 'tv viewers'. After a brainstorming session among Members of the editorial team and consultations with the MBC TV, it was decided to change the format to a 15 minutes documentary film on a weekly basis.

The first episode of the 2012 Season was broadcast on 6 March 2012 on TV Channel 1. It is worth mentioning that this year, new companies and the Board of Investment have joined the sponsorship scheme, which makes a total of 10 sponsors. The target is to produce around 25 episodes of 100% Challenge for a period of 6 months.



COM4DEV

The MCCI has been appointed as the Com4Dev Info Point Representative for Mauritius. The objective of Com4Dev (Community for development) an on-line knowledge platform developed by the EU through the EU-ACP ProInvest Programme is to enhance private sector development activities.

The key beneficiaries, namely the intermediary and regional organizations, are expected to promote business opportunities and investment activities through this platform.

A Com4Dev Convention was held on 19 and 20 September 2011 in Brussels to showcase Com4Dev early adoption cases, to share and approve the Com4Dev standards and etiquette and to propose a strategic path for the future of Com4Dev. Around 100 participants from the EU and ACP intermediary organizations attended the event.

A Memorandum of Understanding was signed between ProInvest and the MCCI on this occasion.



Training

Vocational Education and Training as well as formal education and the continuous adaptation of skills during the whole life play a key role in the strategy of making of Mauritius a knowledge-based economy. In this context, the MCCI through its "Centre d'Etudes Supérieures" has played a pioneering role by being the first private provider of high quality training at tertiary level, which meets the requirements of enterprises. The endeavour and the motivation of both the lecturers and the students have contributed to this high-quality training.

However, the increasing number of private providers of higher education has drastically changed the environment. It was important to have a strategic look at the future of the CES.

Strategic Review of the CES

The Board of Governors took the decision to commission a study to find out the positioning of the CES in the market. The study, which was conducted by DCDM, was extensively discussed at the level of the Board of Governors, which came to the following conclusions :

- The CES has a good track record and its strength lies in its accreditation of high quality French national academic qualifications.
- However, to continue successfully in its activities, the CES will have to move to a higher level of operations with a wider offer of courses and new academic partners.

Work has been initiated to make the CES graduate to this new level of operations and efficiency.

Cooperation with Foreign Partners

(a) Sciences Po – Aix en Provence

In the context of the new strategy to enhance collaboration with new academic partners, the CES has signed an MoU with the "Sciences Po d'Aix en Provence". The courses are expected to begin in September 2012.

(b) American Society for Quality (ASQ)

Since 2011 the CES has become an examination center for ASQ exams in Mauritius and the region and our Operations Manager is the ASQ Country Counselor for Mauritius.

Performance Review

(a) Courses Offered

Last year, some 250 students have been trained in fields related to Information Technology, Management, and Business Administration, Marketing and International business.

The CES made a continuous effort to diversify the range of courses offered and to organize short courses according to the needs of the business community. The 'BTS Services Informatiques aux organisations' has been introduced to replace the 'BTS Informatique de gestion'.



A 3 half-day seminar on Public Procurement was held in November 2011 in collaboration with the Public Procurement Office of the Ministry of Finance and Economic Development 20 participants attended the seminar.

(b) Success Rates

The success rates in the different curricula were as follows in 2011: BTS (83%), Licence de Gestion (90%), Master en Management International (91%) and Master en Administration des Entreprises (100%).

(c) Graduation Ceremony

Out of the 250 students, 97 students have completed their studies in 2011 and they were awarded their certificates during a graduation ceremony held in December 2011 in the conference hall of the Ebène City Tower 1. The ceremony was held in the presence of the Minister of Tertiary Education, Technology and Scientific Research, the Hon. Dr. R. Jeetah, the representative of the French Embassy and the Deputy Director of the IAE of the University of Poitiers.



Corporate Social Responsibility

In addition to coordinating the private sector's involvement in ZEP schools since 2006, the MCCI, through the MCCI Foundation, is diversifying its CSR activities in other fields.

Zones d'Education Prioritaires Social Housing

The private sector is a major player in the ZEP Project, whose objective is to combat social inequalities by providing equal opportunities to all primary school children in Mauritius.

The collaboration between the private sector partners and the ZEP schools has been strengthened with the development of new activities namely wood work and art works and remedial classes, with emphasis on reading during school hours. Other activities like financial support for educational outings, reward schemes and pedagogical support have been on-going.

The MCCI Foundation has been set up in 2011 with the objective of implementing CSR programmes that foster socio-economic development in Mauritius. The MCCI Foundation met several times, last year, under the chairmanship of Mr. Tim Taylor, Former President of the MCCI, to identify priority areas for social projects.

The Committee agreed that the first project of the Foundation should be a social housing scheme, given that the construction of emergency social houses to solve the problem of housing in the pockets of poverty is one of the priorities of the government. Discussions have been held between representatives of the MCCI Foundation and the Ministry of Housing and Lands in that respect and the Ministry has allocated a 6 arpents site at Gros Cailloux for a Social Housing Scheme to the MCCI Foundation. The MCCI Foundation Committee last met in February 2012 to discuss an action plan for this project.



Sustainable development, Research and development

The MCCI has been looking at long-term issues as an integral part of its mandate to promote an environment that support business development and ensures sustainable development.

Over the past year it was involved with the 'Maurice Ile Durable' and other Research and Development projects.

Maurice Ile Durable (MID)

(a) Participation in the Consultative Working Groups

The concept of Maurice Ile Durable (MID) is a long term vision for the sustainable development of Mauritius taking into consideration the environmental requirements, the social and human development dimensions and economic efficiency. MCCI Members and Managers participated in all the Consultative Working Groups (Energy, Employment, Economy, Education and Equity) and formulated with other stakeholders concrete recommendations for the MID Policy, Strategy and Action Plan. Mr Anwar Kaidoo, Operations Manager, is coordinating the MCCI participation in this initiative.

(b) Interactive Session at the MCCI

An interactive session on 'Maurice Ile Durable' : 'Opportunités de développement ou contraintes?' was held with Members at the MCCI in July 2011.

The speakers, Mr. Ghislain Gomart, a French expert on MID, and Mr. Osman Mahomed, Executive Chairman of the Steering Committee on MID, made presentations of the MID Strategy and gave an overview of the challenges facing Mauritius in terms of sustainable development. Discussions on ways and means to have a long term vision for sustainable development for Mauritius followed the presentation.

Training, CM Network Database Training and involving CM International Innovation Experts/Mentors, were conducted. These trainings were aimed at providing the Connectors from the various CM Network partnering institutions, with the necessary skills, tools and knowhow to identify innovative opportunities internal to their organisation, and more importantly to bring these to commercial realization. In June 2011, the MCCI, amongst other eight CM Network institutions, signed the CM Network Memorandum of Understanding (MoU) document as Members of the CM Innovation Partnership Programme. MCCI's support and contribution towards the CM Network are highly appreciated.

(b) Mauritius National Research Foresight Exercise

MCCI collaborated with the Mauritius Research Council for the National Research Foresight Exercise to identify priority areas for research in Mauritius given existing capabilities and future challenges. The exercise was carried out with the collaboration of the Manchester Institute of Innovation Research (MIoIR), based at the University of Manchester and which has a wide-ranging expertise in 'Foresight and Prospective studies'.

Innovation Research and Development

(a) Collaborative Mauritius

The Collaborative Mauritius (CM) Network is a platform for Open Innovation between Academia, Research institutions and Businesses. To this endeavour, MCCI has nominated three 'connectors' namely Mr Anwar Kaidoo, Mrs Nizla MohamadHosen and Mrs Anjana Chikhuri, to participate in the various training sessions and activities of CM. Throughout 2011, a series of targeted CM Network Connector training sessions/interactions, including WIPO



Mr Ghislain Gomart at the interactive session "Maurice Ile Durable : Opportunités de développement"



Regional and international business networking (continued)



(c) Belgium

A business delegation, led by Professeur R. Wtterwulghe, Honorary Consul of Mauritius in Belgium, met with representatives of the MCCI in October 2011.

(d) Rwanda

A high-level business delegation led by Mr. K. Faustin Mbundu, Chairman of the Private Sector Federation of Rwanda, visited Mauritius in December 2011. The objective of the visit was to promote trade between Rwanda and Mauritius.

During a Business Meet, which the MCCI organised at the Labourdonnais Waterfront Hotel, a Memorandum of Understanding was signed between the MCCI and the Rwanda Private Sector Federation.

(e) Burundi

A delegation from the 'Cadre de dialogue et de concertation pour le public/privé' visited the MCCI in July 2011 to be apprised of the public/private sector relations in Mauritius.



Outgoing Missions

(a) 7ème Forum Economique des îles de l'Océan indien

The President of MCCI led the Mauritian business delegation to the 7th edition of the Forum Economique des Iles de l'Océan Indien, which was held from 24 to 26 October 2011 in Fort Dauphin, Madagascar.

Mr. Marday Venkatasamy, Former President of MCCI and Chairman of the UCCI/OI presided over the proceedings.

The FEIOI was organized by the Chamber of Commerce of Fort Dauphin in collaboration with the Indian Ocean Commission under the aegis of the 'Union des Chambres de Commerce et d'Industrie de l'Océan indien.

Around 300 participants from Seychelles, Mayotte, Reunion Island, Comoros, Madagascar and Mauritius attended the event.

Following discussions on topics related to regional integration, an action plan has been proposed with focus on areas of cooperation namely: "Les Iles Vanille", waste management, food security, air and maritime transport, ICT and innovation.

The next edition of the FEIOI will take place in Réunion Island



Regional and international business networking (continued)



(b) Pakistan

The MCCI led a 20 Member delegation to Pakistan in the context of the 6th Edition of Expo Pakistan held in Karachi from 19 to 23 October 2011.

The mission, which was organized in collaboration with Enterprise Mauritius, was led by Mr. Shehzad Ahmed, President of the Mauritius-Pakistan Joint Business Council. The event, first held in 2005, has, over the years, become the largest showcase of Pakistan's export merchandise and services.

At the request of the Joint Business Council, Mauritius was offered the opportunity to exhibit its products in the fair. The Mauritius stand, which displayed products targeted for the Pakistan market, was also privileged to receive the visit of the Minister of Commerce of Pakistan, the Hon. Makhdoom Muhammad Amin Famin.

A Mauritius-Pakistan Joint Business Council was also held in the margins of the Expo.

Both the President of the FPCCI, Senator Haji Ghulam Ali, and the President of the Mauritius-Pakistan JBC, agreed on a programme to intensify business exchanges between Mauritius and Pakistan.

(c) Participation of the MCCI in the Public/Private Sector Mission to India

The MCCI was invited to form part of the official delegation led by the Prime Minister, the Hon. Navinchandra Ramgoolam, to India in the context of the State visit which took place in February 2012. The MCCI was represented by its President, Mr. Cédric de Spéville, and the President of the Mauritius-India Joint Business Council, Mr. Anil Currimjee.

Business Meets were organized in Mumbai and in New Delhi, respectively, by the Board of Investment, the Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industry.

In his speech delivered at the official opening of the Business meet in Mumbai, where the Guest of Honour was the Prime Minister of Mauritius, the President of the MCCI made an overview of the business opportunities which exist between India and Mauritius. The function was attended by dignitaries, CEOs of Indian companies and Members of the Mauritian delegation.

The mission to India was also an opportunity to reactivate the Joint Business Councils with FICCI and CII, respectively. Meetings were held with both organizations. Issues like air access policy, sea food hub, ICT and the revival of the Indian Ocean Rim Business Forum were raised.





Regional and international business networking (continued)

Visits of Dignitaries

The MCCI received the visit of many dignitaries during the year. The most high ranking visitors were as follows :

(d) Participation at the Annual Investment Meeting (AIM) 2011 in Dubai

The President of the MCCI participated at the AIM 2011 held in Dubai from the 10 to 12 May 2011. The objective of the mission, which was coordinated by the Board of Investment, was to showcase the investment opportunities in Mauritius.

(e) 7th COMESA Business Forum

The 7th COMESA Business Forum opened officially on 11 October 2011 in Lilongwe, Malawi under the umbrella theme 'Harnessing Science and Technology for Development'. The MCCI was represented by Ms. F. Ibrahimsah, Manager, Communications and Promotion Division.

The forum brought together COMESA's trading partners from various countries including India, UAE, China and Europe under a singular platform with the agenda of discussing the dynamics of expanding business in Africa.

The COMESA Business Forum was held back to back with the 15th Annual COMESA Heads of State and Government Summit.

(a) Seychelles

As mentioned earlier, the Minister of Foreign Affairs of Seychelles, the Hon. Jean Paul Adam, visited the MCCI office on the occasion of the Annual dinner Function.

(b) Thailand

H. E. Mr. Tharit Charungyat, Ambassador of Thailand visited the MCCI in September 2011.

(c) Sri Lanka

H. E. Mr. Shehan Ratnavale, Ambassador of Sri Lanka to Mauritius, paid a courtesy call on representatives of the MCCI also in September 2011.

(d) India

H.E. Mr. T.P. Seetharam, High Commissioner of India, paid a courtesy call on the President and on the Secretary-General of the MCCI in November 2011 to discuss bilateral issues.

(e) Trinidad & Tobago

H.E. Mr. Harry Partab, High Commissioner of Trinidad and Tobago to Mauritius, met with representatives of the MCCI in July 2011.

(f) Netherlands

H. E. Dr. Ad Koekkoek the High Commissioner of Netherlands, called upon the Secretary-General in March 2012. Discussions centred on the organization of a 'Mauritius Week' in Netherlands and the visit of a Business Delegation to Mauritius.

(g) Singapore

H. E. Mr. Rangareddy Jayachandran, High Commissioner of Singapore called on the MCCI in March 2012 to discuss bilateral cooperation issues.

(h) Malaysia

Mr. Mohamad Nizan Mohamed, the Chargé d'Affaires of the Embassy of Malaysia paid a visit to the MCCI in November 2011.

Regional and international business networking (continued)





■ Prospects

Thanks to its strong revenue base, the MCCI was able, over the last decade, to develop its existing services and introduce new ones to better serve the business community and participate in the economic development of the country. The review of the activities of MCCI over the last year illustrates once more the breadth and depth of its interventions.

However, several factors are militating in favour of a review of past initiatives and a more pragmatic approach to the delivery of its services.

First, the comfortable financial position of the past will no longer be there, at least in the medium term: it will take some time to recover from the phasing out of the revenue from the endorsement fee and the impact of the crisis on other sources of revenue.

Second, with the economic crisis, which will probably stay with us for some time, competition in the services we deliver will exacerbate and this does not apply only to our training services at the CES.

Third, as revealed by the study we commissioned on the image of the MCCI, Members and non-Members are not aware of the full range of services we offer, as well as the intensive advocacy work of the MCCI. We need to enhance our communications programme to get the full support of our Members and attract new Members. As we move forward, we have to address these issues simultaneously as they are interlinked.

First, the financial challenge. We shall have to look at our specialized services, including the CES, as self-sustaining activities to assess their returns and devise strategies to ensure their long term development,

bringing positive returns to the MCCI. Work has been initiated for the CES with the planned recruitment of a Project Manager and consultancy support from the French Embassy in Mauritius. This will be our first target. But other activities will have to be reviewed in the same way to enhance their returns to the MCCI.

Second, the Membership of the MCCI. Although the activities of MCCI have expanded significantly over the last decade, the Membership has not. Today Membership fees represent only 13% of the total gross revenue of the MCCI. This is indeed low for a Membership organization. One of the reasons for this situation is that the advocacy and initiatives of the MCCI benefit the whole business community whereas prospective Members are generally looking for specific and direct benefits of being a member. To raise the percentage, we will probably have to increase both the Membership significantly and review fees. And this can only be achieved if we bridge the communications gap on the services of the MCCI. We should build on the rebranding campaign launched last year to recruit new Members and get closer to our Members. An action plan on Membership has been prepared and should be implemented during next year and succeeding years.

Third, coordination with other private sector organizations. It is clear that the resources of the MCCI would be better used if there was greater coordination among private sector organizations, some with mandates very close to that of the MCCI. Although this is a task beyond MCCI, it would be in the interest of our organization and private operators to avoid duplication and wasteful competition.

The MCCI must succeed in addressing these challenges or it will be compelled to reduce its services, which will not be in the interests of the business community and the country at large.

I am confident that the MCCI will rise to the challenges, as it has done in the past, to remain the strong multi-sectoral private sector institution highly regarded by stakeholders both in and outside Mauritius.

On a personal note, I would like to place on record my thanks to the Vice President, Mr. Kiran Juwaheer, who chaired the Audit Committee, and the Members of the Council for all their support during the past year. Special thanks to Mr. Marday Venkatasamy who did an excellent job as Chairman of UCCIOI and also Chairman of the Board of governors of the CES. I would like to thank Former Presidents, Members of the Council and Members of MCCI, who served on various bodies and committees on behalf of our organization.

Finally, a special word of thanks to the Secretary-General and the whole team working under his competent leadership

Cédric de Spéville
President