Regional Integration in Southern Africa - Vol. 8

Deepening Integration in SADC

Mauritius - Achievements and Coming Challenges

Sanjeev K. Sobhee
Veepin Bhowon

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A study conducted for the
Friedrich Ebert Foundation

FRIEDRICH EBERT STIFTUNG

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Preface

Regional integration can be a key force for sustainable development. It can promote economic growth, reduce poverty, foster social development or protect the environment. But it can also have negative economic and social impacts, notably when the domestic regulatory framework is inadequate or not implemented effectively.

The Southern African Development Community (SADC) is committed to deepening the integration processes amongst its members and has adopted the Regional Indicative Strategic Development Plan (RISDP) in order to provide strategic direction in the design and formulation of SADC programmes, projects and activities in order to achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged, through regional integration.

Amongst the various measures Governments can implement to further such integration, ensuring sound macroeconomic management is vital. Given the commitment to deepening SADC integration through macroeconomic policies, it is important that policy makers in SADC and its Member States assess the impacts that such measures will have on the social well-being of its people, both in the short term and the long term.

In view of the above, the Friedrich Ebert Foundation through its office in Botswana and in close consultation with the Planning Unit of the SADC Secretariat initiated a regional research programme on “Deepening Integration in SADC – Macroeconomic Policies and their Impact”.

From the very beginning the programme was designed as a collective effort of the leading economic research institutions of the region. A total of 14 institutes from 11 SADC member countries followed the call to join the programme. In two workshops held in December 2004 in Gaborone, Botswana, and in April 2005 in Stellenbosch, South Africa, the team developed detailed terms of reference for the research programme. Phase 1 was to begin at the country level with a comprehensive study on the present status of the economies, their congruence with SADC convergence targets, the respective policy frameworks as well as a social impact analysis. This more theoretical desk study was complemented by an ´empirical survey of the perceptions of Businesses and Non-State Actors vis a vis SADC. A study on South Africa's international trade diplomacy and its implications for regional integration was to give a contextual perspective.

All members of the research team have spent a lot of time and energy and produced excellent reports. The ideas and recommendations contained therein have induced some lively as well as controversial discussion among the participating institutions as well as with other experts. The content of each study reflects of course solely the views of the authors. I commend all of them for their great commitment as well as their great team spirit in this endeavour. I also wish to acknowledge the substantial input we received from the SADC Secretariat, especially the Head of the Strategic Planning Unit, Dr. Angelo E. Mondlane, the then Technical Advisor on Finance, Dr. Moeketsi Senaoana as well as other SADC experts. Other external experts have also contributed to the final documents as part of the various reference group meetings in all the participating countries. I wish to extend my greatest thanks to all them.

In order to make the results of this research programme known to a broader public, especially among the relevant policy and decision makers of the SADC region, the Friedrich Ebert Foundation then decided to publish a series of volumes entitled "Regional Integration in Southern Africa".

The 8th volume, presented here, contains the findings of the Country Study and Survey from Mauritius by experts from the *University of Mauritius* and the *Centre for Documentation, Research and Training on the South West Indian Ocean, CEDREFI* in Mauritius. My special thanks go to the authors, to Sanjeev K. Sobhee and Veepin Bhowon for writing and revising the document, to Partrick Ebewo for editing, to Sara Wagner for proof reading as well as to Peter Maina Kamiti and MacDonald Gotora for the design and layout.

Gaborone, February 2007

Dr. Marc Meinardus
Resident Representative
Friedrich Ebert Foundation
Botswana Office

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List of Abbreviations

AGOA	Africa Growth and Opportunity Act
BOM	Bank of Mauritius
CEB	Central Electricity Board
CPI	Consumer Price Index
DRC	Democratic Republic of Congo
EPZ	Export Processing Zone
FATF	Financial Action Task Force on Money Laundering
FDI	Foreign Direct Investment
FSA	Financial Services Authority
FSC	Financial Services Commission
FSSA	Financial Sector Stability Assessment
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MOBAA	Mauritius Offshore Business Activities Authority
MOU	Memoranda/Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NEA	New Economic Agenda
RISDP	Regional Indicative Strategic Development Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SEC	Stock Exchange of Mauritius
SIDS	Small Island Development States
STC	State Trading Corporation
USD	United States Dollar
VAT	Value Added Tax

Executive Summary

This study is about deepening integration in the SADC. However, the latter requires macroeconomic convergence which in turn will encourage macroeconomic stability, technological spill-over effects, more FDIs, greater exchange rate alignment and better policy co-ordination.

To track whether macroeconomic convergence is actually happening in the SADC region, macroeconomic targets have been set over different time phases. The most immediate targets pertain to the year 2008, when member states are expected to achieve inflation rates that are below 9%, budget deficit of less than 3% of GDP, public debt of less than 60% of GDP, debt monetisation to be lower than 10%, current account deficit to be less than 3% of GDP and external reserves measured in months should be at least equivalent to three import months.

With the exception of fulfilling the requirement for deficit/GDP ratio, Mauritius has been successful in achieving all these targets on average during the past few years. In the context of Mauritius, convergence is taking place despite the fact that there have not been any exclusive regional integration policies to inform the process.

With respect to the social sector, Mauritius has been successful in achieving the MDGs and was ranked 64th in the term of its HDI in a sample of 120 countries (HDR, 2004). High rates of literacy and life expectancy and more gender equality in schools characterise the case of Mauritius. However, at the disaggregated level, there are several social problems that need to be addressed to ensure social stability and a better Mauritius for all.

There is a lack of political will to put in place an integrated mechanism that would ensure sustainable development carried out in a holistic manner. There are still institutional rigidities and public administration imperfections that hinder the development of a coherent regional social policy.

With regards to policy formulation and debate, it is evident that the civil society is weak and, as a result, pertinent social impact issues are simply ignored or poorly addressed. Moreover, there is very little, participation of the civil society in debates held at a regional level, for example, during official regional forums of the SADC.

With respect to the health situation, HIV/AIDS coupled with its strong linkage with drug addiction remains a major challenge. The lack of political commitment to address this issue is a major weakness in the fight against this plague.

Policies to promote economic growth have been one-sided, basically biased towards achieving growth at the expense of equity and the segmentation of the population. This is going to accentuate with trade liberalisation, whereby employees in the agricultural sector and those in textile will be further impacted.

Coming to human resource development, it can be said that despite the existence of a free education system, there have always been prohibitive costs of accessibility due to high private costs and indirect (opportunity) cost involved. There is limited scope to address the problem of high absenteeism in schools and as well as the problem of high dropt-outs in specific areas. Moreover, the school system is characterised by exams-oriented techniques which may fail to provide the necessary job skills particularly for students who join as fresh employees. The exigencies of the labour market may not necessarily be a priority within the school curriculum.

In the field of environment and sustainable development, one should admit that there has not been a holistic approach to coastal and marine development. The coastal community is often marginalised in hotel development projects and there is not much being done to use a more integrated approach to development. Issues linked to marine eco-systems and biodiversity conservation are still under-played when there are major projects being implemented. A crucial question in all this is the extent the Environmental Impact Assessment (EIA) encompasses these important elements in evaluation exercises.

Gender equality in employment has not been very promising in recent years. In 2004, the economic activity rate for human (as a proportion of male) was only 48%, while the seats in Parliament (as a % of the total) were just 5.7%. These figures are indicative of the need for concerted efforts to have a more balanced representation of women and to ensure that the latter's welfare and economic status are improved. In the industrial sector, they constitute 110% of male being employed and with trade liberalisation therefore they would be significantly impacted.

Concerning public administration, it can be argued that the delivery of services needs to be improved. In spite of the wave of reforms which the civil service has undergone, especially in computerising the administration and management, the delivery of service is still slow and characterised by red tapism mainly due to a highly bureaucratic system.

Threats to Convergence

The main threat is the phasing out of trade preferences which have benefited Mauritius for more than three decades. This will have an impact on the export-driven growth of the country in the short and medium terms. The numeric indicators set up by the SADC secretariat may not reflect satisfactory performance in the near future. Aggregates such as economic growth, exports earnings, tax revenue, price level, fiscal deficits, public debt and debt monetisation may all be affected as the GDP base itself will be shattered.

In fact, fiscal deficits may soar further due to a lower tax base and increasing public sector commitments. This may play against macroeconomic stability as well as investment and external sector performance. The drive towards sectoral diversification of the economy and massive public investment, together with an increasingly ageing population, will not be in support of low public deficits or public debt.

The labour market situation may also prove to be unattractive from the point of view of international investors and FDIs in the next few years due to high wage costs, low productivity in certain sectors, and low quality of human capital in the textile industry. The high pool of the unemployed is another liability for the Government which has socio-economic repercussions.

With the lack of initiatives to integrate civil society into the SADC forum, it would be difficult for the Government to adopt policies that would be consistent with other member countries. Hence, there might be substantial differences in dealing with pertinent social issues. The heterogeneity of the policies adopted may constrain rather than foster convergence on social or socio-economic issues.

Furthermore, dealing only with aggregative figures and not probing deeper into the various micro-elements that typify any social problem, would simply aggravate the current situation. This could lead to social instability that would ultimately play against the economic progress achieved so far. Also, policies adopted should not over emphasize the achievement of a high growth performance at the expense of a more equitable distribution of income.

Policy Implications

Greater fiscal discipline would be required to keep fiscal deficits, public debt and debt monetisation as low as possible and to minimise their impacts on other sectors of the economy.

There is also need to encourage within the short term, an acceleration of structural shifts to minimise distortions caused by the phasing out of trade preferences. A supply-side approach should also be adopted to identify high value-added products as well as differentiated markets for exports.

Delocalisation of firms and factories in the SADC region should be considered in order to tap cheaper labour. At the same time, there should be more efforts to invest in human resource development, raise productivity and cope with high value-added products on the international market.

Furthermore, attempts should be made to foster greater public-private partnership that would culminate in the use of limited resources for more competitive ends. This would also help to reduce public expenditure, on the one hand, and encourage more private investment on the other.

Government should be increasingly attentive to the demands of civil society, which should, as a matter of policy, be encouraged to participate in policy making processes. In fact, by virtue of their exposure to localised problems, certain civil society groups are in a better position to provide valuable advice to policy makers.

To promote the status of women, there should be more gender equality especially in areas in which women are not proportionately represented. The areas could be economic, social and political.

All steps should be taken to ensure more harmony between sustainable development and the management of natural resources. Prudent measures must be adopted to ensure that all costs and benefits pertaining to the use of natural resources are fairly distributed among all stakeholders concerned. More laws have to be enacted to address problems linked up with the ecosystems and biodiversity conservation. While they form part of the natural assets or capital of the country, ecosystems and biodiversity also constitute the natural heritage at the same time.

To help the poor and needy, the concept of vulnerability has to be revisited. This is a broad term which could apply to different categories of people and situations. Policies should then be appropriately designed to encompass the various forms of vulnerability to ensure that all categories of people are being dealt with effectively. Continuity and follow-up of implemented policies should be undertaken by concerned authorities to make sure that actual progress is taking place.

Regarding HIV/AIDS, the state has to be committed to implement the necessary measures that would shed more light on the problem in question and its association with drug addiction. In addition, a regional approach should be adopted to implement robust measures for drug control and to abate the problem of drug proliferation in the country.

With respect to human resource development, it is paramount to embark on a more knowledge-intensive industrial strategy and to take new development challenges. Policy makers should put more emphasis on vocational training as it is one of the important ways in enhancing the degree of employability of people in a world which is becoming more competitive and globalised.

1 Rational for Macroeconomic Convergence

Economic convergence lies at the heart of the Southern African Development Community (SADC) and constitutes a major catalyst for deepening regional integration. Its roots are embedded in the phenomenon of 'catch up' growth theories, that is, less developed economies catching up with richer countries in terms of development indicators, mainly characterised by per capita income. SADC is a regional integration arrangement of developing countries that would like to experience, through the dynamics of regional integration, growth and development, allowing them to catch up with the developed world. However, within SADC, there is an additional element to be observed while addressing economic convergence. Across member countries of the SADC, there are large discrepancies in economic well-being and stage of development. Consequently, convergence at the higher end of income and development within SADC are important regional goals, as is a fair distribution of the benefits from integration.

The success of SADC will depend on its ability to experience growth in intraregional trade for the benefit of all member states and the rate at which it will have access to the global economy. This will require, amongst other things, macroeconomic stability and hence macroeconomic convergence. However, a strategy of macroeconomic convergence in a region like SADC, which is exposed to asymmetrical external shocks, is not always the best policy.

In the quest for convergence and macroeconomic stability, SADC states have adopted two related Memoranda of Understanding (MOU), one on Macroeconomic Convergence, and another on Co-operation on Taxation and Related Matters. The MOU envisaged a regional convergence programme driven by a "dynamic, sustainable and credible regional unit".

1.1 Memorandum of Understanding on Macroeconomic Convergence

As per the Memorandum of Understanding on Macroeconomic Convergence signed by the Southern African Development Community, Member States agreed that in order to achieve and maintain macroeconomic stability, they need to converge on stability-oriented economic policies implemented through sound institutional reforms and a reliable network.

In particular, it was agreed that stability-oriented economic policies include (but are not limited to):

- Restricting inflation to low and stable levels;
- Maintaining a prudent fiscal stance based on the avoidance of large deficits, monetisation of deficits and high or rising ratios of public debt to gross domestic product;
- Avoiding large financial imbalances in the economy; and
- Minimising market distortions.

It was also agreed that macroeconomic convergence in the region will be measured and monitored by the following indicators:

- Rate of inflation in each Member State;
- Ratio of the budget deficit to GDP;
- Ratio of public and publicly guaranteed debt to GDP;
- Balance and structure of the current account;
- Amount of debt monetised as ratio of overall tax revenue; and
- Savings ratio.

The macroeconomic convergence targets focus on six key areas. It is envisaged that the inflation rates of member countries will be below 9% by 2008, declining to 5% by 2012 and down to 3% by 2018. The target for budget deficit to GDP ratio is 3% as an anchor within a band of 1% by 2012. The macroeconomic convergence targets also specify that the current account deficit, as a percentage of GDP should not exceed 9% by 2008; external reserves, measured in months of imports, should be equivalent to at least 3 months; and by 2018, the current account deficit should be constrained at 3% or less of GDP. The nominal value of public and publicly guaranteed debt is expected to reduce to reach less than 60% of GDP by 2008. Central Bank credit to Government must be contained to less than 10% of the previous tax year's revenue by 2008 and less than 5% by 2018. The short run target for savings rate was set at 20% and above to ensure sustained mobilisation of capital.

Other macroeconomic targets covered by the MOU include, inter-alia, raising domestic investment levels to at least 30% of GDP by 2008; interconnection of the payments and clearing system in SADC by 2008; achieving currency convertibility by 2008; finalising the legal and regulatory framework for dual and cross listing of shares on the regional stock exchanges by 2008; and liberalising exchange controls on current account transactions among member states by 2006 and on the capital account by 2010.

Around these targets, a lot of work needs to be done to align SADC institutions and committees to facilitate integration. The period 2016-2020, is envisaged to be the completion stage after which a common central bank will be established. In line with this, the institutional, administrative and legal framework for setting up a common central bank and a common currency, and a final assessment of the performance of member states against the convergence criteria must be undertaken.

1.2 Reasons for Macroeconomic Policy Coordination

Harmonising macroeconomic policies that encompass fiscal, monetary and operations of financial institutions is a necessary condition for the smooth implementation of economic integration and the fostering of cross border investment. In particular, the following pertinent issues can be observed: changes in macroeconomic policy in one country have spill-over effects on other countries possibly generating a need for adjustment which otherwise would not have arisen. Such macroeconomic policies might enable low-income countries to "catch up" with high-income countries (for instance, they could take advantage of existing technological developments without actually having to develop their own). This may give rise to "convergence clubs" where countries with a lower GNP per capita grow more rapidly because they are members of a trade group, or simply because their domestic policy gains credibility by being tied up to the domestic policy of a country with a better economic reputation.

However, for policy coordination to be a net benefit, it is necessary that there exists some degree of convergence among the participating countries and that they fulfil certain criteria both in terms of domestic policy and the structure of domestic institutions. Macroeconomic convergence is also more important for attaining macroeconomic stability, which is required for attracting foreign investment and advancing regional integration. Altogether, there should exist some supranational body that has sufficient authority to ensure compliance.

1.3 Objectives of the Study

This study aims to analyse the dynamics that characterise regional integration within the SADC. In other words, it attempts to understand the forces that both enhance and constrain the move towards greater regional integration. Necessarily therefore, one of the major elements of this study is to determine whether the economies that make up SADC are converging towards the goals and targets set and ratified in the Memorandum of Understanding. In this spirit, a case-by-case country analysis is undertaken to identify all the factors that determine such convergence and the drive towards greater regional cooperation. Hence, in this particular study, the case of Mauritius is exclusively investigated at all levels in order to make a rigorous assessment of the achievements to date and to identify any potential threats to macroeconomic convergence. Based on our findings, relevant policy measures would be derived that would help to deepen integration within the SADC will be suggested.

1.4 Methodological Issues

The methodology consists primarily of the use of secondary data and existing country reports to assess the degree of convergence or divergence of a country within the SADC from the targets set. These reports will be used to establish whether relevant or conflicting policies are being adopted at the national level in order to speed up regional integration. In the first place, statistical data will be used to assess whether the policies, adopted at the national level so far, have indeed met those targets laid down in the MOU. This will be followed by the implications of current macroeconomic trends and policy measures being adopted at the national level for the medium term achievements. Each country report will then be analysed, assessed and compared with one another to unveil the different perspectives involved in the determination of the momentum of regional integration and more importantly, to capture the micro-underpinning elements involved.

Since macroeconomic policies tend to have major impacts on the social sector, the latter will also be part of the study. More precisely, a thorough analysis will be carried out to identify whether compliance with the MOU has or will compromise the needs of the social sector.

1.5 Organisation of the Report

The report consists of seven chapters including this introductory chapter. The rest is organised as follows: Chapter 2 deals with the specific case of Mauritius, focusing on its macroeconomic status and sectoral performance, Chapter 3 addresses policy-making issues, Chapter 4 analyses the trade policies of Mauritius that affect macroeconomic performance, Chapter 5 deals with the labour market and unemployment matters and the processes of the SADC integration, Chapter 6 takes a look at the socio-economic achievements, including the Millennium Development Goals (MDGs), Chapter 7 addresses the various economic challenges as well as those of regional integration and deals with policy implications. All these chapters rotate around the issue of macroeconomic convergence and policy making while addressing regional integration in the SADC.

2 Sectoral Performance and Macroeconomic Convergence Status

Mauritius has developed from a low income economy to a middle income economy in a relatively short time and has experienced average annual GDP growth of 5.5% over the past 20 years. Its per capita income has risen to as high as USD 5,000 and poverty has fallen to about 10% of the population. This remarkable pattern of economic growth has been based on traditional lines of production and services – sugar, tourism and textiles - sound and responsible macroeconomic management backed by a stable political system, a dynamic private sector coupled with cordial public-private sector relationship, a good and functioning legal system, well developed transport and communications infrastructure, attractive fiscal regime and a broad and effective social pact that has brought together a very diverse society.

In short, Mauritius has accomplished these gains through (i) political stability, (ii) relatively sound fiscal management, (iii) aggressive export promotion and extensive support of the private sector, and (iv) a generous social welfare system. Mauritius' approach to development has included significant public sector intervention in the economy, comprising the regulation of a core set of commodity prices, selective controls on commodity trade, and engagement in a number of productive sectors, most importantly sugar.

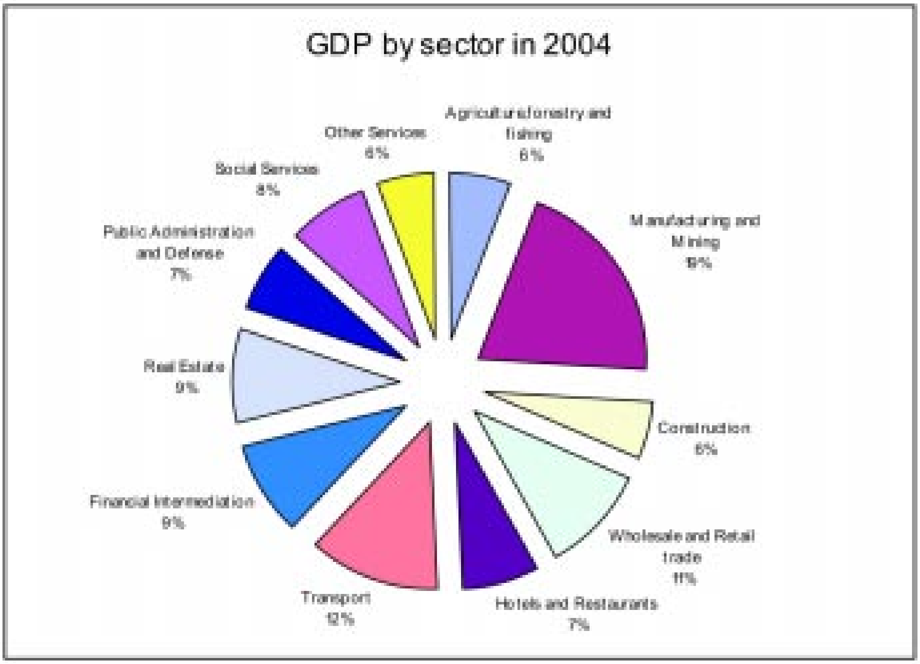
However, despite the good performance, the economy is undergoing some upheavals as the conditions that fuelled its rapid growth are changing considerably as a result of:

- High unit cost of labour and agricultural inputs;
- Serious constraints emanating from increasing competition, falling product prices, and erosion of market access preferences at the international level;
- Unemployment (around 10%) which has reached levels not witnessed since the mid 1980s;
- The unsustainable level of budget deficit and the excessively high and gradually rising burden of public debt;
- The strain on the welfare system due to an ageing population and huge commitments to free education, free health care, pension system, and several social assistance schemes such as housing;

- Constraints in the tourism sector due to environmental fragility and the small capacity of the island; and
- The increase in poverty levels affecting some 10% of the population, together with changing pattern of diseases, whose solution would impose additional fiscal burden.

The economy's future depends on making urgent structural reforms to restore the confidence of economic stakeholders while maintaining social stability, which has been undermined by rising unemployment.

Figure 1: GDP by Sector



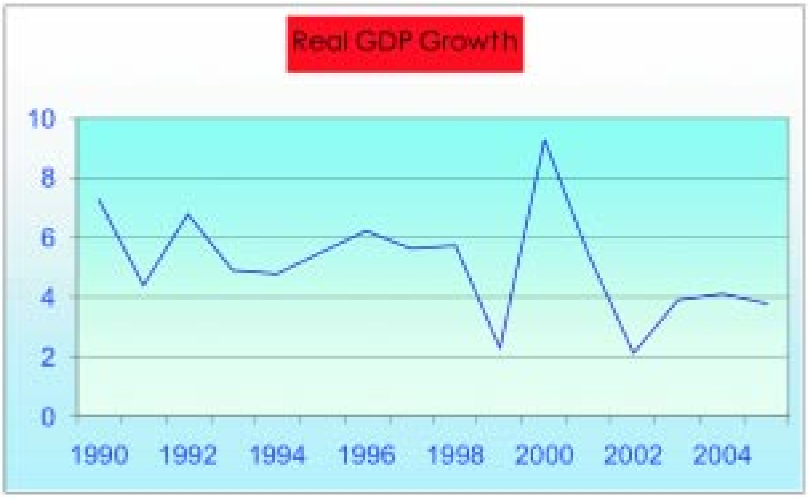
The sectoral composition of GDP in 2004 revealed that manufacturing and mining contributed the largest proportion (19%), followed by transport (12%) and wholesale and retail trade (11%).

The next section discusses the economic achievements of the traditional sectors, namely, sugar, textile and tourism along with developments and the performance of relatively new sectors of the economy such as finance and information and communication technology. This review is important to show how the evolution of these sectors as pillars of the economy of Mauritius have contributed to or contravened the convergence targets in general and the overall growth of the economy. The new sectors have been developed in line with the challenges of trade liberalisation and the need to cushion against external shocks through prudential diversification of the economy.

2.1 Domestic Growth Performance

After a weak performance in 2002, the Mauritian economy recovered in 2003 and 2004 with a reasonable average annual growth of 4%. In 2004, the overall economy grew by 4.1% mainly on account of a better sugar production and higher growth in the other manufacturing, wholesale and retail trade sectors.

Figure 2: Trends in GDP Growth



The impending loss of trade preferences in sugar and textiles has impacted negatively on the overall economy during past few years and is expected to affect adversely the economic outlook for 2005. The overall GDP is expected to increase by 3.8% in 2005.

GNP per capita stood at Rs 141,107 in 2004, representing a nominal increase of 10.6% compared to 7.9% in the previous year. For 2005, per capita GNP is expected to increase to Rs 150,872 (roughly USD 5000).

2.2 Sectoral Performance

Economic growth in Mauritius has been driven by four main sectors, namely, sugar, tourism, export processing zones (EPZ) and financial services, particularly in offshore enterprises. Information and Communication Technology (ICT) has now been added as the fifth pillar of development.

Table 1: Gross Domestic Product – Sectoral Growth Rates

	2002	2003	2004	2005*
Agriculture and Fishing	-16.3	1.6	5.8	-3.4
- Sugar Cane	-25.0	3.1	6.5	-3.9
Manufacturing	-2.4	0.0	0.3	-1.3
- EPZ products	-6.0	-6.0	-6.8	-8.0
Construction	6.3	10.2	-0.2	1.0
Wholesale and retail trade	3.0	1.0	4.0	4.5
Hotels and restaurants	3.1	3.0	2.4	4.8
Financial intermediation	4.5	6.0	5.9	7.8
- Banking, including offshore	4.3	6.4	6.2	8.9
GDP at basic prices	2.1	3.9	4.1	3.8
Overall growth excluding sugar	3.6	3.9	4.0	4.1
GDP at market prices	2.1	3.8	4.8	3.0

*Source: Central Statistical Office ; * = estimates*

Table 2: Sectoral Contribution to GDP (Rs m)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Agriculture and Fishing	7,193	7,326	8,131	5,729	7,328	8,596	7,909	8,589	9,444	9,140
- Sugar Cane	4,217	4,178	4,842	2,432	3,741	4,646	3,913	4,370	4,891	4,575
Manufacturing	16,508	18,324	21,043	22,435	24,701	27,422	28,227	29,640	31,850	32,375
- EPZ products	8,202	9,179	10,510	11,700	12,523	13,681	13,603	13,171	13,134	12,105
Construction	4,386	4,278	4,764	5,335	5,899	6,442	7,168	8,269	8,835	9,125
Wholesale and retail trade	8,789	9,982	10,789	11,813	12,260	12,902	13,997	14,321	16,012	18,225
Hotels and restaurants	3,937	4,365	5,448	6,485	6,872	8,693	13,997	14,321	16,012	18,225
Financial intermediation	4,443	5,209	6,537	7,862	9,923	10,324	11,506	13,072	14,429	16,335
- Banking, including offshore	2,943	3,419	4,507	5,642	7,523	7,473	8,255	9,327	10,229	11,660

*Source: Central Statistical Office ; * = estimates*

2.2.1 Agriculture

The agricultural sector, made up essentially of sugar production, has been the backbone of the Mauritian economy for a long time until the establishment of the EPZ in the early 1970s. Over 80% of the land in Mauritius is devoted to sugar cane cultivation and the industry employs about 9% of the country's labour force. The sugar sector has been on the decline over the past few years. According to the Crop Estimate Coordinating Committee, sugar production in 2005 should be around 550,000 tons, representing a decline of 3.9% as compared to the previous year.

It is worth noting that the sugar industry has long benefited from guaranteed price and preferential access into European markets under the EU Sugar Protocol, the Lome Convention, and subsequently, the Cotonou Agreement. However, the protocol expired in 2006, and with duty free access to the EU market for sugar from least developed countries taking effect from July 2009, the price Mauritius obtains for her sugar will fall significantly.

The reform plan regarding the EU sugar regime proposes a gradual price reduction over the next four marketing years, starting by a cut of 5% in 2006/07 and reaching a cumulative 39% by 2009/10. The fall in the guaranteed sugar prices could, in the absence of sufficient accompanying measures, adversely affect the effectiveness of the restructuring process underway in the sugar industry, thereby driving many domestic producers out of business.

To address these unfavourable developments on the international scene, the Sugar Industry Efficiency Act was passed in 2001. In the same year, the Sugar Sector Strategic Plan (2001-05) was implemented. The plan comprises several measures to reduce cost and enhance revenues with the aim of enhancing the competitiveness of the sugar industry by the year 2008. In parallel to reducing labour costs through a Voluntary Retirement Scheme (VRS) for workers in the sugar industry, the centralisation of sugar factories is also being pursued to achieve economies of scale.

2.2.2 Manufacturing

The manufacturing sector, the second pillar of the Mauritian economy, has been the main driving force behind the success of the economy. Overall, the manufacturing sector accounted for about 20% of GDP in 2004, of which the EPZ accounted for about half.

The EPZ sector has been seriously affected by a contraction in real value by 6% in 2002 and 2003, and even a higher decline of 6.8% in 2004. Some 22,700 jobs have been lost in that sector over the past four years. In 2004 alone, the number of jobs lost in this sector amounted to 9,600.

Major uncertainties are still clouding the outlook of the EPZ sector. The most prominent risk is the impact of the removal of quotas and duty free access to the European market in December 2004. Moreover, it is expected that price margins on textiles and clothing products will go down markedly, thereby intensifying competitive pressures within the domestic industry. This and higher labour costs will force textile firms to make drastic changes.

The weak performance of the EPZ sector is expected to continue in 2005 and is expected to register a decline of about 4% over that period. This partly reflects increased global competition and the closure and delocalisation of some local and foreign textile companies.

2.2.3 Tourism

The tourism sector, the third pillar of the economy is an important source of employment, providing jobs to about 22,613 people in 2004. There were 22,613 tourist arrivals in 2004 2.4% higher than the figure for 2003 (702,018), representing an increase of about 2.5%. Around 91.0% of the tourists came mainly for holidays while 4.2% were on business/conference trips and another 3.5% were in transit.

Total arrivals from Europe rose by 2.5% from 66.4% to reach 477,041 in the year 2004, against 465,379 in 2003. In 2004, arrivals from other African countries, with a share of 24.4% of total tourist arrivals, registered a growth of 0.7% to attain 175,649. Tourist arrivals from the Asian market (6.3%) increased by 3.0% to reach 45,325 during the reference period. Arrivals from the continent of America grew by 3.0% to reach 8,409, being the result of an increase of 26.9% from Canada which offset drops of 4.4% from USA and 2.8% from "other American" countries.

The tourism sector is also a major earner of foreign exchange. Data from the Bank of Mauritius indicate that gross tourism receipts for the year 2004 amounted to Rs 23,448 million, which was 20.8% more than the figure of Rs 19,415 million in 2003.

For the seven months ending July 2005, the total number of tourist arrivals increased by 5% compared to the corresponding period in 2004. Tourism is expected to strengthen further to position itself as a major source of growth. It is expected to register a higher growth of 4.8% in 2005, with the number of tourist arrivals reaching 755,000.

The Government's policy is to emphasise low impact, high quality tourism so as to maintain Mauritius, up market profile. Moreover, tapping on latent opportunities in the sector would call for prompt action plans as part of a clear and coherent strategy towards achieving set objectives. This calls for intervention to remove bottlenecks with respect to the country's marketing and air access policies.

2.2.4 Financial Sector

Due to further diversification of the economy, the quaternary sector comprising the financial services, free-port activities and offshore businesses, is now the fourth major sector of the economy. It is being constantly developed in tune with the increasing demands of a more modern trading environment. The necessary synergy between the sub-sectors is being created to generate more value-added services. With an average annual growth of 10% over the past few years, its contribution to GDP has increased considerably to reach 14.6% in 2000. This sector has maintained its growth rate during recent years and it amounted to 7.8% in 2005.

Mauritius has carved a comfortable niche in the world of international financial services and has built its reputation as a trustworthy, stable and reputable offshore jurisdiction. Its main objective is to position itself as an efficient economic bridge to important trade and investment flows within the region and beyond. The success of the offshore sector has been built primarily on the opportunities which Mauritius provides, such as its expanding tax treaty network, its strategic location and its membership to major regional trading blocs.

With respect to the financial services sector, the Financial Sector Stability Assessment (FSSA) report indicates that "the jurisdiction has a deep financial sector, dominated by a large domestic banking sector, with assets equivalent to 100% of GDP and with a significant expansion in the region. It also has well developed insurance and pensions sectors and a sizeable offshore financial services sector". Furthermore the report states that the short term stability risks facing the financial system are modest.

The IMF/World Bank also notes that much progress has been made in recent years on corporate governance and anti-money laundering legislation while pointing out that the authorities have taken several major steps to mitigate the risks associated with money laundering and have thus aligned their prudential and AML/CFT framework with international standards. The measures taken include a programme aimed at improving the supervision of service providers in the offshore financial sector ("management companies"); increased vigilance from the Financial Services Commission in processing global business licences by establishing more stringent criteria in line with the FATF 40+8 recommendations.

2.2.5 Information and Communication Technology (ICT)

The ICT sector is viewed as having the potential to provide a new source of growth for the economy over the medium term. The government is investing heavily to develop the information and communications technology sector and create another growth pole. In this respect, a concessionary loan of USD 100 million from the Government of India has been secured to build a cyber tower. Further funding is expected most likely from international sources as the project gains momentum. The new equity fund will likely facilitate foreign direct investment and start-up investments. The project is expected to create about 5,000 jobs initially.

Moreover, the objective is to emulate the success of India's Bangalore which has emerged as a regional hub for information and communication technology products. Taking advantage of the bilingual workforce and excellent telecommunication network, Mauritius would be a gateway for the Indian information technology industry into francophone Africa and beyond. In the early stages, operations will involve simple technology such as telemarketing and other back-office services (such as preparing payrolls).

A crucial part of the Government strategy is to attract highly skilled labour and investment into the sector. Besides upgrading skills by investing in education, labour laws are being reviewed to attract foreign professionals. Several incentives along the lines introduced in the EPZ have been provided to attract investment, both local and international. The government is also investing massively in physical infrastructure, including an underwater fibre optic cable that connects with East Asia and South Africa.

2.3 Changes in Components of Domestic Demand and Price Movements

Domestic demand, driven mostly by private consumption and public sector investment, has been the main source of growth in recent years, compensating for the negative contribution of the external imbalances. The share of consumption expenditure, both Household and Government, in GDP has been increasing since 2002, while the share of investment has been at an average of 22% of GDP for the period (see Table 3 below). Consumption expenditure as a percentage of GDP increased from 73.3% in 2001 to 77.9% in 2004 and is expected to increase further to 81.4% in 2005. This was mainly a result of a significant increase in household consumption, which accounted for 63.5% of GDP in 2004 compared to 60.7% in 2001. For 2005, the share is expected to increase by about 3 percentage points to 67.4%.

The share of private investment in GDP followed a downward trend since 2000, only to increase from a low of 13.8% in 2003 to 15.0% in 2004, but is expected to drop slightly to 14.4% in 2005. Public investment as a proportion of GDP peaked at 8.8% of GDP in 2003 on account of major investment in the construction of schools, cybercity related projects, road development and the acquisition of an aircraft.

The declining trend in the private sector share in GDP was reversed from a low of 75.1% in 2003 to 78.5% in 2004. This share is expected to increase further to around 81.0%.

Table 3: Expenditure on GDP at Market Prices, 2002-2005 (as % of GDP)

	2002	2003	2004	2005
Consumption	74.6	75.5	77.9	81.4
Household	60.7	61.3	63.5	67.0
Government	13.9	14.2	14.3	14.4
Investment	21.8	22.7	21.6	21.5
Private sector	14.9	13.8	15.0	14.4
Public sector	6.8	8.8	6.6	7.1

Source: Central Statistical Office

2.3.1 Private Consumption, Savings and Domestic Capital Formation

Over the past few years, the positive resource gap, which peaked at 5.8% of GDP in 2002, gradually declined to 1.2% in 2004 and is expected to turn negative in 2005 (-1.9%, see Table 4). This was largely on account of the decline in the saving rate while the investment rate hovered around the 22% mark. The decline in the saving rate is explained by the continued high budget deficits and the resurgence of growth in consumption expenditure.

Table 4: Selected Indicators (2002-2005)

	2002	2003	2004	2005
Consumption (Rs m)	106,591	118,425	135,869	153,000
- Nominal Change (%)	9.9	11.1	14.7	12.6
- Real Change (%)	3.7	4.7	6.8	7.2
- Households	3.3	5.0	7.3	7.7
- Government	5.8	3.0	4.7	5.0
Consumption as % of GDP at market prices	74.6	75.5	77.9	81.4
GDFCF (Real Growth %)	-0.1	10.3	1.5	2.5
- Private Sector	-0.6	-1.8	15.8	-1.3
- Public Sector	1.0	36.6	-20.9	11.2
As Percentage of GDP Gross National Saving	27.6	25.0	22.8	19.6
Gross Domestic Investment	21.8	22.7	21.6	21.5
Saving-Investment (Resource) Gap*	5.8	2.3	1.2	-1.9

**Difference between the rates of saving and investment*
Source: Central Statistical Office

The growth rate in private consumption peaked rate registered since 1987. It is expected to increase by an even higher rate of 7.7% in 2005. This growth at a rate higher than that of GDP reflects the increasing contribution of private consumption in overall GDP. The high growth rate of private consumption expenditure also shows growing consumer confidence in the economy due to lower inflation, higher increase in compensation of employees, stability of the exchange rate and lower interest rates.

With the resurgence in consumption expenditure, the saving rate is expected to fall to 19.6% in 2005 while the investment rate is expected to be around 22%. The medium term objective is to increase both the saving rate and investment rate to around 28-30% in order to sustain an overall economic growth of 6-8% annually and create more employment opportunities and be consistent with the criteria laid in the MOU.

2.3.2 Inflation and External Value of the Mauritian Rupee

Low and stable inflation has generally been achieved, largely due to a relatively successful implementation of an informal inflation targeting framework. The rate of inflation declined from 6.4% in 2001/02 to 3.9% in 2003/04, and then rose to 5.5% in 2004/05. This increase was mainly on account of the rise in the price of petroleum products and freight costs. Oil prices continue to trade at high levels on the international market with some further upside risks to inflation.

The pick up in domestic credit and the increasing risk of a rise in the world price of oil and other commodities are generating inflationary pressures in the economy. However, with the increase in the interest rate, growth in domestic credit is expected to slow to around 11.3% at end June 2005, thus dampening inflationary pressures and expectations. The inflation rate is expected to be around 5.3% in calendar year 2005 compared to 4.7% in 2004.

The Mauritian Rupee has also depreciated significantly against the currencies of major import markets and this has resulted in an increase in the domestic price of imported items (Table 5).

However, the successful implementation of the informal inflation targeting framework by the Bank of Mauritius has helped to limit the impact of external inflationary pressures.

Table 5: Depreciation of the Mauritian Rupee

Currency	January 2004	June 2005	% Depreciation of MUR
USD	26.304	29.038	10.4
EURO	32.685	35.280	7.9
Japanese Yen (100)	24.490	26.770	9.3
Rand	3.825	4.380	14.5

Source: Bank of Mauritius

In light of recent domestic and international economic developments and the need to contain inflationary pressures in the economy, the Bank of Mauritius is also monitoring closely the excess liquidity in the banking system to guard against a rapid expansion of credit to the private sector and increased inflation. The Bank of Mauritius has increased as from August 2005 the Lombard Rate by 50 basis points, from 10% to 10.5% per annum. The increase in the Lombard Rate will also enhance the attractiveness of rupee denominated assets and help improve savings mobilisation.

A Market Monitoring Unit has been set up at the Ministry of Commerce to monitor and analyse the evolution of prices, investigate and disseminate relevant information on cases of market manipulation, market power abuse or other unfair business and trade practices, and ensure compliance with market rules and procedures.

2.4 Foreign Direct Investment

Foreign direct investment (FDI) is an important avenue through which investment takes place in Mauritius. The importance of FDI extends beyond the financial capital that flows into the country. In addition, FDI can be a tool for bringing knowledge, and integration into global production chains, which are the foundation of a successful export strategy.

In view of the importance of foreign investment as a source of sustenance to economic growth, the Government of Mauritius has taken a series of policy measures to encourage its flows into EPZ, tourism, offshore banking and financial services, information technology and others.

Mauritius pursues a liberal investment policy and actively encourages direct investment in all sectors of the economy. Sustained policies of economic diversification, liberalisation, and export orientation, coupled with the country's political stability and bilingual labour force, have succeeded in attracting foreign investment. Further, attractive packages of both fiscal and non fiscal incentives, tailor-made to the needs of each priority area of development, are offered to investors. As a result, over the period 1990 to 2004, FDI in Mauritius has increased from Rs 609 m to Rs 1,796m, an increase of about 195%. It is easy to discern from Table 6, the evolving trend in FDI as the economy of Mauritius gets diversified from manufacturing (EPZ-dominated) to service-based. The mobility of FDI across sectors is essential in order to keep pace with diversification of the economy as well as to prepare it to face the phasing out of trade preferences, such as the Multi-Fibre Agreement.

Table 6: Foreign Direct Investment in Mauritius by Sector: 1990-2004

(Rs million) Export Processing	91	92	193	94	95	96	97	98	99	00	01	02	03	04
Zone	130	203	92	41	245	51	0	27	300	8	3	41	77	248
Tourism	68	8	152	129	70	35	20	75	27	10	0	100	103	121
Banking	51	3	0	0	0	55	1,122	117	215	0	600	316	1,301	310
Telecommun.	0	0	0	0	0	0	0	0	0	7204	0	0	0	38
Other	48	16	27	190	10	517	22	73	701	43	333	522	485	1,079
Total	297	230	271	360	325	658	1,164	292	1,243	7,265	936	979	1,966	1,796

Source: Bank of Mauritius report

The Government of Mauritius plays the role of a facilitator and has endeavoured at all times to create the most conducive investment environment by enacting appropriate legislations, building of the art infrastructure, investing in human capital and introducing packages of investment incentives for the manufacturing, financial services and ICT sectors so as to enhance the image of Mauritius. As far as foreign investors are concerned, Mauritius offers itself as an attractive destination because of several positive features such as political stability, availability of skilled labour and investment friendly rules and institutions.

Regional arrangements could also attract inward FDI. Singapore has one of the most impressive programmes in Asia to attract transnational corporations to carry out a wide array of activities, ranging from servicing regional customers to undertaking research and development work. Mauritius must aim at developing such a regional hub. In particular, with the progress made in the financial sector and the emerging information technology sector, the country can emerge as a centre of excellence in education, training, and research to supply skilled labour. The development of training and research programmes could evolve in phases, giving priority to international management, multinational finance, public sector management, technology management, environment and coastal management, and marine resources management. FDI has played an important role in the development of Mauritius and will continue to be decisive when Mauritius embarks on high value added, capital intensive and knowledge-based activities.

There are also great opportunities to promote outward FDI, particularly in Africa. The de-localisation of the textile industries in Madagascar, which started 10 years ago, is a stepping-stone for expanding the FDI base.

Table 7: Direct Investment abroad by Sector: 1990-2004

(Rs million)	91	92	93	94	95	96	97	98	99	00	01	02	03	04
Tourism	165	0	0	0	0	3	0	30	8	68	0	0	137	410
Banking	0	613	443	0	0	0	0	114	68	180	47	0	440	0
Manufacturing	5	0	15	9	14	24	13	25	10	13	0	245	41	101
Other	0	61	129	10	49	21	54	160	76	72	36	33	538	398
Total	170	674	587	19	63	48	67	329	162	333	278	278	1,156	909

Source: Bank of Mauritius report

Table 7 shows the evolving patterns of outward direct investment in the various sectors shown and in countries mostly within the region. This trend suggests that Mauritian investors have become more aware of the need to tap cost effective resources in neighbouring countries.

2.5 Current Status of Convergence of the Mauritian Economy

In the previous section, a review of the overall economy was made including its performance through the various sectors or pillars, both the conventional and the more recent ones. This section makes a more precise evaluation of such achievements using the convergence criteria laid down in the MOU. The evaluation is limited to the past four years with respect to the specific numeric indicators stated thereon. For this purpose, Table 8 can be considered:

Table 8: Status of Convergence 2001-2005: The Case of Mauritius

Aggregate/Year	2001/02	2002/03	2003/04	2004/05
Inflation(CPI)	4.4	3.9	4.1	5.6
Fiscal Deficit*	-5.2	-5.9	-6.0	-5.5
Current Account Deficit*	2.3	4.5	0.8	-3.0
External Debt*	19.9	18.9	16.6	13.6
Economic Growth	2.1	3.9	4.1	3.8
Savings*	27.6	25.0	22.8	19.6

*Source: Computed; * expressed as a percentage of GDP*

Table 8 provides a clear picture of the achievements of the economy of Mauritius using various indicators. With the exception of budget deficit, all other aggregates do lie within the range specified in the MOU. The budget balance has been systematically adverse; it has been overshooting the range of 3-5% of GDP. This is one indicator which has to be monitored in the short and medium terms to reach the level compatible with the SADC range of macroeconomic convergence. Moreover, with respect to foreign reserves and debt monetisation, Mauritius does fulfil the stated criteria.

One may explain the high deficits by the surging public expenditure levels in recent years, especially because of the massive investment made by the government in the ICT sector and the increasing public sector commitments towards addressing the exigencies of the service sector. Only fiscal discipline in years to come would help reduce the problem of high budgetary deficits and their unfavourable spill-over effects. Debt monetisation has been kept within range as the Bank of

Mauritius has had recourse to several modes of financing, usually substituting them for money finance.

There are some apprehensions on whether the economy of Mauritius will be able to maintain its good performance in the years to come given the challenges of trade liberalisation. As it stands, it can be observed that the growth rate has been declining between 2003 and 2005 and this may continue with the phasing out of trade preferences and the sluggish performance of new sectors. Both the current account deficit and the savings ratio have been on the decline. Lowered savings rates would have implications for capital formation and long term growth performance.

In the next chapter, an analysis of the policy measures adopted is made to provide additional insights into the achievements of macroeconomic convergence within the SADC.

3 Fiscal and Monetary Policy Making and the Role of Financial Institutions

This chapter focuses on policy making, fiscal and monetary instruments and their evolution or reforms. In addition to monetary policy, it intends to cover financial institutions and reforms that have taken place in recent years to combat corruption, money laundering and financial scandals that generally impede on growth, tarnish the reputation of a country and that usually have adverse effects on FDI and regional cooperation. The purpose of this chapter is to shed more light on the policies that underpin sectoral performance and to provide greater scope in discussing issues pertaining to policy harmonisation, particularly given that macroeconomic convergence requires consistency of policy measures adopted at the national level with those of Member States.

3.1 Fiscal Policy Making

3.1.1 Pre-Budgetary Consultations

Fiscal reforms are usually announced through budget speeches and meetings by the Government through Ministry of Finance officials prior to the preparation of the budget. It has now become an established practice for the Minister of Finance, through organised conferences and workshops, to meet all stakeholders, the civil society, private bodies such as the Mauritius Chamber of Commerce and Industry and Joint Economic Council together with members of the public, the student community, the elderly and trade union members prior to preparing the budget. Consultations within the Government departments and ministries also take place to ensure that their exigencies are considered in the preparation of the budget. By and large, the government tries to accommodate relevant measures, policies and changes in funding allocations gleaned from these consultations.

The Government of Mauritius operates a dual budget system whereby the recurrent and capital budgets are prepared and presented separately. Both the recurrent and capital budgets are represented on a line item basis. The present budgetary system is the conventional incremental budgeting whereas the recurrent budgets are increased by some margin each year. The estimates for the capital budget are based on current implementation of capital projects and projected requirements for the forthcoming year.

Mauritius, unlike most governments in Southern African has effective budget implementation systems: there is a close match between estimated and actual expenditures. Besides, according to the Audit Office, there is a high level of compliance with fiscal regulations. The budget systems also provide an efficient mechanism for the allocation and control of expenditures at the input level and ensure greater fiscal accountability.

However, the main problem with the budgetary system is that little emphasis is placed on output or performance. The existing incremental budget system focuses on inputs rather than on programme of activities or outcomes aimed at achieving government objectives, and the result is that funding proposals are not made to expected performance. Furthermore, the budget documents do not present sufficient information to allow for detailed analysis of projects. Although the Budget Statement sets out government plans and priorities, these are not clearly linked to expenditure allocations. The focus of expenditure planning is very much on individual projects, rather than on a wider programme of activities and/or projects aimed at achieving government objectives. The release of capital funds is on a project by project basis, rather than on an implementation plan for the whole ministry or department, thus lower priority projects may be implemented before the higher priority ones.

These shortcomings have contributed to a lack of effectiveness in public expenditure projects. The budgetary system falls short on development policy and sectoral programme design as well as monitoring and evaluation of outcomes. It does not place any emphasis on strategic planning and therefore does not allow Government to effectively evaluate its earlier measures, rethink its policy objectives and prioritise its expenditures in the best possible way. This lack of cohesion in expenditure programmes encourages line ministries to overestimate their budget submissions. This often results in arbitrary cuts by the Ministry of Finance and Economic Development so as to be within the ceilings. This method of allocating resources does not allow for greater contestability and transparency. Moreover, the dual budgeting system is seen as a means of fragmenting the decision making process.

In light of the above, one can conclude that the incremental budgeting system used in Mauritius does attain fiscal discipline but it fails on the other two core budgetary outcomes: allocative efficiency and effective service delivery.

3.1.2 Fiscal Trends

Table 9 illustrates that from 1999 to 2003, public finances have been deteriorating rather rapidly due to rapid increases in public expenditure that have in turn caused an increase in fiscal deficits. As one would suspect, the rate in increase of public spending has superseded the rise in public revenue during the few years shown. Moreover, all debt indicators have shown an upward trend whether as a proportion of exports or GDP. Worse, the debt position of the government has also experienced a significant rise over the said period. However, the rising proportion o domestic debt with respect to total debt indicates the government's motive to reduce external debt obligations at the expense of greater internal debt.

Table 9: Evolution of Public Deficit and Debt 1999-2003

Indicator/Year	1999	2000	2001	2002	2003
Budget Deficit	3.6	3.8	6.7	6.0	5.5
Total Debt (% of Exports)	127.5	139	127.5	140.8	176.3
Total Debt (% of GDP)	47.4	47.6	45.9	53.5	60.9
Debt Servicing (% of GDP)	3.5	3.2	2.0	5.9	6.1
Domestic Debt (% of Total Debt)	80.0	82.1	88.2	88.4	90.5

Source: Computed from CSO (2004)

Coming to the compositional and directional changes in public spending, the greatest share of the stake has gone to the social security sector, followed by education (Table 10). While as a share of overall public expenditure, education and social security have experienced a decline, the reverse occurred when rated against GDP. The ageing population of the country is clearly reflected in the rising social security obligations of the government. By and large, public spending on community and social services exceeded 50% of GDP between 2000 and 2003.

Table 10: Composition and Direction of Public Expenditure 2000/03

Item/Year	*% of Total Government Expenditure*			*% of GDP at Market Prices*		
	2000/01	**2001/02**	**2001/03**	**2000/01**	**2001/02**	**2001/03**
Education	17	14	14	3.6	3.8	4.0
Health	10	4	8	2.1	2.3	2.2
Social Security	24	20	18	5.1	5.3	5.4
Government Expenditure on Community and Social Services	54	52	57			

Source: Computed from CSO (2004)

Concerning the financing instruments for public spending, it is to be noted that current revenue, comprising direct and indirect tax revenue, has been increasing rather sharply during the 2001/04 period from 68.57% to 76.8% and is the most important source of public revenue (Table 11). In contrast, capital revenue, which consists mainly of property income, remains small and has shown a rather sluggish rise over the period under survey. The Sinking Fund has not generated much revenue to finance capital expenditure projects, as its balance was completely drained out over the years 2002/04. As a result, PSBR, as a proportion of total public expenditure, rose sharply from 8% to 18.64% between 2001/02 and 2002/03. Despite its fall in 2003/04, it remained rather high, representing higher future tax liabilities for the citizens. As a middle-income country, Mauritius has stopped receiving grants as do other qualified African countries with much lower growth performance.

Table 11: Financing Instruments of Public Expenditures (in Percentages)

Source of Finance	2001/02	2002/03	2003/04
Current Revenue	68.57	74.7	76.8
Capital Revenue	5.5	5.7	7.4
Grants	0.63	0.96	0.94
Sinking Fund	17.3	-	-
PSBR	8.0	18.64	14.86

3.1.3 Fiscal Challenges

Sound budget management has been critical for Mauritius's success in the past, and will continue to be an important element for success in the future. A close attention, however, needs to be made to the persistent budget deficits in order to preserve medium term fiscal sustainability and macroeconomic stability. This is the numeric indicator on which Mauritius performed badly and had deficit percentages that have been inconsistent with the convergence range specified in the MOU.

3.1.3.1 Budgetary Framework in Mauritius

Sound budget management has been critical for the past successes of Mauritius and will continue to be an important element of success in the future. Fiscal discipline is a major component of overall medium term macroeconomic management. As a matter of fact, the New Economic Agenda is trying to restore the fiscal balance and is aiming to bring the overall fiscal deficit down to about 3% of GDP by 2007/08.

To secure fiscal discipline, Government initiated a growth friendly consolidation programme with emphasis on high quality reduction in the deficit. The key components of the medium term fiscal adjustment programme are:

- Revenue consolidation;
- Expenditure restructuring and management; and
- Adoption of a medium term framework (MTEF) and results based budgeting as necessary preliminary phases for budget reform.

3.1.3.2 Revenue Consolidation

In order to modernise the entire revenue administration system, the Government has launched a major reform programme which includes, interalia:

- The modernisation of tax and customs administration systems and procedures, including co-ordination and co-operation between tax and customs departments;
- The creation of a large taxpayer's department;
- A review of corporate taxes to address the equity and tax buoyancy issues;
- Reducing the large dispersions and inefficiencies of the tariff system;
- Joint tax audits of the various revenue departments;
- Reviewing and improving the value added tax (VAT) administration system; and
- Setting up a Revenue Authority.

3.1.3.3 Medium Term Expenditure Framework (MTEF)

To ensure the sustainability of investment, and bring down the budget deficit to a sustainable level, the Government of Mauritius announced in June 2001 its economic strategy and policy orientation for the next five years in its Economic Agenda for the New Millennium. A comprehensive budget reform, the centrepiece of which is the introduction of a Medium Term Expenditure Framework (MTEF), was part of the agenda.

MTEF is the casting of the budget on a three year rolling basis within a sustainable macroeconomic framework. It is a mechanism for improving the allocation of resources to strategic priorities and aims to strengthen expenditure planning at three levels:

- Macroeconomic stability;
- Ensuring resources are allocated in line with priorities; and
- Improving the effectiveness and efficiency of expenditures.

The current budget system, line itemisation, which MTEF seeks to replace, emphasises inputs or budgetary resources without linking them to outputs or results achieved. The integrated version of MTEF, on the other hand, is intended to focus on outputs and outcomes as a means of improving the efficiency and effectiveness of expenditures. Budgetary expenditures are tied to measurable objectives while performance indicators, an inherent part of MTEF, allow progress to be measured in terms of the attainment of objectives.

The MTEF agenda is to be implemented on a phased basis in Mauritius. In the first phase, fiscal year 2003/04, the traditional budget for "Education and Training" was converted into the MTEF format. This was followed by health, social security and environment budget during FY 2004/05. The remaining sectors are expected to follow suit in the third and final phase.

This new concept in budgeting is intended to help improve the way the nation's resources are managed, especially with regard to the planning and management of sectoral programmes. The adoption of the MTEF approach to budgeting ensures that the use of resources requested from Central Government is linked to national priorities.

MTEF is a useful instrument in public expenditure management. It has the potential to bring about significant improvements in the way a budget is formulated, executed and monitored. The introduction of MTEF is the first step in a long and arduous budget reform process and the Government is resolute in its determination to ensure that MTEF provides a firm anchor for the conduct of sustainable fiscal policy.

3.2 Monetary Policy

Equally important, the monetary policy plays a crucial role in macroeconomic convergence, namely, debt monetisation and inflation. Sound monetary policy and proper co-ordination with the fiscal agent ensure smooth growth of the money stock and prevent excessive debt monetisation and unnecessary inflation. In the context of Mauritius, the balance of payments since mid-2000 and the corresponding sharp increase in the net foreign assets contributed to the growth of excess liquidity in the economy (see Table 12). The BOM has been attempting to absorb the excess liquidity through the issuance of BOM bills but has not fully sterilised the increase in liquidity. Reserve money and broad money thus showed significant growth that was far in excess of the nominal GDP growth but did not result in inflationary pressures given the slack demand for private sector credit and lower inflationary expectations (partly determined by the then remarkable low inflation worldwide). The Treasury bill rates, especially the interbank rates, fell to an all time low of 1%.

Table 12: List of Monetary Variables

Monetary Survey (Rs m)	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05
	(Annual change in percent)					
Net Foreign Assets	11.9	26.4	28.0	19.0	3.3	6.9
Monetary Authorities NFA	14.0	29.3	32.6	32.3	9.3	-1.3
Commercial Bks NFA	7.1	19.5	16.0	-20.6	-26.6	67.4
Domestic Credit	**13.1**	**6.6**	**7.5**	**7.9**	**20.1**	**11.3**
Claims on Govt(net)	15.3	-4.8	8.0	13.2	64.6	15.7
Claims on Pvt Sec	12.5	9.7	7.4	6.7	8.9	9.6
Broad Money	**10.9**	**9.9**	**13.0**	**11.7**	**14.4**	**8.5**
Money (M1)	1.5	14.8	19.1	15.2	22.3	6.2
Quasi-money	12.4	9.2	12.1	11.2	13.1	8.9
Reserve Money	-5.6	16.1	14.0	14.3	68.6	-7.9
Money mkt instruments					13.2	14.7
Other items					29.1	0.6
GDP growth nominal	7.8	10.2	9.7	9.2	10.8	9.5
				(annual change in percent of beginning of period)		
Net Foreign Assets	3.3	7.3	8.9	6.9	1.3	2.4
Domestic Credit	12.5	6.4	7.1	7.1	17.5	10.3
Claims on Govt(net)	3.1	-1.0	1.4	2.3	11.2	3.9
Claims on Pvt Sec	9.4	7.4	5.7	4.9	6.2	6.3
Broad Money	10.9	9.9	13.0	11.7	14.4	8.5

Source: Bank of Mauritius report

Table 13: Monetary Aggregates- Growth Rate (%)

	Jun-03	Jun-04	Jun-05
Net Foreign Assets	19.0	3.3	6.9
Net Domestic Credit	7.9	20.1	11.3
- Total credit to Govt	13.2	64.6	15.7
- Total Credit to private sector	6.7	8.9	9.6
Broad Money (M2)	11.7	14.4	8.5
Reserve money	14.3	68.6	-7.9
Nominal GDP growth	9.2	10.8	9.5

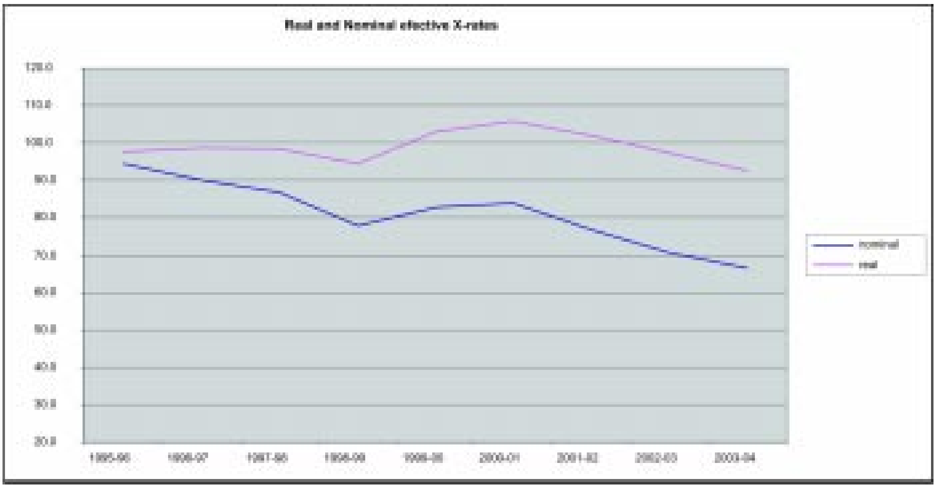
Source: Bank of Mauritius report

With the growing risk of increases in the world price of oil and other commodities and the pick up in credit growth, the BOM increased its Lombard rate by a total of 100 basis points to 10.5% in August 2005. This may be seen as a pre-emptive measure to dampen inflationary pressures and expectations in a situation of a downward revision in the GDP growth rate for 2005.

The weighted average interbank rates, the bank rate and the treasury bill rates have all stayed well below the Lombard rate for the past 4 years and since early 2004, the yield curve has shown a more steeper slope at its short end.

The main goal of the monetary policy is to maintain the monetary base on a path consistent with the BOM's inflation target and the growth forecast for the economy. The central bank has conducted monetary policy through the interest rate while at the same time maintaining a stable real exchange rate (see Figure 3).

Figure 3: Real and Nominal Effective Exchange Rates



The BOM has relied on short-term interest rates as its operational target while maintaining the reserve money target as a complementary target. However, the BOM has found it difficult to achieve its reserve money target.

3.3 Financial Sector Regulation and Supervision

Credibility of the financial system is yet another element that needs attention especially in a country in which the financial sector is considered to be a pillar of the economy. Such credibility is imperative for reliable and effective operation of the financial sector, in its endeavour towards the mobilisation of resources, and the smooth running of businesses. The Government has adopted a prudent and phased approach to integrated regulation and supervision of the financial sector. The Financial Services Commission (FSC) was established in December, 2001 as the unified regulator for the non-bank financial sector, while the BOM maintains full responsibility for banking regulation and supervision. It was decided when FSC was created, that a review would be conducted after three years to determine whether to merge the BOM and FSC into a single unified regulatory authority for the financial services sector in light of national and international developments. The FSC has taken over the regulatory and supervisory functions of the former Stock Exchange Commission (SEC), the Insurance Division of the Ministry of Economic Development, Financial Services and Corporate Affairs, and the Mauritius Offshore Business Activities Authority (MOBAA), and has also assumed responsibility for financial services that were previously either unregulated or only partially regulated. With technical assistance from the World Bank, the FSC is working to put in place sound policies and has undertaken an ambitious staff recruitment and training programme to enable it to effectively carry out its broad mandate.

Banking supervision is of a good standard, reflecting significant progress made in building the capacity of the BOM in recent years. However, there is room to further strengthen the legal framework, develop needed regulations, and enhance implementation. Most legal deficiencies would be addressed if the current drafts of the new banking bill and the Bank of Mauritius bill were enacted. Prudent guidelines are all of a commendable standard, and the BOM's capacity to enforce guidelines has substantially increased in recent years. However, there is a need for additional guidelines to address country and market risks and credit policy. Finally, banking supervision could benefit from further strengthening, notably in the areas of consolidated supervision, the supervision of operational risk, and the problem of bank resolution.

Regulation and supervision of the insurance sector have improved markedly since the creation of the FSC, but further strengthening is required. The regulatory framework has many strong elements, including reliance on solvency monitoring, prudent asset diversification, and international accounting and actuarial standards. Gaps exist, however, in corporate governance, internal controls and risk management. Furthermore, solvency ratios are below international standards, and do not include risk-based capital requirements. These deficiencies have been addressed in the new draft insurance bills. Supervision needs to place greater emphasis on risk management and early warning systems. The FSC should also establish clear procedures for early and effective intervention.

The regulation and supervision of the securities industry require considerable strengthening. The FSC is currently preparing key legislation with respect to securities, collective investment schemes (CIS), and market intermediaries. Completion of this legislative agenda is critical in addressing existing deficiencies and gaps in the legal and regulatory framework. One of the most important gaps is the absence of legislation governing CIS, despite the existence of a sizeable domestic and offshore mutual fund industry. The FSC has imposed licensing and reporting requirements in the absence of legislation, but these requirements need to be backed by legislation which addresses important issues such as the segregation of funds, disclosure of investments, calculation of investor interest and net asset value, competency of managers and directors, and separation of functions within the CIS framework. It is also important that the FSC undertakes a comprehensive on-site inspection programme of all licensed entities in the securities industry.

Banks and financial institutions enjoy strong and enforceable creditor rights, but the legal framework governing corporate insolvency needs to be updated. Nearly all corporate lending in Mauritius is done on a secured basis. Banks and financial institutions benefit from strong preferential rights with respect to security and fixed and floating charges, but enforcement procedures are often slow and inefficient. The legal framework for corporate insolvency is outmoded, and is oriented almost exclusively towards liquidation. The authorities are working on a new law which will address weaknesses and incorporate recommendations made by the World Bank after its assessment of insolvency and creditor rights systems in Mauritius.

The legal and institutional framework on anti-money laundering and combating the financing of terrorism (AML/CFT) in Mauritius is, broadly, in line with FATF 40+8. The Mauritian authorities have demonstrated strong political will and commitment to meeting international standards, and have made significant progress in establishing a comprehensive AML/CFT regime in recent years. The Mauritian government passed the Economic Crime and Anti-Money Laundering Act (ECAML) in June 2000. Further efforts by the Mauritian government to improve the country's legal and institutional framework have resulted in the enactment of major legislation, including the Dangerous Drug Act 2000, the Financial Services Development Act 2001, the Prevention of Corruption Act 2002, the Prevention of Terrorism Act 2002, and the Financial Intelligence and the Anti-Money Laundering Act 2002, which replaced the ECAML. The FIU was recently admitted to the Egmont Group. While certain deficiencies in the legal and regulatory framework were noted in the assessment conducted in December, 2002, the authorities have acted promptly and decisively to address them. Technical assistance has been provided, and amendments to existing legislation, as well as new regulations and guidelines have been promulgated to strengthen customer due diligence requirements, facilitate the exchange of information, and clear certain ambiguities in the legal framework. Further work is recommended to improve the coordination of law enforcement efforts, and to expand the scope and focus of AML/CFT reviews during on-site inspections in line with the new Guidance Notes and Codes. In line with these recommendations, the BOM has recently issued new guidelines for supervisors, and the authorities have formed a task force to strengthen the coordination of law enforcement agencies.

4 Trade Policies and Their Implications for Deepening Regional Integration in the SADC

External trade is yet another sector which is directly related to the SADC criteria for convergence and regional integration. To reiterate about the MOU, specific criteria have been laid down with respect to external trade performance and the direction towards which policies have to be oriented. To achieve current account deficits within a given range, that is, 9% of GDP by 2008 and to ensure that external reserves are at least equivalent to 3 months of imports, the SADC Member States have to implement bold internal as well as external policies promptly. However, this may not be an easy task given that the member states are involved in several other trading blocks and trade arrangements with non-SADC partners. The specific case of Mauritius is not different from any other SADC Member States, especially when its trade preferences are gradually phasing out, after having enormously contributed to the high growth performance of the economy. Hence, this chapter attempts to track these developments and the various challenges ahead while integration deepens in the SADC.

Following unsuccessful attempts to focus on import substitution policies in Mauritius, the deteriorating economic situation required new orientations. The first attempt to develop the Export Processing Zone in the 1970s did not achieve its objectives. The economic situation further worsened and forced Mauritius to embark on a structural adjustment programme in which a number of measures followed, such as the adoption of exchange rate policies, restrictive credit and monetary policies, reduction of fiscal deficits, reduction in consumer prices, wage restraints and also liberal trade policies. The economic success of these measures was visible in the 1980s and was the start of a gradual economic process, particularly trade liberalisation, which continues to evolve till to date.

Trade policy reforms since the 1980s have led to the elimination of a wide range of non-tariff barriers such as trade licences which aimed at facilitating trade and also support the EPZ sector. Various instruments such as exemption schemes were designed to boost the export sector. Mauritius has also made significant efforts in reducing customs duties over the years. A major tariff reduction programme was implemented in 1994 where the tariff structure, which consisted of 60 different tariff rates, was reduced to only 8 rates. The maximum MFN customs tariff was reduced from 600% to 80%. In fact, 4,400 products were subject to a significant tariff reduction in 1994. Tariff bands were significantly reduced to 8 different rates ranging from 0% to 80% (0-5-15-20-30-40-55-80). Other tariffs and taxes of equivalent effect were combined into a single customs tariff.

Major decisions regarding tariff reductions are often made during budget speech exercises and the products concerned depend on the government's social and economic policies. In addition, claims are often made by various stakeholders to increase or reduce tariffs. However, the Minister of Finance who has the prerogative to do so can make modifications whenever there is a necessity. Based on the different modifications that have been made over the years in the tariff rates, Mauritius now has an 8 band tariff structure (0-10-15-20-30-40-55-65) with the maximum reaching 65%. Despite these significant reductions in the tariff rates, Mauritius has and continues to be is still considered as a high tariff country compared to other COMESA and SADC Member States.

Mauritius has been a member (and often the founding member) of various regional organisations such as the Indian Ocean Commission (IOC), the COMESA, SADC, IOR whose primary focus remains trade liberalisation. As a member of COMESA (since 1982) and the IOC (since 1984), Mauritius has been one of the first members to open its borders to members of the IOC and COMESA. Mauritius has also been one of first countries to implement the tariff reduction programme and also among the first to sign the Free-Trade Area in 2000.

Mauritius signed the SADC Protocol on Trade in 1996 and subsequently ratified it. Under this arrangement the country engaged itself in a tariff reduction programme whereby all tariffs were to be reduced to zero, with the exception of a few products which were to remain outside the liberalisation programme. An eight-year period is scheduled and allowed for tariff removal from the entry into force of the Protocol. Mauritius is also a member of WTO and has committed itself to various tariff and non-tariff measures within the context of the WTO.

The context in which trade policy reforms have been undertaken clearly indicates the Mauritian government's willingness to liberalise trade. Given its commitments to other regional groupings means that the framework for trade liberalisation measures had already been set before joining SADC. In a broader sense, the conditions required for joining another regional organisation such as SADC were already prevalent.

Although the general trade patterns between Mauritius and the regional countries (COMESA, IOC and SADC) have been minimal, trade with SADC has been relatively more important than the other regional groupings mainly due to high level of imports from South Africa. Imports from SADC countries represent 12% of total trade but export figures are rather on the lower side, 3% only.

However, the major threat to the Mauritian economy in the trade relationship with SADC has been imports from South Africa. Given the fact that more than 90% of the imports in SADC are dominated by South Africa, trade liberalisation poses a real threat to local manufacturing companies. This issue has been the main argument during trade negotiations under SADC for the Mauritian tariff reduction process.

Mauritius has nevertheless made significant progress regarding the implementation of the SADC trade protocol in terms of trade facilitation measures, especially in the tariff reductions (though still considered to be high compared to other members) and at the non-tariff barrier level.

4.1 Existing Multilateral Commitments of Mauritius

Owing to its geographic location and constraint by the scarcity of natural resources, Mauritius has favoured for many years unilateral, bilateral and multilateral partnerships. It has therefore developed multilateral trade through its membership with various regional and international multilateral organisations. Mauritius is a member of the following organisations: Indian Ocean Commission (IOC), COMESA, SADC, Cotonou Agreement, Indian Ocean Rim, and WTO. The economic success of Mauritius during the last 25 years has largely been associated with export-oriented activities (apparel, garments and sugar) and the services sector (tourism). Multilateral commitments have played a fundamental role in the economy. In fact, Mauritius has taken advantage of the Lomé Provisions which provided for duty free access of manufactured products into the European market. In addition, it has been active in the Eastern and Southern African region both in terms of export market and as a potential source of imports. It is thus not a coincidence that Mauritius has been a founding member in most of the regional organisations, namely the IOC, COMESA and the Indian Ocean Rim.

Being an active member in these organisations, Mauritius has committed itself to implement free trade policies in the region. For Mauritian decision makers, regional integration has always been considered as an instrument to achieve further economic development, diversify its export-base and as a stepping-stone to international competition. The Mauritian Government has always favoured the idea that regional integration increases market size, even if it represents the integration of small economies. In addition to economic gains, Mauritius has also been using regional integration organisations as platforms for ongoing international negotiations at the WTO and EPA levels.

Mauritius is one of the few countries in the region that has been closely monitoring the regional integration process and has been involved in the setting up of the trade regimes through a dynamic partnership between the public and the private sector. The following paragraphs briefly reviews existing Multilateral Commitments of Mauritius to regional and international organisations.

4.1.1 Southern African Development Community (SADC)

Mauritius became a member of SADC in 1995 and has been quite active on trade issues. The SADC Protocol on Trade was signed in August 1996 by eleven Member States, including Mauritius. It became operational in 2000 and involves a reduction to 85% of the Mauritian tariffs by 2008 and to 100% by 2012. In broad terms, the protocol sets the parameters for a Free Trade Area between its members within a period of 8 years from its entry into force. One specific element of the protocol is that it allows for asymmetry in the establishment of the FTA, in order to reflect the imbalances in strengths of the different economies.

One of the strong points of the SADC trade protocol is the negotiation with South Africa which is both a dominant player and a threat to Mauritius. Under the trade protocol, a mid-term review will be carried out to assess progress achieved in the implementation of the SADC Protocol on all trade-related aspects. This concerns mainly the status of tariff phase-down; the implications of the SADC Rules of Origin; and the scope of non-tariff barriers to trade. The review also provides a comprehensive analysis on the impact of trade liberalisation on intraregional trade.

4.1.2 Common Market for Eastern and Southern Africa (COMESA)

Mauritius became a member of that organisation right from the start when it was still known as the PTA. With a market of about 221 million inhabitants in 20 countries, COMESA is one of the largest economic groupings in this part of the world. The idea behind setting up such an institution was to be able to solve, through regional co-operation, emerging problems such as poverty, lack of infrastructure and commercial and industrial development in African countries that had just become independent.

The mid-term objective of this organisation is the establishment of a common market and, in the longer run, the establishment of the Economic Community for Eastern and Southern Africa which would entail the free movement of goods and services, people and capital, attainment of economic recovery and sustainable growth through market integration.

Mauritius has benefited to some extent from this membership due to the tariff reduction programme since 2000, when she joined the PTA. Under the tariff phasing out programme, the trade level between Mauritius and COMESA countries has increased significantly. In 1986, exports to COMESA amounted to USD 0.8 million and this increased to over USD 120 million in 2004. An increasing variety of products has been exported over the years. Taking advantage of the duty free access to COMESA markets, some enterprises tailor-made their operations to benefit from this advantage based on the rules of origin criteria. In some cases this set up was quite fragile as any fluctuation of the US Dollar affected entire productions. This was in fact a reality for a number of enterprises during the Asian financial crisis.

Despite an increase in the export figures, with the exception of a boost in trade with Madagascar, trade relationships with COMESA have been marginal compared to total trade in Mauritius (6% of total trade). These commitments have not had tremendous impact on the macroeconomic stability of the country. They have however contributed to a small extent in terms of value added employment creation and balance of payments. Trade with COMESA has enabled some enterprises, especially the SMEs, to strengthen export competitiveness, to promote market and product diversification. Activities in the Freeport sector have also been quite significant on the COMESA market.

One of the major threats, however, has been the imports from Egypt. Negotiations with Egyptian authorities, under close collaboration with the COMESA Secretariat, had to be undertaken so that temporary measures could be put in place. These consisted of derogations in maintaining tariffs on products which were affecting the local manufacturing industry.

Regarding the Customs Union of the COMESA to which Mauritius is a signatory, a recent study carried out by Imani indicated that an "anticipated increase in trade as a result of the COMESA Customs Union should lead to changes in trade patterns and prices. The Customs Union should lead to improved trade facilitation within the region, lower transaction costs and greater efficiency. The ability to source inputs more efficiently should enhance competitiveness within Mauritius". The study also pointed out that "given that tariffs will generally be lower under the CET, there will again be greater potential for increased competitiveness of industry".

The study report also pointed out that being an island, Mauritius "will not however be competitive in a wide range of manufacturing industries," but "have potential for enhanced competitiveness in certain industries and in particular in the services sector." The argument is that with the concentration and mobilisation of capital in specific areas, it "could have positive effects on income and investment: increased exports of goods and services would result in revenue gains to the country, while imports would be cheaper."

In conclusion, the study indicated that "Mauritius is well positioned to develop a market niche for itself in areas such as developing its potential as a distribution centre for the COMESA region in general but in the Indian Ocean countries in particular. It is also well positioned to offer its service industries to the COMESA region such as the financial and insurance sector as well as in Information and Communication Technology (ICT)."

4.1.3 Indian Ocean Commission

Mauritius has also been a founding member of the Indian Ocean Commission (IOC) which is a regional governmental organisation comprising Reunion, Mauritius, Madagascar, Comoros, and the Seychelles. The main objective of the IOC is to promote regional cooperation in economic development and to promote the free movement of goods, services, capital and human resources. Customs duties have already been removed on trade between Mauritius and Madagascar on a reciprocal basis provided origin requirements have been met. The Rules of Origin criteria are similar to those from COMESA. Even though Madagascar was also a member of COMESA, the trade liberalisation between island states represented a test case for larger integration. Apart from trade between Madagascar and Mauritius, trade with other country members has not developed as expected. Reunion, though part of this organisation, still trades under the Lomé provisions. Trade relationships between Mauritius and Madagascar have developed as a result of delocalisation of textile companies. This can be observed in the type of products traded between these two countries.

4.1.4 Cotonou Agreement

Mauritius, being an ACP member, is part of the Cotonou Agreement (previously known as the Lomé Agreement). This agreement has played a key role in the economic development of the country. The sugar sector has been the first to benefit from the Lomé

Provisions with preferential prices given to the Mauritian sugar on the EU market. The development of the garments industry in the 1980s with duty free access to the EU market, has been instrumental in the economic success of Mauritius.

Economic progress, under the Lomé and Cotonou Agreements, has brought fundamental changes in the macroeconomic situation of the country. With a combination of factors, including the World Bank and IMF structural adjustment programme coupled with various investment promotion missions, the economy experienced significant growth due to foreign direct investment, particularly in the EPZ sector. This situation spurred investment in the EPZ sector from a number of Mauritian companies. On a parallel basis, heavy investments were also made in the tourism sector. During the same development period (1983-1993) unemployment, situation which was at 20%, was reversed into quasi-full employment. Some companies even had to import labour in the 1990s. Annual growth in GDP averaged nearly 6% with developments arising from both the manufacturing and the tourism sector. The financial sector which grew side by side as a support sector to the sugar industry, EPZ manufacturing and the tourism industry emerged as the fourth pillar of the economy.

Unfortunately, this situation could not last indefinitely. Globalisation and trade liberalisation have set new parameters for the world economy. Small economies, especially island states such as Mauritius, are the most vulnerable. In this new environment, the relationship between ACP states and the EU is bound to change fundamentally given that the agreement will be replaced by a series of Economic Partnership Agreements (EPAs) in 2008. The EPA will change the nature of the existing relationship from non-reciprocal trade preferences for ACP member states to region-to-region based trade and investment agreements.

Despite alarming signals, the impact of globalisation and phasing out of the preferences under the Lomé trade provisions, the economic sectors which were highly dependent on them are at stake. No specific strategies have been developed except for a few. Sugar exports to the EU are facing a 36% cut on their prices, which is a severe blow to that sector. The apparel sector has already started to face competition from the competing countries and the closing down of a number of factories leading to a rise in the levels of unemployment are clear signals of economic decline. One of the major problems is that despite various debates on this subject and also attempts to develop alternative strategies, there are no clear-cut directions. Only recently, few ideas have been launched and are being developed.

4.1.5 African Growth and Opportunities Act (AGOA)

The African Growth and Opportunities Act is a non-reciprocal grant by the US Government to 38 qualifying Sub-Saharan African countries, giving duty and quota free access to the US market for exports from these nations of which Mauritius is a qualifying country. The Act covers around 90% of all the products in the HS system, and has just been extended from the original deadline of 2008 to 2015 for qualifying countries. Under this scheme, Mauritius is able to export almost all manufactures goods from the country to the US on duty-free basis. Quotas apply to certain textile and clothing products, as do strict rules of origin. However, due to the stringent requirements of the US clients, this opportunity has not been fully exploited.

4.1.6 Implications of Overlaps For The Integration Processes In SADC

The issue of overlap does not pose major problems for the time being with other regional memberships apart from the fact that there are a number of duplications between SADC, COMESA and IOC schemes. These duplications lead to more time spent in meetings, and negotiations, double use of human resources and are costly both for the Government and the private sector. However, during trading activities, traders will obviously opt for the most beneficial trade regime which will help them to get goods at more competitive prices or goods which allow them to make higher mark ups. The only problem will arise when Mauritius will have to choose to be part of one customs union (which is planned by both COMESA and SADC). By definition, a country cannot have two common external tariffs and therefore at some point in time Mauritius will have to make a choice.

4.2 How Membership in SADC Influences Mauritius's Macroeconomic Policy Framework

Mauritius became a member of the SADC in 1995 and was one of the first country to sign and implement the SADC Protocol. Despite the fact that the membership implied various agreements in different sectors it was obvious that the main impact on the macro economic policy due to the trade protocol. The main threats associated with the trade protocols have been impacts on government revenue and on effective protection for domestic industry due to the lowering and eventual removal of tariffs on imports from SADC countries. Other possible effects were positive aspects on consumers through lowering of prices on products imported mainly from South Africa.

In anticipating these effects, the Government of Mauritius commissioned a study in 1999.[1] Although the study was carried out quite some time back, the arguments put forward by the consultants are still relevant. The study, undertaken by Imani Development, indicated that the SADC Protocol will have "very significant impacts, both on government revenue and on domestic industry." Given the fact that South Africa is a net exporter to Mauritius, the "Government will lose a substantial amount of revenue due to the proposed SADC free trade agreement when it is fully implemented". According to the consultants "calculations undertaken in this study indicate that Mauritius could lose between 22% and 33% (depending on elasticity assumptions) of what its customs revenues would have been in the absence of the FTA (based on 1997 data, with no projections or estimates for increased trade flows). The additional revenue loss due to the reduction in the VAT base is almost negligible at around 0.4% of customs revenue collection".

The report also advised that Mauritius should start budgeting for the decrease in revenue, so as to avoid a fiscal crisis at a later stage. The consultants also mentioned that "Mauritius will have a breathing space up to Year 3, as the first round of reductions is likely to be in chapters where there is little or no trade, or very low duty tariffs". The study also pointed out that some of the products which could have been revenue- sensitive, such as mineral fuels and oils, would "account

[1] Study on the implications of tariff reductions in Mauritius in the context of the WTO and SADC, Jan 1999.

for almost half of the anticipated total revenue loss, allowing for trade diversion potential with unitary elasticity of demand". Given the magnitude of the revenue effect, it was suggested that "no other product category comes anywhere near this level in terms of significance". Other sensitive categories would be:

- Other motor vehicles;
- Iron and steel;
- Beverages, spirits and vinegar;
- Electrical machinery;
- Articles of iron or steel;
- Vegetable preparations;
- Plastics and plastic products;
- Cocoa and cocoa preparations;
- Other edible preparations;
- Rubber and articles thereof;
- Other machinery;
- Soaps and washing preparations;
- Essential oils perfumery.

The study indicated that this product group would account for a further 30% of the projected revenue loss under the trade diversion scenario.

Furthermore, concerning fiscal matters, the study points out that; "abiding to the SADC protocol would have had significant impacts especially regarding reduction of the fiscal revenue. The Government would therefore have to adopt measures such as broadening the tax base, increase the VAT and reduce government expenditure". These measures were however not specific to SADC but also in line with the other regional trade liberalisation policies like these under COMESA and the IOC. However, given that the import level is less significant with respect to the IOC and COMESA, the effect would be less.

Other issues such as those of employment losses will also have to be addressed. One of the conclusions of the report was that Mauritius has to attract investment in businesses that can survive without high levels of protection. This could well include service industries and education-based industries where Mauritius has a comparative advantage. Government should also encourage investment by the Mauritian business community, especially in labour-intensive industries, and in regional markets where production costs are lower. Mechanisms such as the recently introduced tax incentives for such regional investments are steps in the right direction.

Due to the fact that Mauritius is also a member of COMESA and that discussions have been going on regarding the COMESA's Common External Tariff, further studies have been carried out to measure the impact. One new element which came up in early 2005 is that Mauritian manufacturers who were quite reluctant to reduce the level of protection have now agreed to bring down customs tariff to a maximum of 40% for most locally manufactured products. This represents a significant step for the Mauritian manufacturers in the liberalisation and regional integration process. It also shows that they are conscious of the threats facing them and are prepared to adapt to the environment.

To summarise, the Mauritian economy is already on a liberalisation path and has committed itself to different regional trade liberalisation regimes. Provisions under one single multilateral trade regime are therefore not influencing the Mauritian trade policy. The SADC trade protocol obviously has contributed to the current shape of the economic scene, especially enterprises producing for the domestic market. The influence has also been from general globalisation trends.

4.3 Analysis of the Trade Policies

The Ministry of Foreign Affairs and International Trade carries out trade policy formulation in Mauritius in collaboration with other key ministries such as Finance, Industry, Economic Development, Health and Agriculture. Having developed a consultative process over the years, the formulation of most trade policies involves talks with various stakeholders from the private and civil society. Ad hoc committees are set up to discuss specific issues. Major policy decisions are taken during the presentation of the budget and this exercise invites consultations from all relevant stakeholders before government takes any decision. The Government also regularly meets the private sector through the Joint Economic Council which is the umbrella organisation for other main sectoral organisations within the private sector. However, the Mauritius Chamber of Commerce is the main private sector counterpart for regular consultation with the Government regarding trade issues.

The philosophy behind the formulation of the trade policy in Mauritius is to enable foreign trade to develop in a liberal economic environment. The Government has been striving to implement appropriate macroeconomic policies which would encourage healthy economic growth, full-employment, reasonable inflation, with trade and investment promotion playing an important role.

Given the fact that Mauritius has been a member of a number of regional organisations and has played a dynamic role in all of them, the national trade policy is not tinted by a specific SADC colour as such. It is part of a more holistic trade liberalisation approach which took into account aspects related to the WTO, Cotonou, COMESA and IOC. In the case of SADC trade regime, intense negotiations were carried out during the TNF meetings before Mauritius came up with a satisfactory tariff reduction programme. Even though Mauritius was one of the first to sign the trade protocol, the position adopted was protective towards the local industry. South Africa being the largest supplier to Mauritius poses a significant threat to the local industry. Despite the recent drop in the tariff rates for a number of products, Mauritius is still considered to be a country with a higher tariff policy than countries in the region. The contradiction is that despite the fact that impact studies were carried out as early as one year before the implementation of the SADC trade protocol, few local industries have felt, since that time, the need to adapt themselves to the possible threats. The recent move of the Mauritian private sector to accept reducing the maximum tariff, after thorough analysis of the problem, is commendable. Nevertheless, some high tariffs have still been maintained for the so-called sensitive areas.

4.4 Trade Facilitation Initiatives

Over and above the actual tariff reduction programmes, Mauritius has made significant progress on the Non-Tariff-Barriers (NTBs). A recent survey carried out by Imani on NTBs in SADC countries with operators as well as the authorities indicated that almost no barriers existed as far as export activities are concerned. Discussions from the Mauritius Customs and Excise Departments and the Mauritius Chamber of Commerce and Industry indicated that apart from the above, there are almost no reported cases of NTBs. Apart from the usual phytosanitary regulations and a list of dangerous products, trade procedures are fairly straightforward. The services at the Customs Department have been improved and seem to be appreciated by traders. The relatively new electronic bill processing system has reduced administrative delays. Despite few administrative delays (due to lack of proper documents), the importation of the liberalised items is not considered to be a non-tariff barrier. Regarding items which require import licenses, operators indicate that it does take longer to get import licenses. For regular operators these licences, especially the phytosanitary (of the health) certificates, have become a routine exercise. For the most commonly traded products from SADC countries such as diamonds, fuel, fruits, seafood, live animals, pharmaceuticals, pesticides, food items and food preparations, fresh or frozen meat, operators do not see the requirement for permits as a hindrance.

However, there have been some complaints about some procedures prevailing in the exporting countries. One of the most common problems that have been brought up by operators concerns the signatures on the SADC Certificates of Origin. The Mauritius Chamber of Commerce and the relevant ministries have raised this main issue. This problem does not constitute a non-tariff barrier as such but the procedure itself is at stake. At the time of issuing the certificate of origin, the specimen signatures do not match those provided by the trade protocol. Unless a bank security is provided, this leads to delays and charges due to non-clearance of the goods by the Mauritian customs. Some operators claimed that there was no benefit in importing the products under the SADC trade regime. In some cases operators indicated that the duty to be paid is marginal and, compared to costs related to problems caused by signatures, they prefer paying the duties.

Regarding a few other products such as tea and potatoes, some operators feel that the imports have to be liberalised. Tea importers feel that the local production of tea is no longer profitable and is being kept alive due to lobbies from local growers and manufacturers. It has been quite a number of years now that Government has been encouraging the conversion of land under tea into that of sugarcane. According to importers, tea from the region would be of better quality for the same price. However, if this happens, tea would probably come from Malawi or Zimbabwe and use COMESA or SADC Rules of Origin. Given the patterns of trade between Mauritius and South Africa, a large number of the imported products are already zero-rated, which implies that the SADC trade protocol does not have a significant impact, at least on the import side.

4.5 Government Actions Needed

Despite the fact that there are a few measures which regulate external trade, Mauritius is considered to be a liberalised trading hub. The government has always favoured regional trade liberalisation to such an extent that in some cases it has had to fall back on its original position. Reference here is made to the COMESA Free Trade Area where some imports from Egypt had severe impact on a few local manufacturers.

Mauritius, being a small island and vulnerable to diseases, the import restrictions especially on phytosanitary and veterinary products can be justified. On the manufacturing side, the size of the local market of 1.2 million people is small enough for imported products to have a strong impact on local production.

However, as indicated by some operators, there are very few sectors that are being sustained because of lobbies from few operators. The restriction on the importation of tea is one of them. It is a well developed industry and has an appeal as a local product especially for the tourist market. However there is a percentage of imported tea that is used for the blending. Some importers indicated that for the benefit of local consumers, this sector should be liberalised.

Regarding potatoes and other vegetables, the situation is more flexible and the Government authorises the importation of these products whenever there is a shortage on the market.

The other area where Government action is required is at the excise duties level. The discrepancies regarding excise duties which still exist between locally manufactured goods and the imported ones has yet to be corrected.

Concerning monopolies, where the state has control on the importation of certain products such as petroleum and oil, they are still considered to be of strategic importance. The Government fears that liberalisation of these products might be detrimental to local consumers. Once again, the small size of the market could restrict market forces to determine appropriate prices.

4.6 Trade Flow Analysis of Mauritius

4.6.1 External Trade

Over the last five years, total import figures indicate a continuous growth from USD 1.96 billion in 2000 to USD 2.76 billion in 2004. The growth rate was 13%, higher than that of 2003. Exports have also been increasing from USD 1.37 billion to USD 1.59 billion in 2004, but with a slower growth of only 2% compared to 7% in 2003.

The main destination for Mauritius exports is Europe which represents 67% of the market with the United Kingdom (33%) and France (17%) as the main markets (Table 14). The dominant export products are raw sugar and apparel. The USA represents the second biggest market after Europe with 15% of the total Mauritian exports, consisting mainly of apparel and other manufactured goods. In the African region which absorbs 12% of the exports, almost 50% of the goods go to Madagascar (5%) followed by Reunion island (3%). In the case of Madagascar, a large percentage of the exports is actually transfers between sister companies in the textile apparel sectors where semi finished products are traded. In the case of Reunion Island (EU Zone), it is mainly apparel which benefits from duty free access. On the African continent, only South Africa represents an important market but yet small (1% in 2004) compared to other destinations. Exports to Asia are relatively negligible. Despite the fact that efforts have been made to reduce trade barriers in the SADC region, exports to that area are still not very developed. Few companies have developed niche markets which are continuously being threatened by South East Asian exports despite low duties. Through the freeport, there are sizeable export activities to Eastern and southern Africa but they concern mainly re-exports.

Table 14: Exports from Mauritius in 2003 and 2004

	2003 USD m	%	2004 USD m	%
Europe	1,214	64.9%	1,277	66.8%
France	345	18.4%	328	17.2%
Germany	56	3.0%	46	2.4%
Italy	70	3.7%	78	4.1%
United Kingdom	584	31.2%	632	33.1%
Asia	68	3.6%	99	5.2%
India	6	0.3%	18	0.9%
Japan	17	0.9%	16	0.8%
Singapore	12	0.6%	5	0.3%
Africa	246	13.2%	234	12.2%
Republic of Malagasy,	117	6.2%	97	5.1%
Reunion	55	2.9%	54	2.8%
Seychelles	10	0.5%	12	0.6%
Republic of South Africa,	28	1.5%	28	1.5%
America	335	17.9%	293	15.3%
U.S.A.	322	17.2%	283	14.8%
Oceania	7	0.4%	8	0.4%

Source: Central Statistical Office, Mauritius

Imports into Mauritius are dominated by European and Asian countries (Table 15). France used to be the largest exporter into Mauritius but during the last 10 years it has been overtaken by South Africa. Other major European suppliers are Germany, Italy and the UK. Asian main suppliers are China and India. The USA has only 2.3% of the market share whereas Australia has 4.7% (being a major supplier of dairy products).

Being an island with limited resources, Mauritius has to import virtually everything, from fuel to food. In 2004, food and animal items accounted for 16% of the import bill. Mineral and fuel represented 13%, chemical products 8%, and manufactured goods (comprising a variety of different articles) amounted to 26% of total imports and machinery (with road vehicles as the main imports) accounted for 24%. Apart from South Africa which is a major regional supplier, the rest of the SADC countries have a marginal market share. The main reason is the cost of transport which is also related to small volume and the landlocked situation of the country. Competition and quality of products from Europe and China tend to outrun products from the SADC region.

Table 15: Imports to Mauritius in 2003 and 2004

	2003 (USD m)	%	2004 (USD m)	%
Europe	727	30.1%	789	28.6%
France	288	11.9%	247	8.9%
Germany	79	3.3%	103	3.7%
Italy	77	3.2%	88	3.2%
Spain	40	1.7%	53	1.9%
United Kingdom	80	3.3%	86	3.1%
Asia	1,044	43.2%	1,287	46.6%
Bahrain	94	3.9%	145	5.3%
China	203	8.4%	255	9.2%
India	199	8.2%	252	9.1%
Indonesia	42	1.7%	56	2.0%
Japan	85	3.5%	112	4.0%
Malaysia	74	3.1%	82	3.0%
Africa	420	17.4%	426	15.4%
Malagasy, Republic of	52	2.1%	34	1.2%
South Africa, Republic of	296	12.2%	309	11.2%
America	123	5.1%	126	4.6%
Argentina	27	1.1%	33	1.2%
Brazil	11	0.5%	17	0.6%
U. S. A.	64	2.6%	63	2.3%
Oceania	104	4.3%	131	4.7%
Australia	79	3.3%	102	3.7%
New Zealand	20	0.8%	18	0.7%

Source: Central Statistical Office, Mauritius

4.6.2 Trade with SADC

The share of SADC trade compared to total trade has been stable for the last five years, averaging 9%. Imports from SADC reached USD 343 million in 2004, representing an 8% increase compared to 2003 import figures (Table 16). This can be explained by increases in imports from Mozambique, South Africa and Tanzania. Imports from SADC countries, account for a larger share of the total trade (averaging 94% of the total SADC trade). The main reason is that South Africa is the largest supplier (11.2%) of goods to Mauritius followed by France (9%). Total imports from SADC countries in Mauritius represented 12% of the total imports in 2004, a figure which has experienced a gradual drop since 2000 despite the fact that it has increased in USD terms. In fact imports from the rest of the world have increased more than these from SADC countries. Mauritian exports to SADC countries accounted for only 3% of the total exports in 2004. The export market share to SADC has doubled compared to 2003, but it is still low.

Table 16: Trade with SADC

	2000 Value (USD million)	2001 Value (USD million)	2002 Value (USD million)	2003 Value (USD million)	2004 Value (USD million)
Total Imports to Mauritius	1,959	1,903	2,182	2,418	2,760
% Change		-3%	15%	12%	13%
Total Exports from Mauritius	1,373	1,433	1,453	1,556	1,585
% Change		4%	1%	7%	2%
Imports from SADC	309	283	302	318	343
% Change		-9%	7%	5%	8%
As a % of total Imports	16%	15%	14%	13%	12%
Exports to SADC	16	9	21	32	44
% Change		-41%	124%	56%	38%
As a % of total					
Exports	1%	1%	1%	2%	3%

Source: Calculated using data from Central Statistical Office, Mauritius

The main products imported from South Africa consist of items such as raw diamonds, steel products, live bovine animals, coal, motor vehicles, sugar, fuel oils, denim, and apples. Other SADC suppliers to Mauritius are Swaziland, Mozambique, Zambia and Zimbabwe. Together they account for 6.6% of the total import bill from SADC countries.

From Swaziland in 2003, the most important product was food preparations followed by fasteners which are inputs for the garments industry. Other items included lemon, confectionery and chocolate items. Mozambican exports consisted of very few items which included coal, cotton and wood products. Total imports amounted to USD 11 million in 2004 which is more than double compared to 2003. From Zambia, the products consist mainly of different types of yarn. Zimbabwean exports to Mauritius consisted of ham, cigarettes, disinfectants, surface washing preparations, pneumatic tyres and fruits.

There are a number of other items which are imported in relatively small quantities.

Table 17: Total Imports from SADC Countries 2000-2004

Country	2000 Value CIF (USD 000')	2001 Value CIF (USD 000')	2002 Value CIF (USD 000')	2003 Value CIF (USD 000')	2004 Value CIF (USD 000')
Angola	-	-	-	-	-
Botswana	12	100	536	114	283
Congo	236	743	711	342	1
Kingdom of Lesotho	-	-	3	2	486
Kingdom of Swaziland	5,570	7,354	7,863	8,014	7,970
Malawi	1,024	1,010	46	190	393
Mozambique	1,812	788	7,609	4,883	10,935
Namibia	255	273	539	394	767
South Africa	292,444	263,687	274,137	295,329	308,644
Tanzania	920	2,898	706	733	3,004
Zambia	178	2,093	7,394	5,793	8,207
Zimbabwe	6,689	3,746	2,507	2,419	2,485
Total Imports from SADC	**309,139**	**282,692**	**302,050**	**318,214**	**343,174**

Source: Central Statistical Office, Mauritius

4.6.3 Exports to SADC Countries

Exports to SADC countries have mostly been to a few countries, with South Africa as the predominant partner. Exports to South Africa have been averaging 58% during the last five years. Exports to other SADC markets have been relatively significant, with Tanzania, Zimbabwe and Zambia as consistent ones. In the case of Zambia and Zimbabwe, most of the operators with these countries claim that trade is carried out under the COMESA free trade agreement due to more advantageous tariffs.

In terms of the exported products, trade statistics in 2004 indicate that for Mozambique the main items include cotton fabrics, garments, labels, chemicals and printed material.

Exports to South Africa include worked diamonds (probably those which have been imported in their raw form and polished in Mauritius) which constitute by far the largest exported item (51%) from Mauritius. Other items include denim, garments (T-Shirts, trousers, blouses) and fabrics.

Varied products are exported to Tanzania and the main one exported in 2004 was printed books. Other items include magnetic tapes, inorganic metallic oxides, wool wastes and canned tuna. Mauritian exports to Zambia include, flour, printed books, iron steel tubes and canned tuna, whereas exports to Zimbabwe include denim, cotton fabrics, printed books and garments (T- shirts, men/boys trousers, baby wear) and towels.

Table 18: Total Exports to SADC Countries 2000-2004

Countries	2000 Value FOB (USD, 000')	2001 Value FOB (USD, 000')	2002 Value FOB (USD, 000')	2003 Value FOB (USD, 000')	2004 Value FOB (USD, 000')
Angola	-	3	56	-	995
Botswana	61	303	59	205	657
Congo	15	28	74	4,184	-
Kingdom of Lesotho	510	-	6	57	205
Kingdom of Swaziland	-	9	-	-	16
Malawi	1,171	2	228	232	3,279
Mozambique	568	565	462	887	456
Namibia	5	2	7	10	171
South Africa	5,773	11,800	14,146	21,420	27,911
Tanzania	2,124	2,161	1,469	1,720	5,825
Zambia	129	263	412	958	1,150
Zimbabwe	5,318	5,842	3,710	2,424	3,493
Total Exports to SADC	15,673	20,973	20,573	32,096	44,158

Source: Central Statistical Office, Mauritius

4.7 Impact of WTO

Mauritius signed the Marrakech Agreement in 1994 and thereby committed itself to various tariff and non-tariff measures within the context of the WTO. In line with WTO agreements, Mauritius has bound all of its agricultural products at a maximum tariff. However, these bound rates in addition to the applied tariffs applicable to scheduled countries are all above the existing rates.

Under the WTO obligations, tariff reductions have obviously an impact on the domestic industry. Since last year, significant efforts have been made by the local manufacturers to have the tariffs reduced.

The other effects of the WTO obligations are related to the removal of the Multi-Fibre Arrangement. These have already shown their impact with the gradual closure of garments factories in Mauritius. The levels of preference have been eroded in the context of the WTO and the benefits obtained from the exemption of quotas in the major textile markets, especially in Europe due to the Lomé Convention, are no longer applicable. Competition from South East Asian producers has started to show visible signs. Lower wages will enable countries like China, Bangladesh and Vietnam to compete more significantly.

In agriculture, the major threat has already been confirmed with the recent announcement of a 36% drop in the guaranteed sugar prices on the EU market. The majority of Mauritian sugar is exported to the EU at guaranteed prices. These prices were dependent on domestic prices in the EU, which have recently come down as a result of the changes brought in by the WTO agreements, as well as reduction in protectionism. Despite various lobbies and arguments about including sugar in the sensitive list of products during the next WTO negotiations round, the future of the sugar industry is at stake. The commitments taken under the WTO obligations are therefore more likely to affect trade relations and the Mauritian economy in general, particularly threatening employment levels and social stability.

At the forthcoming WTO meeting, faced with the various threats, Mauritius will be putting forward arguments related to the vulnerability of being small. These arguments are based on the fact that small economies have in fact limited domestic markets, over dependence on few export products, threats of natural disasters, high and uncompetitive costs, difficulty in attracting foreign investments, difficulty in accessing new export markets, lack of adequate production infrastructure and high transport costs. Mauritius also forms part of countries which are squeezed between developed countries who are in favour of liberalisation but still have strong positions about protecting their markets mainly in the agricultural sector (EU and the US) and the large developing countries (G20) such as China, Brazil and India who are planning to open up agricultural markets. An agreement between these two blocks would be fatal for the Mauritian economy. Despite initiatives being undertaken in the area of development under the Doha Round, very little progress has been achieved.

The commitments and threats represented under the WTO are quite significant compared to the possible losses under the SADC Trade protocol. The impact of trade liberalisation under SADC, and to some extent under COMESA, is in fact considered as a stepping-stone towards attaining the WTO commitments. It is in fact more of an economic transition situation that will be necessary to prepare for greater shocks on the economy.

5 Labour Market Trends and Challenges

An analysis of the labour market trends at country level is very pertinent while addressing regional integration because it encompasses human resource development, which has a direct bearing on long term economic performance, and issues related to productivity and competition. While failure to invest in people may constitute a threat to the growth rate of the economy, high wage costs coupled with low productivity may easily erode the competitive edge a country might be having in a particular commodity or sector.

From a Mauritian perspective, total labour force grew at an average annual rate of around 1.4% over the past four years and there are around 9,000 new entrants in the labour market each year. The total labour force increased to 549,600 at the end of June 2004 and is estimated at around 556,700 at the end of June 2005. Total employment grew from 485,900 in 2000 to 506,200 in 2005. The growth in employment has generally been following a downward trend from 1.3% in 2003 to 0.8% in 2004 and 0.3% in 2005. Most of the increase in employment was in small and medium enterprises as employment in large establishment fell consistently from 301,000 in 2001 to 291,400 in 2005. As a result, small and medium enterprises now account for 42% of total employment compared to 39% in 2001. Table 9 provides a consistent picture of the evolving trends in the labour market over the period 2000 to 2005.

The number of foreign workers has been on the decline during the past two years. From a peak of 19,121 in June 2003, the total number of foreign workers declined to 18,062 in June 2004 and 16,166 in June 2005. This is largely due to the contraction in employment in the EPZ sector, which employs most of the foreign workers.

Table 19: Labour Force, Employment and Unemployment – End June (2000's)

	2000	2001	2002	2003	2004	2005
Labour Force	519.8	529.0	531.2	540.9	549.6	556.7
(of which) foreign workers	14.6	16.5	17.0	18.2	17.2	16.2
Unemployment	33.9	35.4	37.4	40.5	45.1	50.5
Unemployment Rate (%)	6.7	6.9	7.3	7.7	8.5	9.3
Total Employment	485.9	493.6	493.8	500.4	504.5	506.2
…-Growth (%)	1.6	0.0	1.3	0.8	0.3	
Employment by gender - Male	323.2	326.4	328.6	332.4	336.9	337.7
- Female	162.7	167.2	165.2	168.0	167.6	168.5
Employment by size of establishment - Large	297.7	301.0	296.2	295.9	292.3	291.4
- Other than Large	188.2	192.6	197.6	204.5	212.2	214.8

Source: Central Statistical Office

5.1 Sectoral Changes in Employment

The sectoral decomposition of employment clearly reveals the changing trends in the employment structure as the economic diversification and re- structuring take place. Table 20 illustrates these trends.

Table 20: Sectoral Composition of Employment (in 000s)

Sector	Year		
	2000	2001	2002
Primary:	57.1	29.4	48.2
Sugar cane	29.4	21.6	19.9
Secondary:	187.7	142	89.8
Manufacturing	142	139.5	134.8
EPZ	89.9	85.7	80
Energy	2.9	3.1	3
Construction	42.8	44.1	45.7
Tertiary:	238.8	255.2	264.9
Trade, Restaurants and Hotels Transport, Storage and Communication	86.4	92.8	96.7
Financial Sector	30.8	33.4	34.6
Services	21.4	21.8	22.5

Source: CSO (2004)

One can easily discern the evolving changes in the different macroeconomic sectors of Mauritius as diversification sets in and, more importantly, as the structure of the economy undergoes change. To cite an example, it can be observed employment levels have been systematically declining in the primary sector and more particularly in the sugar sector. The latter has fallen in both absolute and relative terms. This could be attributed to the ultimate phasing out of the sugar protocol which has benefited the Mauritian economy for quite a few decades. The sugar sector is cutting down its labour inputs in an attempt to reduce production costs and to re-engineer its production function from generating sugar to ethanol as a local source of energy.

The declining trend in the manufacturing sector is basically due to the decrease in employment in the EPZ sector. The latter is losing its competitive edge due to high labour costs and low productivity registered in recent years. The decline in FDI in this sector and the delocalisation of firms also lends support to this finding. However, contrary to the trends observed in the primary and secondary sectors of production, employment levels have been systematically increasing in the tertiary sector. All sub-categories within this sector have experienced an increase in employment levels, albeit much more pronounced in the services sector.

Thus, as it has been argued above, employment trends are largely driven by the structural changes characterising the economy which are in turn dictated by the evolution of the world economy and the ever-increasing emphasis on trade liberalisation. These trends also corroborate with the fact that the services sector, in particular the financial services, is becoming increasingly important for the employment sector and the macroeconomy in general.

5.2 Wage Bargaining and Inflation Adjustments

The determination of wage rates in Mauritius is based on a tripartite system involving employees, trade unions and the Government. Annually, wages and salaries in the public sector are adjusted in line with inflation through what is known as the COLA (Cost and Living Allowance). The adjusted figure is again subjected to various discussions and bargain. Furthermore, in the public sector, there exists a system known as the Pay Research Bureau (PRB) which every five years submits a report on wages and salaries and working conditions of civil servants as well as parastatal organisations. This report makes recommendations for adjusting pecuniary and non-pecuniary benefits in line with structural changes of the economy, labour market changes, evolution of the world economy and private sector challenges. On the other hand, the National Remuneration Board (NRB) is the main body that performs these duties in the context of the private sector.

5.3 Average Monthly Earnings

Table 21 illustrates the average monthly earnings in the various sectors of the economy and does provide additional insights through the sectoral changes within and across sectors and time. While all sectors and sub-sectors have experienced an increase in the average monthly earnings, it is a fact that they are far higher in the tertiary sector, and more precisely in financial intermediation. Within the secondary sector, the highest average earnings occur in the energy sub-sector, followed by Construction.

Table 21: Composition of Average Monthly Earnings (in Rupees) by Sectors

Sector	Year		
	2000	**2001**	**2002**
Primary:	6,585	7,940	8,707
Sugar cane	6,159	7,386	8,303
Secondary:	6,131	6,821	7,437
Manufacturing	5,544	7,940	8,707
EPZ	4,774	5,323	5,684
Energy	13,515	17,518	18,987
Construction	8,746	9,280	10,153
Tertiary:	10,425	11,243	11,817
Trade, Restaurants and Hotels			
Transport, Storage and Communication	8,562	9,394	9,804
Financial Sector	12,224	10,328	11,243
Services	11,491	12,777	13,716
	10,328	11,061	11,576
All Sectors	8,178	9,159	9,845

Source: CSO (2004)

By all standards, the average earnings in each sub-category of the tertiary sector offset those of either the primary or secondary sector. This could be explained by the surge in demand for tertiary sector skills which have not yet been matched by the supply of such skills. The latter would require a long period of apprenticeship, costly training and, very often, special aptitudes. Hence, it can be seen that in the tertiary sector there have been both rising employment levels and average monthly earnings.

5.4 Unemployment

In this sub-section, special attention is given to unemployment as it is an economic evil that could have serious economic, social and political implications. A trend analysis is carried out taking gender into consideration and the subsequent measures adopted to combat this problem.

5.4.1 Trends

The unemployment rate maintained its upward trend, reaching 9.3% in June 2005 (of 8.5% in 2004), representing some 50,500 unemployed. Male unemployment rate climbed to 6.1% (5.8% in 2004) while female unemployment rate increased to 15.3% (13.5% in 2004). Besides, it is evident that the proportion of people being unemployed is increasing rapidly among women. The number of unemployed women in absolute terms nearly doubled between 2000 and 2005, and percentage-wise, it has gone up more than twice of its male counterpart.

Table 22: Unemployment, 1995–2005

Unemployment						
	Male		Female		All	
Year	Number ('000)	%	Number ('000)	%	Number ('000)	%
2000	18.0	5.4	15.9	9.4	33.9	6.7
2001	18.9	5.6	16.5	9.5	35.4	6.9
2002	18.3	5.4	19.1	11.0	37.4	7.3
2003	19.7	5.7	20.8	11.7	40.5	7.7
2004	20.3	5.8	24.8	13.5	45.1	8.5
2005	21.5	6.1	29.0	15.3	50.5	9.3

Source: Central Statistical Office

5.4.2 Measures Announced in the 2004/05 and 2005/06 Budgets to Help the Unemployed

Some of the measures to tackle skills mismatch and reduce unemployment taken in the Budget 2004/05 are:

- Rs 300 million for training of School Certificate (SC) (equivalent to standard 10) and Higher Secondary School (HSC) (equivalent to standard 12) holders and those who have not passed the CPE (standard 6) which include:
  - (a) Special training programmes have been earmarked in a number of areas including horticulture, livestock, plumbing and machinery.
  - (b) 600 graduates and diploma holders will be benefiting from the Skills Development Programme.
  - (c) Rs 45 million allocated to ICT training for SC and HSC holders. These include developing skills related to call centres and BPO activities. It is targeted to train some 5,000 SC and HSC holders over a period of 2 years.
  - (d) Rs 165 million for the IVTB (Industrial and Vocational Training Board).
  - (e) Special training in air conditioning and refrigeration and automotive trades, clothing and textiles, jewellery, repairs and maintenance of equipment.

Promotion of Entrepreneurship

- Setting up of a Support To Entrepreneurs Programme (STEP) to provide support each year to 5 selected high potential entrepreneurs. An investment grant of 50% of the project value, up to a maximum of Rs 500,000, will be offered to selected projects.
- Establishment within STEP of the Young Entrepreneurs Scheme targeting a selection of up to 100 young entrepreneurs. The package will consist of a grant of Rs 50,000 and a loan of Rs 50,000 with a grace period of 2 years on capital and interest to start up a business.

In the Budget 2005/06, new measures were announced to support the unemployed and to increase their employability. These included:

- The creation of a Workers Hardship Relief Scheme to give assistance to workers. Under that scheme, workers facing financial hardships in future due to closure of their enterprises will receive a one-off payment of Rs 6,000 to meet their subsistence expenses.
- A new training scheme intended for developing skilled manpower and increasing productivity in the EPZ is being introduced. Under this new scheme, 1,000 persons will be trained as machinists. Each trainee will receive a stipend of Rs 3,000 per month for the duration of the training.

6 Socioeconomic Achievements

In the context of social impact analysis, it is essential to remind ourselves that deep integration is the highest form of co-operation among Member States. Deep integration is a process that goes beyond a shallow form of co-operation in order to achieve equitable and sustainable development, and it depends heavily on the political commitment of Member States. In the case of Mauritius, the multiple memberships to regional structures such as COMESA, IOC and SADC illustrate quite well the complexities involved in developing a coherent regional policy. Although Mauritius is an active member of SADC, the Government opted to form part of the Eastern and Southern Africa configuration for the Economic Partnership negotiations with the European Union. The other regional and international commitments such as NEPAD, MDGs and the Mauritius Strategy on the Implementation of the Programme of Action on the Small Island Developing States add on to the challenges of developing a coherent regional policy. Very often, interministerial coordination in relation to sectoral policies is difficult and in certain cases non-existent. This is because different government departments or institutions handle only the sectoral issue or a programme component. Unfortunately, cross-sectional cooperation and coordination are not part of the working culture of the Mauritian civil service. It is not only an issue of coherence between national policies and SADC programmes for integration but also between the various regional bodies to which Mauritius is a party. At the end of the day, Mauritius has positioned itself in terms of gains and losses from the regional bodies.

Also, Mauritius is an Indian Ocean archipelago, that is, part of Africa and simply is an African island. Under such geographical and geopolitical situation, Mauritius has certain specificities and vulnerabilities that it shares with other African islands but which are of a different nature from other SADC Member States. For example, due to its historical legacy and as a small island economy, Mauritius has been able to maintain up to now a welfare state characterised by free education, free health care system and a policy of social welfare. This has contributed in giving Mauritius a leap in economic development and in bringing more cohesion in its nation building process. At the same time, it has vulnerabilities of its own such as natural disasters, lack of natural resources and is heavily dependent on sugar and textiles. The recent cut in the price of sugar exported to the EU market and the end of the Multi-Fibre Agreement is having serious social impact leading to the lay-off of workers in both sectors. Such a situation is creating a new form of poverty and economic marginalisation of workers as the Mauritian economy is being complete by restructured.

However, before a detailed analysis of the achievements of the social sector in undertaken, an aggregated approach is used to analyse such indicators, as those dealing with human development and national income statistics. The analysis is subsequently broken down into multiple parts to study the various key elements involved in the socio-economic aspects, welfare of the people of Mauritius and more importantly, the trickle-down effects.

6.1 Human Development Indicators

To illustrate the different aspects of socio-economic changes that have taken place in recent years, this research draws its information and data from the Human Development Report 2004. According to this report, it is important to observe that in 2004, Mauritius was ranked 64th in a sample of 120 countries and its Human Development Index (HDI) stood at 0.785 in 2002 as compared to 0.775 in 2000. The following statistics are provided in relation to the socio-economic development of Mauritius and provide an indication of the achievements to date and areas of weaknesses.

Table 23: Socio-economic Indicators from the Human Development Report 2004

Indicator	Value
Population with sustainable access to improved sanitation	99% (was 100% in 1999)
Population with sustainable access to an improved water source	100%
Human Poverty index	11.3%
Life Expectancy	72
Literacy	84.3%
Internet Users (per 1000 people)	99.1
Gender Inequality	
Female Employment (as a proportion of Male Employment):	
Agriculture	13%
Industry	110%
Services	97%
Economic Activity Rate (as a proportion of male)	48%
Seats in Parliament (as a % of total)	5.7%

Source: Human Development Report (2004)

As it can be seen from Table 23, some of the socio-economic indices are well within controllable norms. The literacy rate has yet to be increased, while poverty is relatively high for a small economy like Mauritius. Greater care might be essential to tackle this figure as it might easily soar with the inevitable dismantling of trade preferences and sluggish macroeconomic adjustments.

6.1.2 Gender Inequality

Coming to gender inequality, the figures indicate that there has been considerable progress in terms of equality in employment, particularly in the manufacturing sector (where women outnumber men) and the services sector. There are fewer female workers in agriculture due to the more demanding physical efforts required in production. However, their participation rate in economic activity in general is below 50% and this tallies well with the relatively high rates of unemployment among women in the past few years. More government initiatives are required to help women improve their degree of employability. Women are not well represented in Parliament either; this can be attributed to historical reasons and the lack of initiatives to encourage more women to participate in parliamentary matters.

The success of the birth control policy of the 1970s and the provision of welfare services such as free health care and free education opened up potential spaces for improvement in women's status. A series of amendments were brought to the law at various periods of time, especially in the 1980s, relating to marriage with the view to removing the formal subordination of women in marriage and to grant secular legal status to religious marriages. All these changes along with increasing educational facilities led to the emergence of a young literate labour reservoir which largely made possible the development and success of the Mauritian Export Processing Zone, primarily based on textile and garments. The employment of women (about 65,000 by the end of 1980s) in the textile and garment sector contributed to the emancipation of women and in breaking the ethnic barriers in Mauritius. Consequently, the sector opened the way to more mobility and ability to seize better work opportunities for women. This has in turn encouraged more investment in human capital. The labour participation rate of women has increased from 20.3 % in 1972 to 28% in 1983 and 34.6% in 1990. It is argued in some quarters, that this figure would be higher if part-timers, informal income generating activities that women are engaged in, are formally compiled.

Nevertheless, horizontal and vertical segregation of occupations based on gender still persist in the Mauritian society. This is illustrated in both public and private sectors as far as management and directorial positions are concerned. Yet, gender discrimination in education and training does not exist. Indeed, equality of access is not enough to guarantee equality of outcome due to a male-dominated gender relations in society.

6.1.3 Mauritius Progress in Meeting the Millennium Development Goals

In spite of the fact that Mauritius is among the few countries in Africa that have attained satisfactory performance in their endeavours to realise the Millennium Development Goals (MDGs) by the year 2015, there are several areas that need serious and immediate intervention. Some of these areas are HIV/AIDS, environmental sustainability and reduction in child mortality rates. Table 24 summarises some of the key achievements so far.

Table 24: Status of Selected MDG Goals in Mauritius

Goals	Status
Eliminate child malnutrition	Almost done; likely to be fully achieved by 2015
Achieve universal primary education	Achieved
Achieved gender equality in schools	Achieved
Reduce child mortality by two thirds	Unlikely
Reduce maternal mortality by three quarters	Almost done; likely to be fully achieved by 2015
Maintenance of low HIV/AIDS Prevalence	Unlikely
Ensure environmental sustainability	Unlikely

6.2 Poverty and Social Dimensions

In this sub-section, a comparative analysis for the year 2003 is made with respect to sub-Saharan Africa, as a lower benchmark, and Upper-middle income countries, as an upper benchmark. Mauritius is part of sub-Saharan Africa and classified as a middle-income country by the World Bank. Thus, this comparative analysis will provide further insights into the socio-economic achievements of Mauritius and its state of poverty.

Table 25: Poverty and the Social Indicators (2003)

Indicators	Mauritius	Sub-Saharan Africa	Upper-middle-income
Population (millions)	1.2	703	335
GNI per capita (USD)	4,090	490	5,340
GNI (USD billions)	5.0	347	1,788
Average annual growth: Population	1.1	1.4	2.3
Labour Force	2.4	1.2	1.8
Urban population (% of tota population)	43	36	76
Life expectancy at birth (in years)	73	46	73
Infant Mortality (per 1000 live births)	17	103	19
Access to an improved water source (% of total population)	100	58	89
Illiteracy (% of population age 15+)	16	35	9
Gross primary enrolment	106	87	104
(% of school-age population): Male	106	94	104
Female	106	80	104

Source: AIMS Synthesis Report (2004)

These indicators (Table 25) reveal that Mauritius has figures that are pretty close or identical to those reported for upper-middle income countries. The general welfare of Mauritian citizens is thus assumed to be reflected by such achievements. However, in the case of urban population and illiteracy, the country has yet to do some additional efforts to be at par with the high-income economies. Furthermore, while the growth rate of the overall population is in line with that of developed countries, the growth rate of labour force is not. There is still some catching up to be done with respect to this variable and which is also key to the economic progress and development of the Mauritian economy in the long run. But when more detailed analysis of poverty at the national level is made, taking into account the perspectives of income distribution, several pertinent issues are unveiled. These are identified and discussed below.

Mauritius has experienced unprecedented economic growth and development up to the 1990s. Industrialisation has been the engine of growth in the last decade. Income has risen but it may no longer be a sufficient and reliable measure of poverty and vulnerability. The latter have to be re-examined within a much broader and more sophisticated perspective than it has been so far. Important changes in the concept of well-being and vulnerability have occurred as aspirations have moved up alongside higher standards of living. In fact, poverty income is not enough. A more comprehensive approach, that takes into account factors such as problem of access to basic education, lack of capacity to mobilise public and private resources, is necessary.

One of the studies on poverty in Mauritius in the mid-1990s revealed a split in the social identity of Mauritians, some people believing that they were no longer part of the Mauritian society. Another finding of the same study was that exclusion has a geographical dimension. Specific areas were perceived as excluded. These were deprived areas before the economic boom and residents who have benefited from economic progress have moved to better-off areas, while poorer Mauritians have remained or moved to these disadvantaged areas. Consequently, people with similar sociological profile in terms of education and socio-economic attributes are concentrated in these regions. This has resulted in the creation of economic ghettos and the exclusion phenomenon is now crystallised around these housing estates. The feeling of exclusion in these areas is linked to economic and social factors as well as to lack of access to services. Housing problems have influenced the populations flux that directed poorer families towards areas of exclusion. Lack of access to services led residents of the exclusion areas to feel that they are second class citizens. In the process, Mauritian families in both peri-urban (creole of African origin) and rural inhabited region (Hindu of Indian origin) are both affected. The end result as poverty is a by-product of unequal economic power between the rich and the poor.

6.3 Basic Social Services and Human Development

6.3.1 The Education Sector

In the field of education and human resource development, the Government has been increasingly supportive and forthcoming in promoting better educational standards and attainment at all levels. The rising public expenditure ratio on education, as a proportion of total public expenditure, bears testimony to this fact; 14.5% in 2002/03 and 14.7% in 2003/04. At each level of education, remarkable changes are observed. For instance, at the pre-primary level, the number of schools increased from 1087 in 2000 to 1092 in 2003, with subsequent increases in enrolment for both male and female students from 36,982 in 2002 to 38,620 in 2003 and the number of teachers also increased from 2,421 in 2002 to 2,508 in 2003. The pupil-teacher ratio was therefore reduced from 16 in 2000 to 15 in 2003. At the primary and secondary levels, an improvement in the pupil-teacher ratio can also be observed, with a drop in this ratio from 36 in 2000 to 31 in 2003 at the primary level and from 19 in 2000 to 17 in 2003 at the secondary level. Such changes have also been accompanied by an improvement in the outputs through a higher number of passes at all school levels.

In the post secondary sector, there have been significant improvements in terms of the inception of more vocational and training institutes aiming at improving and retraining staff members of the public as well as the private sector. This is important especially in a sphere where the structure of the economy is changing and when the existing labour force has to adapt itself to new labour market challenges. The number of formal tertiary institutions increased from 3 in 2000 to 5 in 2003, including a new university to accommodate more undergraduate students. Enrolment in post secondary or university education has increased substantially from 10,041 in 2000 to 13,766 in 2003. In terms of gender decomposition, the number of students enrolled increased; for male, from 4,422 to 5,693, and for female, from 5,619 to 8,073. The rise in female enrolment was more than proportionate to that of male students.

It is worth noting that the educational system has become excessively examination oriented and very competitive resulting in private tuition with all its negative consequences. Up to now, it has been difficult to have an open debate on the desired system of education for the Mauritian people. The level of school drop out in Mauritius is about 40% and the enrolment ratio at secondary and tertiary levels remains relatively low

6.3.2 The Health Sector

Overall health characteristics are indicative of a reliable system of health care and health consciousness as well as commitment of the public sector. Life expectancy at birth has actually improved from 68.2 in 2000 to 68.6 in 2003, early neo-natal mortality rate has also been decreasing from 9.0 to 6.6 and the infant mortality rate has gone down from 15.9 to 13.2 over the same period. With respect to the health status of the working population (45-64 years), one could observe a decline in the number of deaths for female workers from 744 in 2000 to 736 in 2003, while that of male workers rose from 1,314 to 1,327 over the same period. Over the period 2000 to 2003, within the public sector, it can be noted that the number of medical practitioners increased from 1,080 to 1,172, the number of dentists too rose from 146 to 154 and these trends were complemented by an increase in supporting staff (nurses and midwives) and pharmacists. These changes are reflected in the decline in population per doctor from 1,099 in 2000 to 1,043 in 2003. Public expenditure on health, as a ratio of overall public spending, has remained basically unchanged over 2000-2003 period. The remaining challenges for this sector are HIV/AIDS, problems associated with the circulatory system and diabetes, which continue to increase.

By African standards, the rate of HIV/AIDS prevalence is relatively low. As a result, Mauritius is not perceived as a priority country for assistance from certain multilateral institutions. This is not enough to minimise the seriousness of the illness and potential consequences for the economy. The specificity of the Mauritian situation is that there is currently a direct linkage between drug consumption and the propagation of HIV/AIDS through the re-use of injection needles. This situation is demonstrated by the 2005 report of the International Narcotics Control Board (INCB) which indicated that 94% of the Mauritian drug addicts are Injecting Drug Users (IDU). The same report highlighted the fact that Mauritius was ranked in 2005 first on the African continent and third at world level in terms of consumption of heroin and subutex. The official figure for drug addicts based on a Rapid Research Assessment of June 2004 was in the order of 20,000 in the country. Consequently, HIV/AIDS cases are spreading through this population of drug addicts. The other side of the coin is the contamination of spouses and sexual partners of the drug addicts and this aspect is having a growing negative impact. The Mauritian prison is another hot spot where HIV/AIDS is spreading. Current official figures on cases of HIV/AIDS are being challenged by civil society and the current Government has agreed to investigate further with the assistance of foreign expertise the exact number of HIV/AIDS cases.

Moreover, affluence and the change to modern food have led to new health problems, namely diabetes, cardio-vascular diseases and cancer. According to a WHO study, Mauritius has the highest rate of diabetes in the world. Hypertension is also more common. The main risk factors identified for all the non-communicable diseases examined were high intake of saturated fat, alcohol, cigarettes and reduced physical activity. Any changes in policy will have serious social and political implications in a country where health services have been free for such a long time. Health information and education programmes will have to be re-organised and intensified.

6.3.3 Social Security

Social security expenditure accounted for 20.3% of the overall government budget targeted for the year 2002/03 which represented around 5.2% of the country's GDP. In the year 1999/00 the ratios stood respectively at 21.7% and 5.3%. There are two schemes which exist, one is based on the old PAYG (Pay As You Go) system whereby benefits are paid out of actual total tax contributions of all citizens and is known as the non-contributory benefits and a second scheme which is based on Funding. Furthermore, the non-contributory benefits include old age pension, widows' pension, invalids' pension, orphans pension and social aid, while the contributory benefits encompass the same pensions as above but excluding social aid and including industrial injury allowances.

In the latter, Contributory Benefits scheme, there is a good number of employees in the public sector who do contribute towards financing their retirement years. The number of beneficiaries is always on the rise from 166,500 in 1999/00 to 177,900 in 2001/02 and reached 178,900 in 2002/03. All in all, the total amount disbursed has been rising correspondingly from (in millions of Rupees) 3,331.4 to 3,975.4 and finally to 4,352.4 over the same period. Regarding the funded scheme, the number of contributors rose over the period 1999/00 to 2001/02 from 301,000 to 315,000 and was expected to decline to 300,000 in 2002/03. The number of beneficiaries is increasing and, as an example, it rose from 45,700 in 1999/00 to 51,000 in 2001/02 and was expected to reach 53,000 by 2002/03. However, it is good to note that the amount received as contributions were very much higher than the disbursed amounts for the period 2001/02 and 2002/03.

6.3.4 Transport and Communications

Transport

Public expenditure on transport and communications has been increasing from a ratio of 2.65% in 2002 to 2.84% in 2003. These figures are lower compared to that of 2000 which was indeed much higher and equalled to 5.8%. The length of roads, in kilometres, has risen from 1926 in 2000 to 2015 in 2003 while the number of vehicles per kilometre of road rose from 127 to 137 over the same period. With respect to air transport, the amount of landings rose from 8,349 in 2000 to 9,172 in the year 2002. Correspondingly, the freight loaded in 000's tones also rose from 21.2 to 25.7 during that period. For sea transport, the number of arrivals slightly decreased from 1,658 to 1,588 over the period 2000 and 2003. However, the amount of goods loaded in 000's tons fell from 1,514 to 1,165.

Communication

With the liberalisation of media, additional radio and television stations were set up. The number thus rose from the conventional figure of one to four over the period 2000 and 2003 for both means of communication. The number of licenses for television sets issued rose from 223,000 in the year 2000 to 259,400 in the year 2003. Over the same period, telephone connection lines rose from 284,600 to 348,200, roughly representing a 30% of the overall population of Mauritius. The number of cellular mobile telephone subscribers rose from 126,600 to 466,327 and that of internet subscribers increased from 35,000 to 60,000 over the same time period. Lastly, the local press currently comprises of 42 newspapers, of which 33 are bilingual, in English and French.

6.3.5 Housing and Household Characteristics

Of the number of buildings surveyed during the two censuses, 1990 and 2000, the proportion of residential buildings, wholly and partially, rose from 93.6% to 93.8%. The number of houses constructed between 1995 and 2000, rose from 17.5% (average of 1990-1994 period) to 24.3% and of these, 86.3% were made up of concrete (including walls and roofing) compared to 70.6% in the year 1990. Altogether, the number of housing units has increased rather sharply from 223.8 to 297.7 over the period 1990 and 2000; of these, 99.1% are privately owned and 0.4% are owned by the Government.

Regarding the average size of a housing unit, the average number of rooms has risen from 3.9 to 4.6 over the decade (1990 and 2000), while the average number of households per unit has dropped from 1.1 to 1.07. Also, 86.5% of the housing units were owner-occupied in 2000 as opposed to 75.9% in 1990. It is good to note that with greater industrialization and the breakdown of the extended family system, the average household size has dropped from 4.5 in 1990 to 3.9 in the year 2000, but with indeed more elderly people living alone (3.0% in 2000 compared to 2.8% in 1990). The tenancy rate obviously dropped in line with these trends, from 14.8% to 9.3% over that decade.

Concerning amenities, 98.7% of the houses contain piped water, 99% have electricity, 99.8 have a toilet (of which 88.8% having a flush toilet), 99% possess a bathroom and a kitchen, whereas 97% have an acceptable refuse waste disposal system.

Over these two censuses, it can be deduced that there have been significant changes with respect to the fuel used for cooking. Wood and charcoal have experienced a drastic fall from 26.3% in 1990 to 4.5% in 2000. Similarly, 3.4 % of the households use kerosene as opposed to 21.7% in the year 1990. Interestingly, it can also be noted that people have shifted from the use of electricity to gas; 91.5% people use gas today as opposed to 50.3% some years back.

6.4 Protecting the Rights of Women and Children

The Ministry of Women's Rights, Child Development and Family Welfare has been playing a very active and influential role in trying to improve the welfare of the family as a whole by ratifying laws and conventions at the national level in line with regional and international practices. In 1998, for instance, in addition to the Convention of the Elimination of all forms of Discrimination against Women (CEDAW) of 1984, the Government of Mauritius adopted the Protection from Domestic Violence Act in 1998 to ensure the prevention and eradication of violence against children and women. This act covers cases of domestic violence committed by any individual living under the same roof, increasing the penalty applicable in case of offences and providing for counselling amongst other provisions. Moreover, the Sex

Discrimination Act was enacted in 2002 to investigate and report on all forms of discrimination against women, including the following: sex, marital status, pregnancy in employment, education, provision and accessibility to basic goods and services. To reinforce its commitments towards the protection of women, a Sexual Offences Act was adopted in 2003 and, under the National Human Rights Commission, a Sex Discrimination Division has also been established.

To encourage greater participation of women in the society, the following organisations have been extracted:

- Women's Unit;
- Family Welfare Unit;
- National Women's Council; and
- National Women Entrepreneurship Council.

Women with little education receive counselling and are trained by the Ministry in question to improve their skills and their chances of employability and economic independence. In 2003, the Parent Ministry registered 5224 applications under the Micro Enterprise/Micro Finance Development scheme. Indeed, 45% of these have been earmarked for potential financing while 22% are still being processed.

Regarding children, several approaches currently exist to address the problems of young people and to investigate into the ways and means their welfare could be promoted. Some such approaches are through legislation, institutional mechanisms and effective policy measures. All these have been established to ensure that the rights of children are respected and that they benefit from a much better treatment in the society, and more particularly, in economically disadvantaged families. The existing legislation refers to Conventions on the Rights of the Child, Child Protection Act of 1994, and the Computer Misuse and Cyber-crime Act of 2003. Among institutional arrangements, one can refer to the Child Development Unit of the Ministry of Women, National Children's Council, Child-watch Network, Ombudsperson for Women, and Brigade pour la Protection des Mineurs. What falls under the policy framework are studies on child abuse, exploitation of children and workshops that involve NGOs and other sectors of the economy that help in the design of effective policies to deal with the problems of children.

Apart from the measures discussed above, as from 2005, education has been compulsory for children up to the age of 16. Free transport facilities are also offered to students at all levels. For those children who come from low income families, the government provides special care in the form of free lunch and other similar facilities to ensure complete educational attainment and reduced drop-outs. For those who are young and cannot attain a reasonable standard of formal education, they are provided with vocational facilities at technical schools to improve their skills and increase their chances of employability.

6.5 Treatment of Vulnerable Groups

There are exist several collaborative initiatives among different ministries to address the issue of poverty eradication and better care for vulnerable groups. These initiatives in fact culminate into programmes of action and specific institutional arrangements. Some examples of the latter are:

- Trust Fund for the Social and Vulnerable Groups (Government of Mauritius);
- A Nou Diboute Ensam (financed by the EU);
- National Solidarity Fund (Government of Mauritius);
- Zone d'Education Prioritaire (Government of Mauritius);
- Leve Diboute (UNDP); and
- Rural Diversification (financed by International Fund for Agricultural Development).

It is worth noting that under the Trust Fund for the Social and Vulnerable Groups, 422 projects have already been initiated. All in all, Rs 227 million have been disbursed under this scheme. Moreover, an additional amount of Rs 100 million have been disbursed by international funding agencies such as the UNDP and EU. In addition to these, 205 micro enterprises have been set up to help the poor and vulnerable and, under the IFAD Rural Diversification Programme, 61 out of 95 projects have been approved. Altogether, these projects are benefiting several poor and needy families across 24 regions of the Republic of Mauritius.

To ensure that the development process captures the poor community, the Government has started ZEP (Zone d'Education Prioritaire) schools that provide financial support to poor children or their parents and greatly reduce the private cost of acceding to free public education. The financial support encompasses, among other things, lunch facilities, book allowances and examination fees. The transport cost is completely waived for all children attending schools in Mauritius and benefits these poor families to a large extent.

The elderly, in addition to pensions, receive special care from the Ministry of Social Security, National Solidarity and Senior Citizen Welfare and Reform Institutions. This Ministry supports grants to ensure that the 20 established charitable institutions take good care of the elderly and orphans. A special phone number operating on a 24 hour basis has been put at the disposal of the elderly and disabled people in case they need any urgent help or assistance.

In recent years, the Parent Ministry has implemented certain policies to ensure affordable access to basic necessities. Some of these are:

- Subsidisation of rice and flour;
- Removal of duties on pharmaceuticals;
- Land reforms to ensure that low income and average income citizens find it easier to own a plot of land for residential purposes;
- Construction of low cost houses and apartments for low income groups.

6.6 Environmental Degradation

People-centred development is not a new concept and is time immemorial; a genuine development always aims at the welfare of the people. Time and again, it is essential to remind ourselves that Mauritius is an archipelagic state and as such is vulnerable to various economic, geopolitical, social, and ecological problems. Consequently, the vulnerability of Mauritius has to be taken into consideration and transformed into adapted strategies and policies.

Unfortunately, the concept of vulnerability has not always been properly understood especially from a sustainable development perspective. Indeed, sustainable development requires an integrated approach between the following pillars: economic, environmental and social. However, in developing this perspective, culture, which is a cross-cutting issue, should not be overlooked. In the early stages of its development, especially during the first phase of industrialisation, Mauritius neglected environmental factors in such a way that serious damages have been done to the lagoon through industrial pollution, non-respect for environmental conventions, irreversible destruction of wetlands or wrong economic policy choices leading to massive generation of plastic waste. Since then, the environmental policy and institutional framework has been transformed through new environmental legislations and regulations accompanied by the setting up of new institutions such as a full-fledged Ministry of Environment and the necessity for an Environmental Impact Assessment for major developmental projects. However, the challenge for the mitigation of environmental degradation is to operate a policy shift from Environmental Protection Approach' to a "Resource Management and Eco-development Approach". This shift requires that policy-makers and other stakeholders understand and recognise that many environmental problems are economic problems. Indeed, it is a question of sustainable island living in which economic efficiency and environmental integrity formed part of a closely knit web. This applies to any pole of development in Mauritius such as sugar, textile, tourism or the recent emerging sector of Sea Food Hub.

6.7 Social Impact Issues in Decision-Making Process

The social pillar of sustainable development has always been weak in the context of policy formulation and implementation. This situation is so because there has been an absence of political will to put in place an integrated mechanism that could ensure that the three pillars of sustainable development are treated in a holistic manner. For example, Mauritius has never set up a tripartite council for sustainable development. Above that, the administrative culture of the Mauritian civil service is based on strict administrative divisions of government departments and ministries. Very often, the head of a department is very protective of his/her prerogatives and jurisdiction of his/her department or ministry. This culture of work does not favour cross-sectoral collaboration and coordination. It is against this backgound that the challenges facing the integration of social impact issues in the decision-making process have to be examined. The same can be said about environment. In fact the environment dimension is a case in point and illustrates quite well the complexities of multiple memberships. Currently, each regional structure, such as the IOC, COMESA and SADC has a programme on environmental education. As these programmes in Mauritius are being administered by different institutions and government departments, there is no coordination and coherence among them.

However, the institutional landscape has been changing during the past decade due to the transformation in the ways that international relations and co-operation are conducted. In this context, the participation of Non-State Actors and civil society is high on the agenda of multilateral and regional bodies. National Governments, including Mauritius, have endorsed such policies and in the mid-1990s the National Economic and Social Council (NESC) which is a tripartite body (composed of government representatives, employers, trade union and other civil society organisations), was set up to debate national issues and advise government on certain policy matters. But up to now, the NESC has not been that effective since it is a young organisation and it lacks capacity to respond to the development challenges. It does not have much regional experience apart from the recent handling of the national peer review process of NEPAD.

6.8 Status of Governance

The governance problem is a cross-cutting issue for sustainable development. As governance issues are high on the agenda of SADC and other African forums such as NEPAD, they have to be rooted in the society of Member States. Governance is a major component of the enabling environment that is necessary for sustainable development and deeper integration.

In the case of Mauritius, governance is closely linked with the rule of law and the political culture in place. The political architecture is based on the principle of the separation of powers between the executive, the legislature and the Judiciary as per classical parliamentary democracy model. The independence of the judiciary was reaffirmed in a recent appeal to the Privy Council whereby the judge in court has the authority to determine whether to release a drug trafficker on bail or not. Indeed the Mauritian Parliamentary Democracy is a very vibrant one. However, over the years, as in many parliamentary democracies worldwide, there is a decline in the powers of parliament to the benefit of the executive especially the Cabinet Ministers. Although these powers are based on the rule of law, the law itself grants a fair amount of discretionary powers to ministers who are tempted to abuse the system. What is worse, there is prevalent subservience of civil servants to ministers for decisions on which they do not have any political power. Consequently, numerous petty issues such as the grant of permits and licenses are subject to political interferences by Ministers. The net result is that, the civil service and other public departments are characterised by clientelism and patronage in the delivery of services to the people.

However, Parliamentarians can play their role in this of check-and-balances process through question time, and keep the executive on its toes. Moreover, the MPs can contribute to ensure accountability at parliamentary level through the Public Accounts Committee, which is composed of MPs from both the Government and opposition sides and has, as its main responsibility, to scrutinize government expenditure. The other opportunity for MPs is at the time of approval of the national budget.

Mauritius is a major reference as far as political governance is concerned especially with the holding of regular elections every five years. It can be ascertained without the risk of exaggeration that the election process in Mauritius is conducted and managed by independent constitutional bodies in all fairness and transparency. Any challenge of election results goes through a judicial process, which is accepted as credible by all political parties. In this context, serious challenges of electoral results are rare. However, there is room for improvement in making the process more fair and transparent. Access to resources usually favours the party in power as it has legal recourse to state resources for its political campaigns, with the usual abuses of air time for political propaganda on the national television. Ministers and MPs from the ruling party conduct these activities in their official capacity and make political capital out of them. It has been proposed that a caretaker government should refrain from using official political functions for campaigning once the date of the general election has been announced. At the last general election in July 2005, the SADC observers made a couple of other suggestions on how Mauritius can improve its election process with regards to the use of identity cards for voters, the introduction of proportional representation so as to ensure a fair representation of the opposition parties and access to air time on national television. These reforms can contribute in the harmonisation of electoral practices and consolidation of democratic values within the SADC region.

7 Macroeconomic Challenges and Policy Implications

In this section, the various challenges facing the Mauritian Government are discussed and, at the same time, strategies and policies adopted are addressed. In recent years, the main debate has been is on the phasing out of the Multi-Fibre Agreement and the expected sharp decline in sugar prices. With this in mind, several of the measures adopted would have take trade liberalisation into account to ensure sustainable growth, while at the same time addressing the implications for the social sector.

7.1 The Vision 2020 - A Long Term Strategy

In 1997, the Government of Mauritius prepared "Vision 2020", a national longterm perspective study. To start building Mauritius of the year 2020, the Government published in early 2000 the National Strategy for Sustainable Development (also referred to as "Into the Third Millenium"), which is a medium term programme of actions intended to translate into reality the dream shared by people of Mauritius. The medium term objectives of this programme for 1999-2005 are:

- Open and equal opportunity for the talents of all people;
- Good governance;
- Innovative development in applied science;
- Technology and applied entrepreneurial management;
- Greater emphasis on promoting consumer interests;
- Sound macroeconomic management;
- Improving infrastructure and support services;
- Enrichment of human resources; and
- Partnership development beyond the national frontier.

The key elements of the Government's medium term agenda to start realising the vision are highlighted below:

- Partnership and participation in which government business, community organisations and individuals make joint commitments to achieve national, social and economic targets.
- Responsible leadership is necessary to ensure that people in positions of power and influence at national and local levels and within family and community settings seize their opportunities for leadership.
- Necessary opening opportunity to overcome residual discrimination that can inhibit the optimal development of human resources. Key factors are to promote further opportunities for women, advance opportunities in less advantaged geographical parts of the country and for the less advantaged people.
- Good governance to adapt the state machinery to respond to the challenges ahead. The civil service will be reformed to make it more adaptable to the changing role of the state and more efficient to reduce the delays in dealing with business and community interests.
- Innovative development at cutting edge of human achievement to be driven with greater investment in science, technology and entrepreneurial management. There must be special focus on productivity improvement and labour market flexibility. Profit sharing and participation in planning and development will become a normal part of working relationships.
- Greater emphasis on promoting consumer interests with a sharper focus on consumer interests in government services, making them more efficient with an accent on rapid service, courtesy and technical competence. The work of trading standards officers and other government inspectors will be open to more public scrutiny to avoid the suspicion of collusion. Government services will be subject to the same standards of inspection and sanctions as those in the private sector.
- Continued sound macroeconomic management to maintain GDP growth at 5-6%. There will be a reduction in public sector debt from 25% to 20%, and a targeting of social welfare support and subsidies. There will be a reduction in government investment which will be matched by growth in public-private partnerships for infrastructure improvement.

- Enlightened physical planning to address the problems of urban sprawl and traffic congestion on the roads. The relocation of business and government premises will be considered. Many government administrative institutions and services will be moved out of Port Louis to decongest the capital which is fast becoming unsustainable as a working community clogged by traffic and increasingly inefficient as a national government and business centre.
- Enrichment of human resources with a focus on health and education policies and programmes to improve the quality of life and opportunities for social and economic development. Continuing education and training will be common place and reform of the health sector will take place.
- Greater investment in infrastructure and services in transport, power, water, communications and waste treatment will be the focus of new investment. New partnerships between the public and private sectors are essential both for capital investment and better operational management.

The above shows real commitment by the Government to strengthen economic growth, improve social service delivery on a sustained basis. The implementation of the programme is proceeding well through macroeconomic and sectoral policies, which are consistent and addressing adequately development constraints.

Continued sound economic management is essential if Gross Domestic Product (GDP) growth were to be maintained at 5-6% in the medium term. This performance is expected to be realized through further development and improved performance of the sugar industry, manufacturing sector, tourism and financial services as well as an increased participation of the private sector. An encouraging development is the rationalisation of the investment incentive scheme and the setting up of the Board of Investment as a focal agency for foreign Investment facilitation. While the Mauritian economy was insulated against the Asian crisis, one of the major lessons drawn is that "a few good macroeconomic virtues are not sufficient to guarantee economic and financial stability". Monetary policy has to go hand in hand with fiscal policy, which plays a stabilisation role to avoid situations such as the recent increases in wages and salaries, which were not related to productivity growth. Such policy could threaten the external payments position of the country. Finally, the country needs an appropriate technology policy, which will facilitate acquisition of technological capacity in the country. A possible means of transport is informal technology transfers through direct investment or through imported equipment and a more direct mechanism for technology diffusion among firms.

Owing to the remarkable growth recorded recently in the financial sector, this sector is seen as a major pole of growth among the traditional economic sectors. To this end, the Government is considering establishing a single regulator - Financial Services Authority (FSA) to oversee a wide range of activities in the financial services sector. The establishment and proper functioning of such a body will also address issues related to the structural changes currently taking place in the financial and business services sector, which are eroding the clear-cut distinctions between banking, securities and insurance businesses. The envisaged strengthening of the legislative and regulatory framework governing the financial services sector is welcome and will enhance the international competitiveness of Mauritius to make the financial sector the fourth pillar of growth.

7.2 Other Challenges

7.2.1 The Diversification of the Country's Economic Base

Mauritius is a small open country, vulnerable to developments beyond its control. The remarkable performance in sugar and textiles was based not just on sheer entrepreneurial competence but also on stable and predictable revenues coming from preferential access to the European and US markets. However, preferential trade agreements and the resulting possibilities to indirectly subsidise exporters are gradually being phased out under new WTO rules.

The Government has taken a number of measures to prepare the country to face these challenges. With regard to sugar, the Government has come up with a 5-year Sugar Sector Strategic Plan (2001-05), which provides for the restructuring and rationalisation of the sugar industry, decreasing the number of sugar mills from 14 to 7 and reducing the current labour force of 30,000 by up to 7,000 through a voluntary retirement scheme. As far as the textile sector is concerned, the US-Africa Growth and Opportunity Act (AGOA), which provides preferential access for apparel exports to the US market, is expected to mitigate the negative effect of the elimination of the Multi-Fibre Agreement at the end of 2004. The AGOA is also seen as a good opportunity to diversify the sector by encouraging spinning and weaving operations and promoting regional integration of the local textile industry with other Sub-Saharan countries eligible for AGOA benefits.

Regarding the tourism sector, tourism capacity is still being expanded in Mauritius, and further growth is still envisaged. In the long run, however, tourism will face saturation and capacity constraints given the size of the island and its environmental fragility. Mauritius thus needs to encourage new growth sectors that can move the country towards its next phase of development. There is therefore a need to diversify and transform the economy and the Government is working in that direction through the creation of a hub for the technology and financial services sector.

7.2.2 Human Capital Needs Substantial Improvement

The prevailing vision among policymakers in Mauritius is to create a deeply democratic society anchored in a knowledge- based economy similar to that of Singapore. However, such a strategy crucially depends on human capital and the quality of the labor force. Mauritius current labour force is ill-equipped to match the labour force of knowledge-based societies. On average, a Mauritian worker has had seven years of education compared to more than ten years for the average worker in Singapore and nine years in countries such as China and Korea. Thus, the education system has not been able to keep pace with the requirements of the country's fast growing economy.

Indeed, the educational strategy should be able to create an environment that is more conducive for the creation of space for nurturing independent initiative and creativity. Also, in the process of deeper integration, the curricula should make provision for more openness on African history and civilization. This will contribute to better understanding of the SADC region and Africa at large and enhance cooperation in the region. If the Protocol on Education and Training is a comprehensive tool and seeks a regionally integrated and harmonised education system, there are a number of areas that can be improved at both national and regional levels.

More emphasis should be put on gender mainstreaming, equality in the development of educational and training materials, recognition of the importance of vocational training and lifelong education. However, the major challenge in terms of education and resource development lies in the shift towards a new economic paradigm based on a series of new development poles such as sea food hub, a knowledge hub, ICT and outsourcing services. This requires a trained manpower to respond to the needs of these sectors and also the preparedness of the Mauritian society to accept a greater number of foreign workers than what Mauritius has been experiencing so far. This requires new approaches, new amenities, a change of policy and attitudes.

Finally, at a time when SADC is pushing for deeper integration, no provision is made for the pooling together of educational and human development resources to attain excellence. For instance, consideration should be given to the promotion and development of Centres of Excellence in various fields across the SADC region and the mobilising of expertise available within SADC.

7.2.3 Fiscal Discipline

The NEA and Mauritius' vision of moving to the next phase of development requires ambitious plans and large public investments. The low level of tax revenues combined with increased levels of public spending is putting pressure on the budget and presents the authorities with difficult choices. Tension is increasing between, on the one hand, low taxation to encourage private investment, and on the other, the large public investments planned by the Government. The result is a budgetary deficit currently around 5.5%.

At the same time, Mauritius still has a large public enterprise sector that relies on financial support from the Government. Some of these enterprises, most notably the State Trading Corporation (STC) and the

Central Electricity Board (CEB), have large debts and large operating deficits.

Persistent budget deficits need to be reduced if medium term fiscal sustainability and macroeconomic stability are to be preserved. To meet the goal of reducing its central government budget deficit by about one percentage point of GDP per year and bringing it down to about 3% of GDP by FY05/06, the Government will need to manage its fiscal policies carefully by phasing public investments and by taking additional revenue measures.

7.2.4 Social Exclusion, Poverty and Unemployment

Persistent pockets of poverty continue to exist, especially in Rodrigues, where income levels and social indicators are below those on the main island. There are also large important geographical differences in poverty. The existing welfare system is generous but falls short in protecting the most vulnerable segments of the population and preventing social exclusion.

Moreover, there are further cases of marginalisation of certain new categories of people especially with the liberalisation process through the WTO, leading to the downsizing of the sugar sector and the closing down and delocalization of textile and garment factories. This globalisation process is causing the shedding off of labour. Those who are losing their jobs are the poorly educated who occupy the lowest positions in the labour market. This new form of poverty exacerbates the marginalisation process and makes the employability of these retrenched difficult if not impossible.

The Mauritius strategy in combating poverty is based on the classical poverty alleviation strategy of multilateral agencies and is very often donor-driven. With this strategy, the poor remain voiceless and their aspirations and visions are not taken on board. The Mauritian strategy to fight poverty is conditioned by the political culture whereby the executive, including the Members of Parliament, control and initiate every thing in a top-bottom approach. In so doing, it promotes a dependency culture, which does not empower the poor to become an active player in development. Consequently, this approach does not expand the opportunities of the poor and does not engage them in an autonomy process. The dependency syndrome in fact serves the interests of the political class.

Consequently, poverty eradication remains a serious challenge to policy-makers especially in the intervention areas such as in combating the HIV and AIDS pandemic; gender equality and development; trade, economic liberalisation and development; infrastructure support for regional integration and poverty eradication; sustainable food security; and in human and social development.

7.3 Macroeconomic Constraints

One of the main weaknesses of the macroeconomic environment in Mauritius is the serious public finance disequilibrium. The Government's publication, The Present State of the Economy reveals the weak state of public finances.

7.3.1 Low Tax Base

The reduction of the budget deficit is a major challenge facing the Government. With respect to economic management, the Government should continue to make efforts to cut its budget deficit and increase its fiscal revenues. The Government's tax reforms have been underway for a while, starting with the introduction of VAT in September 1998. Nonetheless, there is a need to strengthen the enforcement of tax reforms, particularly by instituting measures aimed at raising fiscal revenues. In view of the need to reform the social welfare system, further fiscal retrenchment would be necessary to adequately support more targeted groups of people, for example, reform of the pension scheme. In addition, there is an imperative need to reform the health and education systems to make them more efficient and cost-recovery. The Government should also review the civil service with a view to cutting public expenditures. If the Government does not manage its public finances properly, there is a risk of undermining the economic performance achieved over the past few years. In order to translate the existing potential into economic growth, there is a need for the Government to undertake reforms to minimise over expenditure.

7.3.2 Anticipated Labour Force Problems

The rising labour cost in all sectors as revealed by the increasing average monthly earnings complicates matters further. It would thus be really hard for the country to establish an edge in certain products and to compete efficiently on the international market. It is generally believed that Mauritius will face labour problems in the near future due to the declining birth rate and reduction in death rate that will inevitably lead to an ageing population. This adds up to two further complications: first, rising social security obligations to support the elderly and the retired, and next, the resulting shortage of an active population necessary to take up the globalisation challenges through accentuated productivity or efficiency. These two complications would lead to increasing government debt and decreasing community output.

Thus, the anticipated hurdles of trade liberalisation, increasing fiscal deficits and debt and labour market challenges are all very important problems that would obviously impede the path of sustainable growth, fiscal discipline and macroeconomic stability.

7.4 Social Security and the Elderly

The country is among the top group of upper middle-income countries and was ranked 65th on the Human Development Index in 2003, with life expectancy at birth of 72.2 years. In 2003, the total population was 1.2 million with a growth rate of about 1.1% per year. Over the next twenty years, population growth is expected to stabilize at replacement levels or less. But as population density in Mauritius is already high at 600 people per km^2, the predicted modest population growth (of 250,000 by 2010) will increase pressures on land use. Mauritius has started experiencing a geriatric boom which will impact heavily on the resources available. In 2020, there will be only 4.2 workers to one pensioner as compared to 1995 where the ratio was 7.5:1. Social security schemes for the future will present a major challenge. People are living longer, and experiencing changes in employment patterns and family patterns. Social security systems and the health systems will have to be modified to cope with these changes. As more women enter the labour force, the health care of the elderly will have to be more structured and organised. Consequently, new research and new policies have to be mooted in order to respond to the new needs of the Mauritian population

7.5 Elements of Good Governance

In a democracy, sound public institutions play a determining role in capacity building and in providing efficient service delivery. Up to now, these institutions have played a key role in the socio-economic success of the country. But these current practices are showing thier limitations and further are being undermined by clientelism and patronage. The institutional effectiveness and the expertise of the bureaucracy are at stake through clientelist recruitment and promotion in the public sector. This is being exacerbated by ethnicity and casteism. The private sector has its own clientelist recruitment and promotion policies which are not much different from the Government. The ownership structure of private companies is dominated by a small group of family-owned companies. The current situation illustrates quite well the division of economic and political power. Since independence, the economic power has remained in the hands of a small minority of Mauritians of French origin, while political power is in the hands of a majority of Mauritians of Indian origin and other small ethnic minorities. This has given rise to a 'dual segmented parallel labour market', one is controlled by the Government and the other by the traditional private sector. Methods of recruitment, procedures for promotion, salary and pension schemes for public sector jobs (which represent slightly less than 20% of a total labour force of some 490,000 nowadays) differ from those prevailing in the private sector. As salaries are generally much lower in the public sector than in the private sector, the flow from private to public sector is negligible. The problem of meritocracy or equality of opportunity is not thought to be of great concern to both sectors. It is only during the last political campaign (2005) that the necessity of having an Equal Opportunity Act was put on the political agenda and the current government is preparing a bill to be introduced in the Mauritian Parliament.

In the debate on meritocracy, the current Minister of Finance and Economic Development, Mr Rama Sithanen, has argued for the need for a new social pact between Government and the private sector whereby meritocracy can prevail through the emergence of a single unified labour market. It is only then that personal merit and qualifications can become the criteria for recruitment and promotion. He also argued that there is need for separation of ownership and management in the private sector, which would create space for people from other communities to become top managers even if the ownership of such businesses still remained in the hands of a minority. It is believed that the increasing need for competitiveness in the global market would put pressure on the actual dual system to make links between the private and the government sectors.

7.6 Greater Equality Among Women and Improved Family Welfare

It has been demonstrated that greater equality between women and men contributes to economic growth, the reduction of poverty and overall human development. Yet pervasive in equalities exist between women and men. SADC's Declaration on Gender and Development (GAD) recognises gender equality as a fundamental human right. The SADC Programme of Action and Community Building Initiative is key to the sustainable development of the SADC region. Indeed, the Declaration commits SADC Member States to the following, among others:

- The achievement of at least a 30% target for women in political and decision making structures by 2005;
- The reform of discriminatory laws and social practices;
- The promotion of women's full access to, and control over productive resources such as land, markets, credit, modern technology etc.
- An integrated approach to deal with the issue of violence against women;
- The cultivation and promotion of a culture of gender equality in SADC and respect for the Human Rights of Women;
- Facilitating the achievement of gender equality in access to economic structures and control of resources.

As indicated above, the successful family planning and fertility control measures have, contributed to women's autonomy and the expansion of their economic and social opportunities. Improved health services have led to reduced mortality rates and have enabled Mauritius to fulfil some of the commitments taken at SADC level. In spite of difficulties, legal provisions exist in relation to achieving Target 8 of GAD, that is eradication and reduction of all forms of violence against women and children; the reduction by at least 50% of all acts of violence and abuse of women and children by 2007; eradication of all forms of violence against women and children by 2015. However, due to certain socio-economic factors, problems of implementation and lack of specialised human resources, Mauritius is experiencing certain difficulties in meeting its target. Some work is being done to tighten the law and civil society organisations are advocating a new legislative framework and the recognition of civil society organisations as key partners in addressing domestic violence in Mauritius.

In the case of Target 7 of GAD, the target of 30% women in political and decision-making structures by 2005 has been below expectation and this is one of the sectors where Mauritius is still lagging behind. In 2006, out of 62 Members of Parliament, only 12 are women.

The same situation prevails in the case of the target of at least 20% women in decision-making positions in large private sector firms as defined by Member States by 2005, 30% by 2010 and 40% by 2015. There are about 185,000 active women and about half of them work in the EPZ. In the latter as well as in the agricultural sector, discrimination persists-there is no equal pay for equal work. Moreover, it is argued by certain women professionals that women in Mauritius can get a job but not a career. In order to get a career, women must be able to climb up the ladder within a firm. Unless and until this happens, the glass ceiling handicap will persists in spite of the qualifications that women may have. Yet, in spite of a high degree of awareness among policy makers, the political class and opinion makers, Mauritius has not been able to propose appropriate affirmative action measures to accelerate the participation of women in political and decision making structures.

7.7 Sustainable Development Policies

With the emergence of a new economic strategy with a couple of new economic pillars such as the knowledge hub, the sea food hub, the tourism industry with its new poles of development like the Integrated Resort Scheme, medical tourism and conference tourism, additional pressure will be exerted on the environment. These new emerging sectors will exert additional stress on the coastal zone. In this context, regional integration can offer new tools and resources to address the current challenges for Mauritius. Some of the key challenges are:

- The need for an equitable distribution of private and social costs and benefits.
- To provide time and space for identification of conflicts and mechanisms for conflict resolution as equals.
- To ensure the implementation of corporate social and environmental accountability and responsibility based on a stewardship approach.
- To reconcile the private property regime and ecosystem integrity including the carrying capacity of the environment.
- To develop institutional capacity in order to integrate infrastructure management, natural resources and disaster management, especially in the case of cyclones, floods, draught and Tsunami.
- To recognise and promote education for sustainable development as a right and an obligation.
- To develop institutional capacity for better coherence between programmes of numerous regional and international cooperation bodies.
- To deepen technical and other forms of cooperation for sustainable development at the level of SADC.

7.8 Combating HIV/AIDS

However, the HIV/AIDS pandemic has to be placed in its national context of sex education and information dissemination. In a Global Sex Survey organised by Durex in 2005, 43.1% of 644 Mauritians interviewed revealed that they have unprotected sexual relations without knowing the sexual history of their partner. Only

28.5% of the interviewees indicated that they have only one partner. These data provide clear indicators to inform an understanding of the national sex attitudes and how to address the alarming rate at which HIV/AIDS is spreading.

Recently, the Government has elaborated a new strategy in partnership with civil society in order to address the situation of HIV/AIDS in general and the relationship between HIV/AIDS and drug related issues. The previous government had prepared in 2005 a 'Drug Control Master Plan', but due to party politics it is still awaiting implementation. Also, an 'HIV/AIDS Prevention Measures Bill', has been prepared by the current government. However, there is need to have a coherent approach in line with national realities and regional commitments taken at SADC level. Up to now, Mauritius has shown a lack of political commitment at implementation level and has failed to forge strong cross-sectoral linkages. The drug issue and HIV/AIDS cannot be confined to the national frontier. A regional approach in operationalising measures for drug control and demand reduction of drugs is essential.

A new strategy has to be defined in terms of sex education for both the educational sector and the community. This implies addressing the issue in primary schools and encouraging free debate on sexuality and HIV/AIDS in society. Consideration must also be given to the affordability and access to condoms throughout Mauritius. In this context, the mobilisation and co-ordination of resources for HIV and AIDS at regional level could contribute to the promotion of cross-sectoral cooperation and a coherent approach in the context of other regional and international commitments such as MDGs and UNGASS targets. In this context, the SADC target of 95% of young men and women aged 15 to 24 who should have access to HIV information and education should be considered as a priority if Mauritius wants to be within the target of reducing by half the prevalence rate and reverse the spread of HIV and AIDS by 2015.

7.9 Greater Involvement of Civil Society

However, to be fair, it must be recognised that Mauritius has relatively passive SADC national stakeholders who are not aware of the stake of regional integration. In many cases, regional integration in general and in particular in the SADC context, is taken for granted and does not generate any concern and interest. Mauritian Members of Parliament and their parties are very silent on this issue. For example, during the last five years, there have not been any single parliamentary question on SADC and consequently, no debate on regional integration in SADC. The same situation prevails among other stakeholders such as local authorities, trade unions, NGOs and CBOs. There are only a few NGOs in Mauritius that are actively involved in regional integration processes. The outcome of the survey on civil society illustrates quite well the degree of awareness on SADC. This situation is not surprising because the Mauritian civil society is relatively weak when compared to government and the private sector. Consequently, the social impact issues of civil society in the decision-making process are negligible with the exception of drugs and HIV/AIDS which are emerging issues in Mauritius right now. Furthermore, SADC is not perceived as a politico-economic regional process but very often confused with the role of a donor agency by civil society.

The big challenge is, on the one hand, to make stakeholders understand the political vision of SADC and, on the other hand, to change the mindset of stakeholders in order to have cross-sectoral partnerships around regional integration issues and to treat regional integration in the SADC as a priority issue.

Deepening Integration in SADC

Mauritius – Achievements and Coming Challenges

Part: 2

Perception of Business and Non-State Actors in Mauritius

List of Tables Annex 1

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Executive Summary

In this country-specific survey, 20 Mauritian businesses and 11 Non-State Actors (NSA) from different sectors and backgrounds were interviewed.

The companies contacted specialise in different product ranges with varying market shares and ownership patterns. All of them have been in operation for more than 10 years with a turnover exceeding USD 100,000 and having the following characteristics: 65% are private owned businesses, 20% are parastatal and 10% are publicly-owned organisations. Another 10% fall under private-public partnership. In the sample, 75% of the businesses operate in the manufacturing sector, 10% in agriculture and the remaining being in construction (5%), and wholesale (5%). On the employment side, results show that the majority (65% of them) employ more than 100 people, while 30% employ between 50 and 100 and only 5% employ between 25 and 50 people.

Regarding the NSA, the majority of the NSA respondents were from other civil society organisations apart from those listed in the questionnaire. Those from organised labour represent only 18%, whereas only one represents trade and manufacturing industry. This also gives an indication of the small size of the Mauritian economy. All the NSA interviewed have more than 10 years of operation. The majority (55%) are members of the National SADC committee and 64% have a membership to a regional umbrella organisation.

Results from the survey indicate that both businesses and NSA have different perceptions on the effects of regional integration on various issues raised in the survey. Private companies tend to provide answers which are closer to the day-to-day realities of running a business, whereas the reactions of NSA are linked to what would be claimed by general literature on regional integration. Whereas businesses tend to disagree on issues such as general price reduction, price reduction of consumer goods, increase in efficiency and competitiveness as a possible impact of regional integration, the reaction from the NSA seems to be more positive.On issues such as the impact of regional integration on turnover, economic success, more export and investment opportunities, both businesses and NSA tend to agree. NSA are however, more optimistic on the impact of regional integration and the reduction of unemployment rates than the businesses.

In relation to the impact of regional integration on lowering labour costs, induced labour immigration, enhancing human rights and good governance in Mauritius, businesses are positive but respond more cautiously to the statements in the questionnaires. The NSA are clearly over affirmative.

Regarding the non-tariff barriers, both the businesses and NSA agree that they are very relevant. Businesses find that rules of origin and high transport costs constitute relevant trade barrier, whereas for NSA sanitary and phytosanitary regulations and lack of information on foreign markets were the most relevant barriers.

On the issues of deeper regional integration, again businesses paint a picture which is closer to market reality than the reactions from NSA. Businesses feel that deeper regional integration would more likely cause redundancy of workers, lower production contrary to NSA reaction. However, NSA point out that regional integration is more likely to employ more workers and increase investment abroad.Reactions on other issues indicate that businesses (compared to NSA) tend to favour closure of companies. This seems to be a plausible reaction considering the characteristics of the Mauritian economy. Nevertheless, they feel that the effect on labour mobility and, more particularly, cheaper labour would be unlikely. Both businesses and NSA feel that regional integration will bring about increase in imports within SADC and also provide better access to cheaper inputs.

Regarding business climate in SADC, both Businesses and NSA have a positive outlook. Concerning regional integration as a debate subject both agree that it exists but is insufficient. NSA and businesses generally favour RI process within the SADC region most probably because they have been exposed to SADC issues during the past few years.

On the whole, both businesses and NSA have strong views on regional integration issues with however mixed perceptions about current status of regional integration within the SADC context. Businesses and NSA together favour the regional integration process within SADC, albeit with some restrictions on specific issues. Results indicate that businesses have a positive attitude and seem to be more realistic but cautious about economic benefits. In general, answer patterns from NSA seem to be more biased by what general literature on regional integration claim.

1 Introduction

Mauritius has been one of the few Sub-Saharan nations that has benefited for more than three decades from a protective trade regime. With the sugar protocol, on the one hand, and the Multifibre Agreement, on the other hand, growth in general and export performance in the agricultural and manufacturing sectors have been outstanding over the past few decades. With this kind of export-led growth in the post-independence era, business enterprises have had their range of products, paths of investment and marketing strategies dictated by this wave of protectionism for several years. While embedded initially in a mono-crop culture of sugar production, it became subsequently imperative to direct resources towards the garment industry. However, in recent years, in view of the WTO's trade liberalisation advocacy which has meant the removal of any form of protection, Mauritian enterprises have had to adapt to a complete change in trade regime. Companies have therefore been encouraged to diversify their range of output and the economy as a whole should seek to do so by enhancing higher-value added services, such as tourism, finance and ICT. In this context, regional integration will be viewed as one of the reliable means to sustain exports performance and to tap resources at cheaper cost and reorganise domestic production processes that will enable a member country to maintain a certain competitive edge. This process will enable each country and integrate the world economy with apparently less hurdles than fighting alone and more so as an insular state.

The survey of businesses and Non-State Actors constitutes a useful tool in the assessment of the production and distribution process of local industries and also the attitudes of the civil society pertaining to a given economy. Such an analysis will clearly convey the various country-specific characteristics of domestic businesses, in particular, their range of diversification, market concentration, perceptions on related strategies in the world of trade, commerce and regional integration. It will also give a feel of the involvement of the NSA in the trade development area. Assessing the degree of responsiveness of local organisations to open up and cope with regional integration represents the very basis of this study and will help to shed light on the constraints and facilities of such integration. Feedback from this survey will provide additional information to Mauritian decision makers in devising appropriate policy measures in the context of Mauritius as regional integration evolves.

Necessarily therefore, in a study on regional integration, the survey of country-specific firms would bring to light the heterogeneity of perceptions of businessmen on several aspects of production, distribution and administration. Such perceptions would make us to understand the possibility of adopting converging market or trade strategies that would best benefit a given trade block. Replicated in several SADC countries, such a study would provide cross-country evidence that would indicate the current state of trade and business affairs and the possibilities of fast or sluggish convergence.

To complement this survey and, in a participatory process, this survey on NSA was designed to get in-depth information about their thoughts regarding the regional integration process. In this business survey, the focus of the questions was related to existing trade barriers and perceived challenges and opportunities associated with deeper regional integration. The results will therefore aim to spell out problem areas faced by the Non-State Actors which will need to be addressed at a later stage.

This report is organised in the following way: the next section comprises the general methodology used in this survey, followed by two main parts which are the business survey and the survey with NSA.

A standard coded questionnaire for businesses and for Non-State Actors (NSA) designed by the BIPDA was used for the survey. A sample of the questionnaires is found in the annex. The same questionnaires have been used for all the SADC Member States where the survey has been carried out. The questionnaires were designed to cover three major aspects, namely, company profile, perceptions of business owners and NSA with regard to regional integration within the SADC and the policy debate on regional integration.

Following discussions with the team, it was proposed that the survey should cover at least 20 businesses and 10 NSA in each country. In Mauritius this limit has been achieved for both types of institutions.

The questionnaires were sent both by email and fax. This was followed by telephone calls to monitor whether the questionnaires had been received and whether some help was required to complete them. Some one-on-one interviews had to be organised to complete the questionnaires. However, for the most part, the telephone was used to monitor the response rate.

One main problem, however was pointed out by the statistician who produced the results ant it related to the design of the questionnaire. It concerned the questions with multiple answers which were designed in such a way where it was assumed that the respondent already knew about the mistake in the questions.

2 Business Perceptions on Regional Integration

2.1 Responses of Businesses to the SADC Questionnaire

In this country-specific study, 20 Mauritian companies which specialise in different product ranges with varying market shares and ownership patterns were studied. The questionnaire was sent to 33 organisations, but the effective response rate was 60% which is rather satisfactory and reliable enough to draw certain conclusions. Systematic intervention was required, as in any survey, to answer the various queries that respondents had of and to ensure that the questionnaire was duly completed within the prescribed time span four weeks. This was done either through e-mail messages (the most common one) or phone calls or in certain cases by fax. All questionnaires were sent by registered post through express delivery.

2.1.1 Company Details

With respect to the profile of the businesses interviewed, all of them have been in operation for more than 10 years with all of them reporting a turnover exceeding USD100,000 and having the following characteristics:

Table 1: Type of Business

Type	Number	Percentage
Private Company	13	65
Parastatal, Public Enterprise	4	20
Private-Public Partnership	2	10
Others	1	5
Total	**20**	**100**

Among the businesses interviewed, 65% were are owned by the private sector, 20% belonged to parastatal, publicly-owned organisations and 10% of them fell under private-public partnership. Roughly, public involvement of these businesses was around 30% while the rest were largely and exclusively dominated by private ownership.

2.1.2 Main Activity

With regard to the main activity, the following table shows that 75% of the businesses operated in the manufacturing sector, 10% in agriculture and the remaining were in construction (5%), wholesale (5%) and others (5%).

Table 2: Main Activity

Main Activity	Count	Percentage
Agriculture	2	10
Manufacturing	15	75
Construction	1	5
Wholesale	1	5
Others	1	5
Total	**20**	**100**

The one in 'others' category is actually in the distribution and retailing sector.

2.1.3 Employment Status

Regarding employment, in Table 3 shows that the majority of those surveyed (65% of them) employ more than 100 people, while 30% employ between 50 and 100 and only 5% employ between 25 and 50 people.

Table 3: Type of Business

Range	Number	Percentage
25-49	1	5
50-99	6	30
100+	13	65
Total	**20**	**100**

This survey indicates that, by Mauritian standards, these companies would be considered as fairly large employers within the manufacturing sector.

2.1.4 Details of Imports

With regard to external trade, separate analyse have been carried out for imports and exports within and outside the SADC region. The results are tabulated as follows:

Table 4: Magnitude and Direction of Imports of Businesses

Range (USD)	Annual SADC Imports		Annual Non-SADC Imports	
	Number	Percentage	Number	Percentage
<25,000	2	15.4	1	7.1
25,000-50,000	2	15.4	-	-
50,001-100,000	4	30.8	3	21.4
>100,000	5	38.5	10	71.4
Total	**13**	**100**	**14**	**100**

It was found that 13 out of 20 enterprises are involved in the import of materials and semi-finished products within the SADC region, while 14 out of 20 imported inputs outside the SADC region. For those companies importing raw materials from the SADC region, it was observed that around 40% of imported inputs represented more than USD100,000, while 30.8% of them imported between USD50,000 and USD100000. On the other hand, for enterprises dealing with imports from outside the SADC region, 71.4% indicated that the value of their imported products represent USD100,000. It is therefore clear that the majority of enterprises import much more from outside than within the SADC region.

2.1.5 Details of Exports

With respect to exports, data from Table 5 indicates that 11 out of the 20 enterprises (55%) were exporting their products within the SADC region.

Table 5: Magnitude and Direction of Exports of Businesses

Range (USD)	Annual SADC Exports		Annual Non-SADC Exports	
	Number	Percentage	Number	Percentage
<25,000	5	45.5	5	50
25,000-50,000	3	27.3	1	10
50,001-100,000	2	18.2	-	-
>100,000	1	9.1	4	40
Total	**11**	**100**	**10**	**100**

Table 5 also reveals that 45.5% of the enterprises export less than USD25,000, 27.3% export between USD25,000 and USD50,000 and 9.1% export a value exceeding USD100,000. For those that export outside the SADC region, 50% export an amount which is less than USD25,000, 10% export a value between USD25,000 and USD50,000 and 40% export more than USD100,000. Actually, a larger number of firms have exporting levels of more than USD100,000 to Non-SADC countries.

2.1.6 Direction of Exports

A further breakdown of the market for exports was undertaken to assess the relative destination of exported goods from local enterprises. Table 6 below indicates that Madagascar is among the most important destination with, 4 firms claiming that it is their first export target. In the same category, one company claims Kenya, two claim Rest of Africa and 4 indicate 'Others' as their export destination.

Table 6: Relative Importance of the Countries of Exports

Country	Country of Export with Relative Degree of Importance		
	1	2	3
Madagascar	4	4	2
Kenya	1	2	2
Uganda	-	1	-
Zimbabwe	-	-	1
Rest of Africa	2	2	4
Others	4	2	-
Total	**11**	**11**	**9**

In combination with the rest of the data, the pattern is that Mauritian exporters deal, to a greater extent, with Madagascar (10 firms). In our sample, one firm was unaware of the relative importance of these markets for exports because of the involvement of an export agent.

The export share to Madagascar represented 33.3%. Kenya had a weight of only 8.3% and for the rest of Africa this share came to 25%. On the other hand, 33.3% of the firms reported having their first main market in other countries. Moreover, 5 of the 20 firms, each report that their third main market is Tanzania, Kenya, Uganda and the rest of Africa respectively.

Regarding domestic market, statistics indicate that 27.8% of the enterprises had a share between 66% and 90% (inclusive), 44.2% had a share between 91% and 99% (inclusive) and 27.8% firms had full or monopoly control of the local market. On the other hand, with respect to the three main export markets, it is found that 81.8% of the firms had a share which was less than 20%, while 9.1% reported a share of 20% and another 9.1% group of firms report a ratio of 34% in the first main export market.

2.1.7 Extent of International Competition

An analysis of the competition was carried out in two parts, that is, competition within and outside the SADC.

Competition Within the SADC

According to the responses, 42.1% of the firms felt that there was strong competition with respect to South Africa (RSA) whereas, 15.8 % believed that the competition was moderate, another 15.8% believed that it was weak, while 21.1% believed that there was no competition with RSA. However, 5.3 % did not find the competition with RSA to be relevant to their business endeavours. It can be concluded that the majority, 58% believed that competition does exist between the Republic of Mauritius and South Africa.

Regarding other SADC countries, 75% of the firms felt that there exists no competition between Mauritius and BLNS countries (Botswana, Lesotho, Namibia and Swaziland). However, 6.3 % found that there is weak competition between Mauritius and these countries, while 18.8% reported that such competition did not apply to their enterprises. 58.8% of the firms reported that there is no competition within SADC, exclusive of BLNS, 5.9% report that there exists strong competition, 23.5% indicated weak competition and 11.8% reported that this did not apply to their enterprises for the same group of countries.

Looking from a much broader perspective, with respect to competition from the rest of Africa, it can be summarised that 43.8% reported that no such competition exists, with BLNS countries. Within the SADC region therefore, it is quite clear that competition is more significant with the Republic of South Africa than any other country within the community.

Competition Outside the SADC

Competition with the EU was reported to be weak by some of business entities (38.9%), while 16.7 % and 22.2% reported that there is strong competition and moderate competition respectively. A small percentage of businesses (5.6%) reported that this form of competition did not apply to them. There is an equal and opposite proportion of firms declaring either no competition or its existence between Mauritius and the EU.

With respect to Asia, 29.4% responded that there is strong competition, 35.3% indicated that this competition is moderate and 11.8% reported the existence of weak competition, while 17.6% indicated no competition at all with Asia. Concerning the status of competition, with the USA, 15.4% reported moderate competition and 76.9% reported absence of such competition.

When firms were interviewed about the degree of competition with the rest of the world, it was found that 31.3% indicated the existence of moderate competition, 18.8% believed there is strong competition, another group (18.8%) reported weak competition while 25% stated no competition at all.

2.2 Perceptions on the Effects of Regional Integration

Coming to the perceptions of enterprises on the effects of regional integration (RI) on the local market, 50% of the enterprises believed strongly that RI would increase competition in the domestic market, 40% simply agreed that there would be an increase while 10% were of the opinion that there would not be an increase in such competition. By and large, 90% of the firms believed that there would be an increase in degree of competition on the domestic market.

Regarding reduction of prices as a result of greater integration, the answers were rather diverse. Only 5% strongly believed that this would be the case, 25% simply agreed to it. However, the majority of organisations, (60%) disagreed completely (of which 5% disagreed strongly). A small number of businesses (10%) did not know about the potential impact that RI might have on prices of inputs.

To the question on the impact of prices of consumer goods, it was found that 5% of the firms agreed strongly that such prices would fall and 50% were of the opinion that prices would decrease but they do not have strong feelings about it. Alternatively, 30% disagreed with such decreases, 5% disagreeing strongly that this situation would occur, while 10% had not been able to perceive this impact.

Another aspect on which firms were asked to report with respect to RI is efficiency and competitiveness. Actually, 60% of the businesses agreed that efficiency and competitiveness would improve, whereas 5% agreed strongly that this would be the case, with, however, 30% disagreeing with such an outcome of RI. A small number (5%) could not identify the potentiality of this impact of RI.

Considering the impact of RI on turnover, the majority (50%) disagreed that RI would have a positive impact on the turnover of their organisation. Altogether, 15% disagreed strongly with such an impact, while 10% could not perceive anything with respect to this impact. Of those 25% who agreed that there would be a positive impact of RI on turnover, 5% agreed strongly.

When assessing the impacts of RI on domestic producers, that the majority of the respondents, 65% of them, disagreed that there would be a positive effect on other local producers, and out of this figure 20% disagreed strongly. Only 15% were of the opinion that there might be some positive impact on other local producers while 20% were not able to perceive such an impact.

Perceptions of businesses on the success of RI on the economy in general were also tracked by the questionnaire and it is evident that the majority, a magnitude of 54.5% of the firms, believed that there would be some positive impact. On the other hand, 36.4% disagreed with such perception, while, 9.1% did not have an exclusive answer to such impact.

Coming to external trade, the survey shows that the majority of firms, 70% actually, agreed that regional integration would provide more export opportunities, and of these 5% strongly agreed that this would be the case. Of those 20% who disagreed, 5% disagreed strongly. It is also evident that 10% did not know about such opportunities.

Turning to investment opportunities, it is observed that a good majority, 75% in fact, agreed that new investment opportunities would be created, whereas 15% held the contrary opinion and 10% did not know about the impact of RI on investment.

The survey further shows that 85% of the firms disagreed that RI would reduce unemployment rates. Of this figure, 20% disagreed strongly, while only 10% were of the opinion that RI would indeed reduce unemployment rates in Mauritius. There are 5% of the interviewed firms that did not know the effects of RI on unemployment rates.

Responses regarding changes in labour costs as a result of RI indicated that while 85% of the enterprises disagreed that RI would lower labour costs, 5% agreed that this would be the case, whereas 10% of the enterprises claimed not know the consequences of RI on labour costs per se.

Linked with the issue of labour costs, firms were asked to provide their opinion on whether RI would induce labour immigration. A good number of firms 55% disagreed that RI would lead to more immigration, 10% agreed that this would rather encourage immigration. The remaining 35% firms could not assess the effect of RI on this particular aspect.

Coming to the issue of good governance, the survey shows that 72.2% of the firms disagreed with the idea that RI would enhance human rights in Mauritius. Among these, 22.2% indeed strongly disagreed with this idea. On the other hand, 5.6% did agree that this would be the case while 22.2% could not provide an answer as to whether RI would have an impact on good governance.

With respect to political sovereignty, the majority of businesses (70%) disagreed that RI would reduce political sovereignty. Only 15% of the enterprises believed that this would be the case, while 15% did not know whether there would be any impact.

When firms were asked whether their answers would have been different had the issue of RI been about COMESA or EAC, 35% responded that there would be some variation, 35% answered that there would hardly be any change in their responses and 25% responded that there would be no change at all. Lastly, 5% did not have an answer to this question.

2.2.1 Trade Barriers and Their Implications

Coming to impact the of trade barriers on firms within the SADC region, 40% of the respondents claimed that they are affected by such barriers, while 50% reported that they do not face any barriers, and 10% of the firms answered that this issue is of no importance to their businesses as they do not trade with the SADC countries.

Regarding current customs tariffs as a trade barrier, 40% of the firms responded that these are very relevant for them and 20% answered that these are just relevant. On the other hand, 20% of the firms responded negatively, with 10% stating that these are hardly relevant and the remaining 10% indicating that such tariffs are not at all relevant. For 20% of the firms the issue of tariffs did not arise.

While 60% of the firms found that it is relevant to have import duties payable in cash, 40% argued that this is indeed very relevant. However, 10% of the firms indicated that this is not relevant at all and for some other 30%, this condition did not apply.

With respect to sanitary and phytosanitary conditions, 60% of the firms reported that this is a relevant barrier, while 40% considered these conditions very important. On the other hand, 30% of the firms noted that these conditions are not relevant and of this figure, 10% reported that these are not at all relevant for them.

The majority of the respondent firms (80%) established that rules of origin are relevant and half of felt that these are very relevant. On the contrary, 20% found that these are hardly relevant.

Coming to export/import licences and permits, 20% argued that these are very relevant, 40% were of the opinion that these are just relevant, while 20% found that these are hardly relevant and a for the remaining group (20%) saw these as not important at all.

A good number of the firms (60%) indicated that the lack of transparency of rules and regulations abroad is relevant for them and, of this figure, 20% indicated that this is very relevant as a trade barrier. On the other hand, 40% of the firms found that this is not relevant and among them 30% believed that this is not at all relevant.

A good 22% of the enterprises thought that substantial paper work and bureaucracy may constitute trade barriers, and 56% reported that these are just relevant as barriers for them, while 22% did not find these to be relevant at all. Therefore, the majority, 78% of the enterprises, claimed that bureaucracy may be an important constraint in doing businesses within SADC.

Concerning business opinion on the corruption of officials, 40% of the firms interviewed indicated that this constitutes a relevant trade barrier, 20% did not consider it to be relevant while 10% thought that this issue is least applicable to them.

On the lack of information about foreign markets, 64% of the enterprises reported that this is important, 18.2% saw this as hardly relevant. Another group, 18.2% of the firms, did not find this to be relevant at all.

Firms find in general that visa requirements for travel abroad are not a trade barrier. Actually, 70% of the firms find that this is not relevant and of this group, 60% thought that this is not relevant at all. For 10% of the firms, this condition did not apply.

Regarding exchange rate uncertainty, 27.3 % of the enterprises regarded this as very relevant to be incorporated as a trade barrier, 36.4% responded that this is just relevant, raising the relevance rate of this particular constraint to trade to 63.7%. However, 9.1%

intimated that this is hardly relevant, which is further backed by 27.3% of firms who thought that this is not at all relevant.

Further 45.5% of the firms responded that risk of non-payment by customers is a very relevant trade barrier, while 36.4% thought that it is simply a relevant variable, giving an overall score of 81.9% of this factor as being relevant in determining businesses in the SADC region. On the other hand, 9.1% of the firms reported that this is hardly relevant an issue and another batch of 9.1% of the firms indicated that this is not relevant at all.

Coming to the issue of no export insurance available to cover payment risks of exports, it was found that 33.3% of the firms considered this is a very relevant element that could deter business transactions, while 11.1% thought that this is just relevant and twice this rate, that is 22.2%, believed that this is hardly relevant. Also, 33.3% reported that this is not at all relevant for them.

Towards poor regional communication infrastructure, 27.3% of the enterprises answered that this is a very relevant issue, while 45.5% claimed that this is just a relevant factor, raising the relevance of this factor to a score of 72.8%. Conversely, 9.1% enterprises thought that this is hardly relevant and twice this rate considered it not to be relevant at all.

Some 54.6% of the enterprises claimed that high regional communication costs are a form trade barriers, 36.4% of the firms considered these to be hardly of any relevance and 9.1% believed such costs are not relevant at all.

With regard to weak transport infrastructure as a barrier to trade, 81.9% of the enterprises endorsed this as a relevant factor and of this figure, 45.5% claimed that this is a very relevant one. However, 18.2% reported that this is not a relevant factor and of this figure, 9.1% claimed that this is not at all relevant.

Another element that could constitute a barrier to trade is high transport costs. 81.9% of the enterprises reported that these are relevant in influencing businesses in the SADC region. Of this figure, 45.5% claimed that they are very relevant as trade barriers. On the other hand, 18.2% of the firms reported that these are not relevant at all and 9.1% of these firms high transport costs are not relevant at all.

A good number of the enterprises (50%) claimed that weak law enforcement constitutes a threat towards export destination and of this figure 20% believed that this is very relevant actually. An equal proportion of the firms reported that this is not relevant as a trade restriction and of this rate 20% claimed that this is not relevant at all.

67% claimed that there might not necessarily be other major determining elements beyond those mentioned already that would act as significant trade barriers and 33.3% mentioned that these would not at all apply.

2.2.2 Ranking Trade Barriers

70% of the respondents claimed they would find it unlikely that RI would provide access to cheaper inputs, 25% thought it was potentially feasible, while 5% could not really assess this impact.

Among the most relevant trade barrier, the interviewed firms mentioned the following: import duties and taxes (9.1%), sanitary and phytosanitary conditions (9.1%), Rules of Origin (36.4%), lack of information about foreign markets (9.1%), risk of non-payment of customers abroad (9.1%), and high transport costs (27.3%)

Regarding the second most important trade barrier, the following were mentioned: customs tariffs (18.2%), sanitary and phytosanitary regulations (9.1%), lack of information about foreign markets (18.2%), risk of non-payment of customers abroad (9.1%), no export insurance to cover payment risks of exports (27.3%), high regional communication costs (9.1%), and weak regional transport infrastructure (9.1%)

When analysing the third most relevant factor as a trade barrier, the following were mentioned: import duties and taxes (10%), lack of transparency and regulations abroad (20%), time consuming customs procedures (10%), lack of information about foreign markets (10%), exchange rate uncertainty (10%), risk of non-payment of customers abroad (10%), high transport costs (20%), and weak law enforcement in export destinations (10%).

2.2.3 Rating the Business Climate

With respect to the business climate in the domestic market, 58% of the enterprises claimed that it was favourable, 31.6% admitted that it was less favourable, while 10.5% claimed that it was unsatisfactory.

While rating the business climate in the RSA, it was found that 5.3% reported a very favourable climate, 42.1% reported simply a favourable climate, 21.1% reported a less favourable climate, 10.5% claimed that it was unsatisfactory while 21.1% claimed not to have an answer for this. Overall, Mauritian businessmen reported a rather favourable business climate in the RSA a total of 47.4% of the respondents.

With regard to the business climate in BLNS countries, 5.3% claimed that it was very favourable, 10.5% thought that it was just favourable, 10.5% indicated that it was less favourable with another 10.5% claiming that it was unsatisfactory. It is important to note that 63.2% could provide an answer to this part most probably because they did not have enough information on these countries. Overall, 21% reported unfavourable business climate in BLNS countries as opposed to the 15.8% who indicated a favourable one.

For other countries in SADC, other than RSA and BLNS, 15.8% of the respondents claimed that the business climate was just favourable, 21.2% claimed that it was less favourable, another batch of 21.1% of the firms claiming that it was unsatisfactory while 42.1% of the firms did not know much about these countries or their prevailing business climate (again most probably due to lack of information). With the rest of Africa, 10.5% claimed that the business climate was less favourable, 31.6% believed that it was unsatisfactory, while 57.9% could not make any assessment.

As a summary, comparing SADC, Non-SADC and South Africa, the latter has the highest rating in terms of perception of favourable business climate.

Firms were asked to rate the current business climate in the rest of the world, for instance, EU, USA, Asia, and rest of the world. It was observed that for EU, 31.6% of the firms believed that it is favourable as opposed to 10.5% of the firms who claimed the opposite. For the

USA, 31.6% rated the climate as being favourable while the rest did not know what to answer. For Asia, 31.6% of the firms rated the current climate as being favourable in general and out of this, 10.5% claimed that it was very favourable and 5.3% indicated that it was less favourable. Lastly, with respect to the world economy, 21.1% responded that it was a less favourable climate that currently prevails for the business community and half of this rate (10.5%) claimed the opposite. Whether in the EU, USA or Asia, firms gave the same rating of the business climate except that of the ROW, which was much lower. Furthermore, firms in general did not seem to be aware of business climate conditions in other countries.

2.2.4 Implications of Deeper Regional Integration

Firms were asked about the potential consequences of increasing regional integration on several business and trade aspects. With respect to redundancy of workers, 52.6% of the enterprises reported that this is likely to be the case as opposed to 36.8% who claimed that this would not occur while 5.3% did not have an answer for it. About employing more workers, 16.7% believed that this will be the case as opposed to a large majority, 66.7%, who indicated that this will not happen. 5.6% of the enterprises claimed not to know much about this issue. Generally speaking, the perceptions of business owners tended to be adverse with respect to employment creation or generation.

Some of the enterprises (30%) believed that increasing integration will result in greater domestic production, while a much higher percentage, 55% actually, had doubts about that. A small number of firms (10%) do not have any answer.

Regarding investment abroad, 53% responded positively, whereas a lower percentage of firms claimed that this will not happen and 10.5% did not have an answer to this part.

60% of the firms expressed that increasing regional integration will result in the closure of businesses while 35% disagreed with this idea. 5% of the respondents did not know much about the impact of regional integration. These perceptions are consistent with the view expressed earlier that domestic production will not be increased and may likely decrease instead.

A good majority of enterprises, 65% in fact, revealed that increasing regional integration will result in more joint ventures with companies in RSA, 20% however held the opposite opinion while 15% could not assess this potentiality.

A slight majority of the enterprises (63%) believed that increasing integration would result in new business ventures, while 21% tended to believe that this would be unlikely. 10% could not provide a clear-cut answer to this issue.

With respect to external trade, 60% of the firms revealed that there would be increasing imports within SADC as regional integration deepens, while 25% believed that this would hardly be the case. More specifically, regarding exports, 55% indicated that there would be an increase in exports as well in the SADC region and 40%, however, doubted that this would be the case.

With respect to access to cheaper inputs 70% of the firms thought that deeper integration would be unlikely affect this; 25% did not share this opinion, and 5% did not have an answer on this issue.

Increasing integration may have effects on labour mobility and more particularly cheaper labour. In this study, 70% of the enterprises interviewed revealed that this would unlikely to be the case, while 5% claimed this would happen most probably and 20% of the firms did answered this part.

2.2.5 Quantitative Changes in Business Activity

12.5% of the firms reported that employment would increase by 10%. However 25% believed that it would fall by 10% and another 25% predicted that it would decrease by 20-30. Another group (25%) also believed that it would decrease by 30-40% and 12.5% claimed that it would decrease by 70%.

Regarding production, 33.3% of the enterprises claimed that there would be an increase of 10%. Some 11.1%, however, believed that it would fall by 5%, whereas another 44.4% predicted that it would fall between 30-40% and 11.1% of the respondents reported that it would decrease by 60%.

Coming to changes in investment, while 28.6% of the organisations reported an increase between 0-20%, an equal percentage of respondents (28.6%) indicated that there would be no change in investment. Further, 14.3% of the enterprises indicated a drop of 30%, while 28.6%, reported a decrease of 50%.

Some 66.7% of the firms indicated that there would be an increase in exports of 10%. Furthermore, 16.7% revealed that their exports would expand by 2%, while 16.7% of the firms claimed that there would be a significant decline of 50% in their exports.

The changes in imports are however more sparse than the changes revealed in the case of exports. First of all, 25% of the firms claimed that their imports would be hardly affected, hence no change. However, 12.5% revealed that imports would rise by 10%; 25% of the firms stated that their imports would rise by 20%; 12.5% of the firms reported that their imports would rise by 25% and another group of 12.5% revealed that there would be a rise of 30% in imports. However, contrary to these changes, 12.5% of the enterprises revealed that there would be a decline in imports by a magnitude of 50%.

Regarding import prices, 66.6% of the firms indicated that these prices would fall as follows: 33% (responded by 22.2% of the firms), 10% (11.1% of the firms) and 5% (33.3% of the firms). 11.1% firms claim no change in such prices, while 22.2% reported price increases of 5% by 11.1% of the firms and 25% by 11.1% of the firms. Reconciling changes in import and changes in imports prices, it would be instructive to know more about the price elasticity and the demand for imports.

Within SADC, deeper integration will likely bring changes in the annual gains of organisations. However, from the responses received, 42.9% of the firms reported that they did not expect any change as such; 48.6% of the firms indicated gains between 1.5% and 5%; 14.3% of the firms reported gains amounting to 10%, and another batch of 14.3% of the firms expected gains of even a 100%.

Regarding annual losses due to deeper regional integration, 14.3% of the firms reported that there would not be any change in their company's financial position, 14.3% reported losses of 10%; 28.6% reported losses amounting to 20%; 14.3% indicated losses of 36% and 14.3% of the firms claimed losses of up to 100%. The magnitude of losses is much more than that of gains as reported above.

2.3 Policy Debate on SADC Integration

This section is divided into two parts, one relating to the status of the debate on regional integration and the other dealing with attendance at RI workshops.

The Status of RI Debate

Some of the enterprises interviewed (22.2%) claimed that RI is very much a general topic in Mauritius. A good number of the respondents (78%) claimed that while it is a topic of discussion, it is not necessarily a prominent one. However, regarding SADC, 40% of the firms responded that it is actually a topic of great discussion in the country, while 53.3% thought that the discussion is not a prominent one, and 6.7% did not know much about it.

With regard to the issue of COMESA, 16.7% of the firms reported that it is a matter of great discussion in Mauritius, while 53.3% indicated that the discussion is not a prominent one; and 25% did not have an answer for this question.

As regards EAC, 12.5% of the firms replied that this is very much a topic of discussion in Mauritius, while 50% reported that this is not so, and 37.5% did not have an answer.

Attendance at RI Workshops

27.3% of the firms claimed that that they attended workshops held on RI in general, 9.1% answered negatively as no workshop was ever offered; 45.5% of the firms also replied negatively but in their case the workshops had been organised, but they could not attend. 18.2% of the firms answered that this was not applicable to them.

Regarding meetings on RI within SADC, 16.7% of the firms replied that they did attend such meetings regularly; 75% claimed to have attended some meetings, while 8.3% did not attend the workshops held.

With respect to meetings on RI within COMESA, 8.3% of the firms responded that they did attend such meetings regularly, 58.3% replied that they did attend sometimes, while 16.7% replied negatively because no workshops were ever offered and 8.3% claimed that despite workshops being organised, they did not attend. For 8.3% of the firms, this question did not apply.

Asked whether they attended any workshop held on RI within EAC 66.7% of the firms replied that they did not as no workshop was organised, while 33.3% indicated that the question did not apply to them.

Preference for a Given Trade Block

When asked whether they are in favour of COMESA, 27.3% of the firms answered positively and showed a strong preference for this community, whereas 54.5% agreed slightly and 18.2% were against this form of integration. Therefore, roughly speaking, some 81.8% enterprises showed some preference for COMESA.

With respect to whether they were in favour of EAC, 80% of the firms answered positively but showing only a slight preference while the remaining were basically against.

Preferred Direction of RI

With regard to the preferred direction of RI, 80% of the firms were in favour of reducing tariffs within the SADC region, while 13.3% of the firms suggested that it should be the other way round, and 6.7% did not have an answer regarding this issue.

Some of the firms (29.4%) preferred the removal of tariffs and the introduction of Common External Tariffs to all other countries, whereas 52.9% claimed the contrary, and 17.6% did not have an answer for this.

38.9% of the firms believed that the preferred degree of RI within the SADC was the removal of all trade restrictions, 44.4% were not in favour of this, and 16.7% had no answer to this part.

A good number of the firms (61.7%) were of the opinion that restrictions on the free movement of capital within SADC should be removed, 22.2% believed they should not be removed while 16.7% did not know about it.

A small number of the firms (16.7%) believed that restrictions on the free movement of labour should be encouraged, while 77.8% took the contrary stand, whereas 5.6% did not have an answer to this issue.

Coming to the issue of removing restrictions on the free movement of services within the SADC, 57.9% claimed that this was useful; 26.3% thought that this would not be of great help, while 15.8% could not assess this factor.

One of the questions attempted to find out if the same level of taxes should be held within the SADC 47.4% of the firms replied that this is important as a measure, 26.3% reported that this arrangement may not be useful, and the remaining 26.3% could not make any assessment of this factor.

44.4% of the firms preferred that there should be a common design of competition and trade policies for SADC as a whole. Some firms, 33.3%, found that this would not be useful, and 22.2% did not have an answer for this.

With respect to the issue of a single currency within the SADC, the majority, 84.2% actually, responded that this should not be the case, 10.5% did not have an answer to this, and 5.3% did respond positively to this issue.

Regarding the creation of a political union with a Parliament and an Executive, 84.2%, again the majority, replied negatively, while 5.3% answered favourably, and 10.5% did not answer this particular question.

3 Perceptions of Non-State Actors on Regional Integration

3.1 Characteristics of Respondents

The distribution of the sample indicates that a majority of the NSA respondents were from civil society organisations other than those listed in the questionnaire. Those from organised labour represented only 18%, whereas there was only one from the industry. This also gives an indication of the small size of the Mauritian economy. All the NSA interviewed had more than 10 years of operation. The majority (55%) were members of the National SADC committee and 64% had a membership to a regional umbrella organisation (Table 3).

3.2 Perceptions of Regional Integration Within SADC

The trend that emerges in relation to regional integration issues indicate that most of the NSA are agreeable to the proposed impact. The extent to which they abide does not however show strong positions, but most tend to agree with the statements.

Regarding the impact of regional integration related to SADC, all of the respondents agreed that regional integration will increase competition on the domestic market (Table 5). However, only 27% strongly agreed with this idea. It was also quite clear from the NSA's point of view (Table 6) that regional integration will reduce input prices (91%). The same views were expressed regarding reduction in prices of consumer goods where 89% of the respondents felt that this was likely to happen with the implementation of regional integration. It is assumed that most of these answers were only based on general information given that 64% of the sample comprised civil society organisations and had no direct interaction with the industry. Only two were professional organisations. Table 8 (on the increase of efficiency and competitiveness on domestic production) has the same answer pattern as the previous question. The overall pattern of answers regarding the impact of regional integration on private businesses shows a positive response from the point of view of the NSA.

NSA generally (90%, of whom 20% agreed strongly) agreed with the idea that regional integration will increase efficiency and competitiveness on domestic production (Table 8). The same view (80%) that regional integration will impact positively on companies' turnover (Table 9) was prevalent. Only one respondent (10%) disagreed and the other one did not know, most probably due to lack of knowledge on this issue.

The majority of the NSA indicated that regional integration will bring benefits to the economy in general (Table 10). It is to be noted that there were only 8 respondents to this question, most probably due to uncertainty about giving the appropriate answer. According to the NSA, new export and investment opportunities (Tables 11 and 12) are expected to increase. All agreed (of which 35% strongly) that new export opportunities will be created and they (91%) felt the same for investment opportunities. Here we are not sure whether the answers are based on some concrete examples or just based on what current literature in regional integration would say.

On the employment issue (Table 13), the majority of NSA believed that regional integration will reduce unemployment rates (9% strongly agree and 64% only agree). Only two respondents (18%) were against that statement and one (9%) did not know. However, a lower percentage (40%) agreed that it will reduce the cost of labour (Table 14), whereas 60% did not think that would be the case. In fact these latter respondents claimed that RI would have negative effect on cost of labour.

Regarding the effect of regional integration on the influx of immigrants (Table 15), the views were quite divergent. Out of 10 respondents, 40% of them felt that regional integration will give rise to more immigrants and also have the opposite effect. One respondent, representing 10% of the respondents, strongly disagreed whereas another did not know.

The issue that regional integration will enhance human rights situation in the country (Table 16) was rated rather positively with more than 82% of the respondents agreeing (27% strongly agreeing and 55% only agreeing). Only 18% felt that the human rights situation will worsen due to regional integration.

The NSA disagreed on the idea that regional integration will reduce political sovereignty (Table 17) of the country (91%). Only one respondent agreed.

Out of the eleven respondents, the majority (46%) indicated that their answers would not have differed if they were asked the same questions regarding COMESA (Table 18). However 27% of the respondents indicated that the answers would have been different. Only one did not know.

3.3 Relevance of Trade Barriers

Customs tariffs were considered (73% of the respondents) as a trade barrier (Table 19 and 20), whereas 55% of the respondents (of which 9% very relevant) admitted that import duties and taxes are important barriers. The importance of sanitary and phytosanitary regulations (Table 21) was also clearly indicated, with 82% of the respondents agreeing to it. 7 out of 11 respondents agreed that Rules of Origin are relevant barriers (Table 22). Import/Export licenses and permits, non transparent rules and regulations abroad, time consuming procedures, bureaucracy and corrupt officials were all considered by the majority of the NSA as relevant and very relevant trade barriers (Tables 23, 24, 25, 26, 27). This set of responses clearly shows that most of the existing barriers to trade are quite relevant even though the majority of the respondents are not directly involved with the trading business.

In terms of importance, however, the most relevant trade barriers indicated by respondents (Table 28) were sanitary and phytosanitary regulations and poor regional communication infrastructure which were rated at par (30% each). This was followed by lack of information on foreign markets (rated by 20% of the respondents). The second most relevant barrier was considered to be poor regional communication infrastructure (30%, Table 29) and the third most important was weak regional transport infrastructure (Table 30).

3.4 Perceptions of the NSA on the Business Climate

The NSA expressed mixed feelings about the effects of regional integration on retrenchments (Table 31). A small number of respondents (30%) felt that it is likely whereas 40% felt that RI will not bring about retrenchments. Another 30% did not have any views about this issue. The previous answers confirmed the question on the impact that regional integration will have on more employment creation (Table 32) where 60% admitted that this is likely to happen, 20% had the contrary views, and 20% had no opinion on this issue.

Table 33 summarises the views of 9 respondents, all of whom indicated that regional integration will bring about an increase in domestic production despite the fact that Mauritian domestic production is most likely to be threatened as a result of liberalisation under the SADC regime. This response is constituent with the view that regional integration will not bring down domestic production (Table 34). 78% of the respondents agreed with this idea, whereas 22% felt that domestic production will go down. These answers are again contradictory to what one would expect based on previous impact studies carried out in Mauritius with regards to regional integration, especially in the SADC region.

The NSA response was very positive regarding the effects of regional integration on business creation. The majority (90%) felt that regional integration will bring about an increase in investments abroad (Table 35) and that more joint ventures with other SADC countries will be created (100%, Table 36). The respondents felt that regional integration will give rise to new business activities (100%, Table 37), more imports (100%, Table 38) from SADC countries, more exports (90%, Table 39) to SADC countries, and also access to cheaper inputs (100%, Table 40).

When asked more specific questions relating to labour (Table 41), 50% of the NSA interviewed were of the view that regional integration could make foreign labour more accessible whereas 40% indicated the contrary opinion. However, on whether regional integration will increase or decrease employment, production, investment, imports, exports, and input prices, most of them (more than 90%) indicated that they had no opinion on this (Tables 42-47). This reaction is quite understandable. Unless one works very closely with the production sector, it is difficult for NSA to have an appropriate gut feel of the outcomes about regional integration in the production areas.

3.5 NSA Participation in Policy Making

Mauritius is one of the few countries where there is a mechanism for interaction between the private sector and the public sector on economic issues. Despite the fact that some form of dialogue also exists with other stakeholders of the civil society, the survey indicated that this is not carried out on a regular basis. From the survey, it is evident that most (73%) of the NSA were in favour of the idea that regional integration within SADC will impact positively on the policy involvement of Non-State Actors in Mauritius (Table 48). Among these respondents 46% felt that it would impact strongly and 27 % felt it would do so with a lighter effect. The same percentage (27%) indicated that it would have no changes.

The majority of NSA interviewed (64%) (Tables 49 and 50) indicated that they have participated in the design of both domestic and SADC policies. Regarding the impact of regional integration on each organisation's policy influence in their country, 72% of the respondents indicated that the impact will be positive, with half of the respondents feeling that it will do so strongly and the other half with a lighter effect.

3.6 Political Debates About Regional Integration

According to the survey, 82% of the NSA considered that regional integration is a topic of public debate in the country. However, few of them (36%) agreed that it is vigorously debated, whereas almost 46% of the view that the debate is not so prominent. When comparing the same question on the other regional organisations, SADC is considered by the NSA as more of a subject for public debate than COMESA. EAC is not relevant to Mauritius and the majority (56%) had a justified answer, but 4 respondents probably did not understand the issue and gave positive answers. It can be assumed that there is a certain lack of knowledge about regional integration among NSA in Mauritius (Tables 52-55).

Most of the respondents had mixed views about the frequency of discussions on issues that are related to regional integration (Table 56-59). On average, half of the respondents claimed that regional integration topics are discussed regularly, whereas the other half felt that they are less frequent. However, SADC and COMESA issues seem to be discussed more regularly than those of other organisations.

The involvement of NSA in the organisation of workshops and seminars on regional integration has not happened on a regular basis. This applies not only to regional integration issues in general, but also to SADC and COMESA. However, it was noted that there has been more involvement of NSA in the organisation of SADC events compared to COMESA ones (Tables 60-63).

In order to raise the issues of regional integration, press releases or other measures have generally been used by NSA but not on a regular basis (Tables 64-67). Once again, SADC issues have been using these measures more often than COMESA.

Most of the NSA claimed that their participation in workshops/ seminars on regional integration issues have generally been irregular (Tables 68-71).

NSA had mixed views about both being invited to SADC National Committee meetings and participating in these national committees. In each case, 50% claimed to have been invited and asked to participate, whereas the other half claimed that they had had no invitation and had not participated in the National Committee (Tables 72 and 73).

There was however consensus on the fact that there is need to increase capacity among Non-State Actors to participate in committees on regional issues (Table 74). The type of capacity building requested by the respondents was quite varied, and included areas such as trade policies, protocols, regional strategy policy implementation, biodiversity conservation, expertise in economic and social areas, technical and financial capabilities, and political issues.

3.7 Conclusions

The survey indicated a strong support for regional integration in general (91%) favouring more integration in SADC (91%) rather than COMESA (73%). The relatively strong support for EAC (60%) indicates that answers might have been more mechanical rather being fully understood (Tables 76-79).

The NSA felt that regional integration should go as far as reducing tariffs within SADC, removing tariffs within SADC, establishing Common External Tariff to all other countries, removing all trade restrictions within SADC, removing restrictions on the free movement of capital within SADC, removing restrictions on the free movement of services within SADC, designing competition and trade policies for SADC as a whole and creating a regional umbrella organisation of Non-State Actors (Tables 80-83, 85,87,90). The latter proposal was quite unanimous which clearly shows the need for NSA to be more prominent in the SADC regional integration process.

There were, however, opposite views regarding the removal of restrictions on the free movement of labour within SADC (Table 84) where 46% were for and the same percentage against. Some reservations were also expressed (47% against) about the implementation of the same level of taxes within SADC (Table 86). The same tendency was noted for the creation of a single currency within SADC where 46% were unfavourable and only 36% favouring that idea (Table 88).

Only 40% were agreeable to the idea of creating a political union with its own parliament and an executive arm, 30% were against and the other 30% had no opinion (Table 89).

From this survey it is clear that the NSA are generally in favour of the regional integration process within the SADC region. They seem to have a preference for the SADC or have probably been more exposed to SADC issues during the past few years. From the answers, it seems that the NSA (except for a few) are not aware of the real economic challenges especially for the Mauritian economy as the answers seem to be more biased by what general literature on regional integration claim.

4 Comparison of Reactions between NSA and Businesses

When comparing responses from both businesses and NSA regarding their perceptions on the effects of regional integration the answers differed significantly. Private companies tend to provide answers which were closer to the day-to-day realities of running a business. Whereas the reactions of NSA were linked to what would be claimed by general literature on regional integration. Whereas businesses disagreed on issues such as general price reduction, price reduction of consumer goods, increase in efficiency, and competitiveness, NSA reacted more positively.

On issues such as the impact of regional integration on turnover, economic success, more export and investment opportunities, both businesses and NSA agreed although the NSA' responses seemed to be more optimistic than the businesses. NSA were however, far too optimistic on the impact of regional integration and the reduction of unemployment rates than the businesses.

In relation to the impact of regional integration on lowering labour costs, inducing labour immigration, enhancing human rights and good governance in Mauritius, businesses were generally positive but tended to respond more cautiously compared to the NSA who seemed over affirmative.

Regarding non-trade barriers, both the businesses and NSA agreed, with quite high percentages, that they are very relevant. Businesses claimed that rules of origin and high transport costs constitute relevant trade barrier, whereas for NSA, sanitary and phytosanitary regulations and lack of information on foreign markets were the most relevant barriers.

On the issues of deeper regional integration, again businesses painted a picture which was closer to reality than the reaction from NSA. Businesses felt that there would be more likely be redundancy of workers, and lower production with deeper regional integration contrary to NSA reaction. However NSA pointed out that regional integration is more likely to employ more workers and increase in investment abroad.Reactions on other issues indicated that businesses (compared to NSA) favoured closure of companies which seems to be a plausible reaction considering the characteristics of the Mauritian economy. Nevertheless, they felt that the effect on labour mobility and, more particularly, cheaper labour would be unlikely. Both businesses and NSA felt that regional integration will bring about an increase in imports within SADC and also provide better access to cheaper inputs

On the whole businesses and NSA have strong views on RI issues with however mixed perceptions about current status of RI within the SADC context. Both businesses and NSA favour RI process within SADC with some restrictions for specific issues. Results indicate that businesses have a positive attitude, but seem to be more realistic and cautious about economic benefits. In general, answer patterns from NSA seem to be more biased by what general literature on regional integration claims. Regarding business climate in SADC, both businesses and NSA are positive. Concerning regional integration as a debate subject both agree that it exists but is insufficient. NSA and Businesses generally favour RI process within the SADC region and one of the reasons most probably is that they have been exposed to SADC issues during the past few years.

Annex 1: Tables for Business Perceptions Survey

Table 1: Type of Business

	Count	%
Private company	13	65.0
Parastatal, public enterprise	4	20.0
Private-Public Partnership	2	10.0
Others	1	5.0
Total	**20**	**100.0**

Table 2: Main Activity of Company

	Count	%
Agriculture	2	10.0
Manufacturing	15	75.0
Construction	1	5.0
Wholesale	1	5.0
Others	1	5.0
Total	**20**	**100.0**

Table 3: No of Employees

	Count	%
25-49	1	5.0
50-99	6	30.0
100+	13	65.0
Total	**20**	**100.0**

Table 4: Period of Operation

	Count	%
more than 10 years	20	100.0
Total	**20**	**100.0**

Table 5.1: Annual Turnover

	Count	%
>100,000	20	100.0
Total	**20**	**100.0**

Table 5.2: Annual SADC Imports

	Count	%
<25,000	2	15.4
25,000 to 50,000	2	15.4
50,001 to 100,000	4	30.8
>100,000	5	38.5
Total	**13**	**100.0**

Table 5.3: Annual Non-SADC Imports

	Count	%
<25,000	1	7.1
50,001 to 100,000	3	21.4
>100,000	10	71.4
Total	**14**	**100.0**

Table 5.4: Annual SADC Exports

	Count	%
<25,000	5	45.5
25,000 to 50,000	3	27.3
50,001 to 100,000	2	18.2
>100,000	1	9.1
Total	**11**	**100.0**

Table 5.5: Annual Non-SADC Exports

	Count	%
<25,000	5	50.0
25,000 to 50,000	1	10.0
>100,000	4	40.0
Total	**10**	**100.0**

Table 6.1: Country of Export 1

	Count	%
Madagascar	4	36.4
Kenya	1	9.1
Rest of Africa	2	18.2
Others	4	36.4
Total	**11**	**100.0**

Table 6.2: Country of Export 2

	Count	%
Madagascar	4	36.4
Kenya	2	18.2
Uganda	1	9.1
Rest of Africa	2	18.2
Others	2	18.2
Total	**11**	**100.0**

Table 6.3: Country of Export 3

	Count	%
Madagascar	2	22.2
Zimbabwe	1	11.1
Kenya	2	22.2
Rest of Africa	4	44.4
Total	**9**	**100.0**

Table 6.4: Don't know since when export agent is involved

	Count	%
Rest of Africa	1	100.0
Total	**1**	**100.0**

Table 7.1: % Sales in Domestic Market

	Count	%
66	1	5.6
70	1	5.6
80	1	5.6
82	1	5.6
90	1	5.6
92	1	5.6
95.5	1	5.6
98	4	22.2
99	2	11.1
100	5	27.8
Total	**18**	**100.0**

Table 7.2: First Main Export Market

	Count	%
Madagascar	4	33.3
Kenya	1	8.3
Rest of Africa	3	25.0
Others	4	33.3
Total	**12**	**100.0**

Table 7.2a: % Sales in First Main Export Market

	Count	%
0.3	1	9.1
1	1	9.1
1.5	1	9.1
2	3	27.3
4	1	9.1
6	1	9.1
7	1	9.1
20	1	9.1
34	1	9.1
Total	**11**	**100.0**

Table 7.3: Second Main Export Market

	Count	%
Madagascar	2	25.0
Kenya	1	12.5
Uganda	1	12.5
Rest of Africa	2	25.0
Others	2	25.0
Total	**8**	**100.0**

Table 7.3a: % Sales in Second Main Export Market

	Count	%
0.2	1	14.3
0.5	2	28.6
3	1	14.3
3.7	1	14.3
5	1	14.3
14	1	14.3
Total	**7**	**100.0**

Table 7.4: Third Main Export Market

	Count	%
Madagascar	1	20.0
United Republic of Tanzania	1	20.0
Kenya	1	20.0
Uganda	1	20.0
Rest of Africa	1	20.0
Total	**5**	**100.0**

Table 7.4a: % Sales in Third Main Export Market

	Count	%
0.1	1	25.0
0.3	1	25.0
1	1	25.0
5	1	25.0
Total	**4**	**100.0**

Table 8.1: Competition from RSA

	Count	%
Yes strong	8	42.1
Yes moderate	3	15.8
Yes weak	3	15.8
No	4	21.1
Does not apply	1	5.3
Total	**19**	**100.0**

Table 8.2: Competition from BLNS

	Count	%
Yes weak	1	6.3
No	12	75.0
Does not apply	3	18.8
Total	**16**	**100.0**

Table 8.3: Competition from other SADC excl. BLNS

	Count	%
Yes strong	1	5.9
Yes weak	4	23.5
No	10	58.8
Does not apply	2	11.8
Total	**17**	**100.0**

Table 8.4: Competition from Rest of Africa

	Count	%
Yes strong	3	18.8
Yes moderate	2	12.5
Yes weak	2	12.5
No	7	43.8
Does not apply	2	12.5
Total	**16**	**100.0**

Table 8.5: Competition from EU

	Count	%
Yes strong	3	16.7
Yes moderate	4	22.2
Yes weak	7	38.9
No	3	16.7
Does not apply	1	5.6
Total	**18**	**100.0**

Table 8.6: Competition from Asia

	Count	%
Yes strong	5	29.4
Yes moderate	6	35.3
Yes weak	2	11.8
No	3	17.6
Does not apply	1	5.9
Total	**17**	**100.0**

Table 8.7: Competition from USA

	Count	%
Yes moderate	2	15.4
No	10	76.9
Does not apply	1	7.7
Total	**13**	**100.0**

Table 8.8: Competition from ROW

	Count	%
Yes strong	3	18.8
Yes moderate	5	31.3
Yes weak	3	18.8
No	4	25.0
Does not apply	1	6.3
Total	**16**	**100.0**

Table 8.9: Unknown Competitors

	Count	%
Yes moderate	1	10.0
No	2	20.0
Does not apply	7	70.0
Total	**10**	**100.0**

Table 9.1 Will SADC RI Increase Competition in Domestic Market

	Count	%
Agree strongly	10	50.0
Agree	8	40.0
Disagree	2	10.0
Total	**20**	**100.0**

Table 9.2: Will RI Reduce Input Prices

	Count	%
Agree strongly	1	5.0
Agree	5	25.0
Disagree	11	55.0
Disagree strongly	1	5.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.3: Will RI Reduce Prices of Consumer Goods

	Count	%
Agree strongly	1	5.0
Agree	10	50.0
Disagree	6	30.0
Disagree strongly	1	5.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.4: Will RI Result In Increased Efficiency and Competitiveness

	Count	%
Agree strongly	1	5.0
Agree	12	60.0
Disagree	6	30.0
Don't know	1	5.0
Total	**20**	**100.0**

Table 9.5: Will RI Have Positive Impact on Turnover

	Count	%
Agree strongly	1	5.0
Agree	4	20.0
Disagree	10	50.0
Disagree strongly	3	15.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.6: Will RI Have Positive Impact on Other Domestic Producers

	Count	%
Agree	3	15.0
Disagree	9	45.0
Disagree strongly	4	20.0
Don't know	4	20.0
Total	**20**	**100.0**

Table 9.7: Will RI Benefit the Economy in General

	Count	%
Agree	6	54.5
Disagree	4	36.4
Don't know	1	9.1
Total	**11**	**100.0**

Table 9.8: Will RI Provide Export Opportunities

	Count	%
Agree strongly	1	5.0
Agree	13	65.0
Disagree	3	15.0
Disagree strongly	1	5.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.9: Will RI Provide New Investment Opportunities

	Count	%
Agree	15	75.0
Disagree	3	15.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.10: Will RI Reduce Unemployment Rates

	Count	%
Agree	2	10.0
Disagree	13	65.0
Disagree strongly	4	20.0
Don't know	1	5.0
Total	**20**	**100.0**

Table 9.11: Will RI Lower Costs of Labour

	Count	%
Agree	1	5.0
Disagree	14	70.0
Disagree strongly	3	15.0
Don't know	2	10.0
Total	**20**	**100.0**

Table 9.12: Will RI Result in Influx of Immigrants

	Count	%
Agree strongly	1	5.0
Agree	1	5.0
Disagree	8	40.0
Disagree strongly	3	15.0
Don't know	7	35.0
Total	**20**	**100.0**

Table 9.13: Will RI Enhance Human Rights Situation in the Country

	Count	%
Agree	1	5.6
Disagree	9	50.0
Disagree strongly	4	22.2
Don't know	4	22.2
Total	**18**	**100.0**

Table 9.14: Will RI Reduce Political Sovereignty of my Country

	Count	%
Agree	3	15.0
Disagree	13	65.0
Disagree strongly	1	5.0
Don't know	3	15.0
Total	**20**	**100.0**

Table 10: If RI was About COMESA or EAC Would zou Have Responded Differently

	Count	%
Yes some	7	35.0
No hardly any	7	35.0
No not at all	5	25.0
Don't know	1	5.0
Total	**20**	**100.0**

Table 11: Trade Barriers Experiences Within SADC

	Count	%
Yes	8	40.0
No	10	50.0
Does not apply since I do not trade in SADC	2	10.0
Total	**20**	**100.0**

Table 12.1: How Relevant are Current Customs Tariffs as a Trade Barrier

	Count	%
Very relevant	4	40.0
Relevant	2	20.0
Hardly relevant	1	10.0
Not at all relevant	1	10.0
Does not apply	2	20.0
Total	**10**	**100.0**

Table 12.2: Import Duties and Taxes to be Paid in Cash

	Count	%
Very relevant	4	40.0
Relevant	2	20.0
Hardly relevant	1	10.0
Do not apply	3	30.0
Total	**10**	**100.0**

Table 12.3: How Relevant are SPS Regulations as Barriers

	Count	%
Very relevant	4	40.0
Relevant	2	20.0
Hardly relevant	3	30.0
Not at all relevant	1	10.0
Total	**10**	**100.0**

Table 12.4: How Relevant are Rules of Origin

	Count	%
Very relevant	4	40.0
Relevant	4	40.0
Hardly relevant	2	20.0
Total	**10**	**100.0**

Table 12.5: How Relevant are Export/Import Licenses and Permits Required

	Count	%
Very relevant	2	20.0
Relevant	4	40.0
Hardly relevant	2	20.0
Not at all relevant	2	20.0
Total	**10**	**100.0**

Table 12.6: How Relevant is the Lack of Transparency of Rules and Regulations Abroad

	Count	%
Very relevant	3	30.0
Relevant	3	30.0
Hardly relevant	2	20.0
Not at all relevant	2	20.0
Total	**10**	**100.0**

Table 12.7: How Relevant is Time Consuming Customs Procedures

	Count	%
Very relevant	2	20.0
Relevant	4	40.0
Hardly relevant	1	10.0
Not at all relevant	3	30.0
Total	**10**	**100.0**

Table 12.8: How Relevant is Substantial Paper Works, Bureaucracy

	Count	%
Very relevant	2	22.2
Relevant	5	55.6
Not at all relevant	2	22.2
Total	**9**	**100.0**

Table 12.9: Corruption of Officials

	Count	%
Relevant	4	40.0
Hardly relevant	2	20.0
Not at all relevant	3	30.0
Do not apply	1	10.0
Total	**10**	**100.0**

Table 12.10: Lack of Information about Foreign Markets

	Count	%
Very relevant	3	27.3
Relevant	4	36.4
Hardly relevant	2	18.2
Not at all relevant	2	18.2
Total	**11**	**100.0**

Table 12.11: Visa Requirement for Travelling Abroad

	Count	%
Very relevant	1	10.0
Relevant	1	10.0
Hardly relevant	1	10.0
Not at all relevant	6	60.0
Do not apply	1	10.0
Total	**10**	**100.0**

Table 12.12: Exchange Rate Uncertainty

	Count	%
Very relevant	3	27.3
Relevant	4	36.4
Hardly relevant	1	9.1
Not at all relevant	3	27.3
Total	**11**	**100.0**

Table 12.13: Risk of Non-Payment by Customers Abroad

	Count	%
Very relevant	5	45.5
Relevant	4	36.4
Hardly relevant	1	9.1
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 12.14: No Export Insurance Available to Cover Payment Risks of Exports

	Count	%
Very relevant	3	33.3
Relevant	1	11.1
Hardly relevant	2	22.2
Not at all relevant	3	33.3
Total	**9**	**100.0**

Table 12.15: Poor Regional Communication Infrastructure

	Count	%
Very relevant	3	27.3
Relevant	5	45.5
Hardly relevant	1	9.1
Not at all relevant	2	18.2
Total	**11**	**100.0**

Table 12.16: High Regional Communication Costs

	Count	%
Very relevant	2	18.2
Relevant	4	36.4
Hardly relevant	4	36.4
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 12.17: Weak Regional Transport Infrastructure

	Count	%
Very relevant	5	45.5
Relevant	4	36.4
Hardly relevant	1	9.1
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 12.18: High Transport Costs

	Count	%
Very relevant	5	45.5
Relevant	4	36.4
Hardly relevant	1	9.1
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 12.19: Weak Law Enforcement in Export Destination

	Count	%
Very relevant	2	20.0
Relevant	3	30.0
Hardly relevant	3	30.0
Not at all relevant	2	20.0
Total	**10**	**100.0**

Table 12.20: Others (please indicate)

	Count	%
Not at all relevant	1	33.3
Do not apply	2	66.7
Total	**3**	**100.0**

Table 13.1: Most Relevant Trade Barrier

	Count	%
Import duties and taxes	1	9.1
Sanitary and phytosanitary regulations	1	9.1
Rules of origin	4	36.4
Lack of information about foreign markets	1	9.1
Risk of non-payment of customers abroad	1	9.1
High transport costs	3	27.3
Total	**11**	**100.0**

Table 13.2: Second Most Relevant Trade Barrier

	Count	%
Customs tariffs	2	18.2
Sanitary and phytosanitary regulations	1	9.1
Lack of information about foreign markets	2	18.2
Risk of non-payment of customers abroad	1	9.1
No export insurance to cover payment risks of exports	3	27.3
High regional communication costs	1	9.1
Weak regional transport infrastructure	1	9.1
Total	**11**	**100.0**

Table 13.3: Third Most Relevant Trade Barrier

	Count	%
Import duties and taxes	1	10.0
Lack of transparency of rules and regulations abroad	2	20.0
Time consuming customs procedures	1	10.0
Lack of information about foreign markets	1	10.0
Exchange rate uncertainty	1	10.0
Risk of non-payment of customers abroad	1	10.0
High transport costs	2	20.0
Weak law enforcement in export destinations	1	10.0
Total	**10**	**100.0**

Table 14.1: Rating of Current Business Climate in Domestic Market

	Count	%
Favourable	11	57.9
Less favourable	6	31.6
Unsatisfactory	2	10.5
Total	**19**	**100.0**

Table 14.2: Rating of Current Business Climate in RSA

	Count	%
Very favourable	1	5.3
Favourable	8	42.1
Less favourable	4	21.1
Unsatisfactory	2	10.5
Don't know	4	21.1
Total	**19**	**100.0**

Table 14.3: Rating of Current Business Climate in BLNS Countries

	Count	%
Very favourable	1	5.3
Favourable	2	10.5
Less favourable	2	10.5
Unsatisfactory	2	10.5
Don't know	12	63.2
Total	**19**	**100.0**

Table 14.4: Rating of Current Business Climate in Other SADC Countries Excl. BLNS

	Count	%
Favourable	3	15.8
Less favourable	4	21.1
Unsatisfactory	4	21.1
Don't know	8	42.1
Total	**19**	**100.0**

Table 14.5: Rating of Current Business Climate in Rest of Africa

	Count	%
Less favourable	2	10.5
Unsatisfactory	6	31.6
Don't know	11	57.9
Total	**19**	**100.0**

Table 14.6: Rating of Current Business Climate in EU

	Count	%
Favourable	6	31.6
Less favourable	2	10.5
Don't know	11	57.9
Total	**19**	**100.0**

Table 14.7: Rating of Current Business Climate in USA

	Count	%
Favourable	6	31.6
Don't know	13	68.4
Total	**19**	**100.0**

Table 14.8: Rating of Current Business Climate in Asia

	Count	%
Very favourable	2	10.5
Favourable	4	21.1
Less favourable	1	5.3
Don't know	12	63.2
Total	**19**	**100.0**

Table 14.9: Rating of Current Business Climate in ROW

	Count	%
Favourable	2	10.5
Less favourable	4	21.1
Don't know	13	68.4
Total	**19**	**100.0**

Table 15.1: Will RI Result in Retrenchment of Employees

	Count	%
Likely	10	52.6
Unlikely	7	36.8
Don't know	1	5.3
Does not apply	1	5.3
Total	**19**	**100.0**

Table 15.2: Will RI Result in Employing More Workers

	Count	%
Likely	3	16.7
Unlikely	12	66.7
Don't know	1	5.6
Does not apply	2	11.1
Total	**18**	**100.0**

Table 15.3: Will RI Result in Increased Domestic Production

	Count	%
Likely	6	30.0
Unlikely	11	55.0
Don't know	2	10.0
Does not apply	1	5.0
Total	**20**	**100.0**

Table 15.4: Will RI Result in Investing Abroad

	Count	%
Likely	10	52.6
Unlikely	6	31.6
Don't know	2	10.5
Does not apply	1	5.3
Total	**19**	**100.0**

Table 15.5: Will RI Result in Closing down of Domestic Production

	Count	%
Likely	7	35.0
Unlikely	12	60.0
Does not apply	1	5.0
Total	**20**	**100.0**

Table 15.6: Will RI Result in Seeking Joint Ventures with Companies in SADC

	Count	%
Likely	13	65.0
Unlikely	4	20.0
Don't know	3	15.0
Total	**20**	**100.0**

Table 15.7: Will RI Result in Venturing into New Business Activities

	Count	%
Likely	12	63.2
Unlikely	4	21.1
Don't know	2	10.5
Does not apply	1	5.3
Total	**19**	**100.0**

Table 15.8: Will RI Result in Increasing SADC Imports

	Count	%
Likely	12	60.0
Unlikely	5	25.0
Don't know	3	15.0
Total	**20**	**100.0**

Table 15.9: Will RI Result in Increasing SADC Exports

	Count	%
Likely	11	55.0
Unlikely	8	40.0
Don't know	1	5.0
Total	**20**	**100.0**

Table 15.10: Will RI Result in Access to Cheaper Inputs

	Count	%
Likely	5	25.0
Unlikely	14	70.0
Don't know	1	5.0
Total	**20**	**100.0**

Table 15.11: Will RI Result in Access to Cheaper Foreign Labour

	Count	%
Likely	1	5.0
Unlikely	14	70.0
Don't know	4	20.0
Does not apply	1	5.0
Total		**100.0**

Table 16.1: What Will be the Change in Employment

	Count	%
-70	1	12.5
-40	1	12.5
-30	1	12.5
-25	1	12.5
-20	1	12.5
-10	2	25.0
10	1	12.5
Total	**8**	**100.0**

Table 16.2: What Will be the Change in Production

	Count	%
-60	1	11.1
-40	2	22.2
-30	2	22.2
-5	1	11.1
10	3	33.3
Total	**9**	**100.0**

Table 16.3: What Will Be the Change in Investment

	Count	%
-50	2	28.6
-30	1	14.3
0	2	28.6
15	1	14.3
20	1	14.3
Total	**7**	**100.0**

Table 16.4: What Will be the Change in Exports to SADC Countries

	Count	%
-50	1	16.7
2	1	16.7
10	4	66.7
Total	**6**	**100.0**

Table 16.5: What Will be the Change in Imports from SADC Countries

	Count	%
-50	1	12.5
0	2	25.0
10	1	12.5
20	2	25.0
25	1	12.5
30	1	12.5
Total	**8**	**100.0**

Table 16.6: What Will be the Change in Import Prices

	Count	%
-30	2	22.2
-10	1	11.1
-5	3	33.3
0	1	11.1
5	1	11.1
25	1	11.1
Total	**9**	**100.0**

Table 17: Annual Gains from Deeper RI in SADC

	Count	%
0	3	42.9
1.5	1	14.3
5	1	14.3
10	1	14.3
100	1	14.3
Total	**7**	**100.0**

Table 18: Annual Losses Due to Deeper RI in SADC

	Count	%
0	1	14.3
2	1	14.3
10	1	14.3
20	2	28.6
36	1	14.3
100	1	14.3
Total	**7**	**100.0**

Table 19.1: Is RI in General a Topic in Your Country?

	Count	%
Yes, very much	2	22.2
Yes, but not so prominent	7	77.8
Total	**9**	**100.0**

Table 19.2: Is RI Within SADC a Topic in Your Country?

	Count	%
Yes, very much	6	40.0
Yes, but not so prominent	8	53.3
No	1	6.7
Total	**15**	**100.0**

Table 19.3: Is RI Within COMESA a Topic in Your Country?

	Count	%
Yes, very much	2	16.7
Yes, but not so prominent	7	58.3
No	3	25.0
Total	**12**	**100.0**

Table 19.4: Is RI Within the EAC A Topic in Your Country?

	Count	%
Yes, very much	1	12.5
No	4	50.0
Don't know	3	37.5
Total	**8**	**100.0**

Table 20.1: Have You Attended Meetings on Regional Integration in General

	Count	%
Yes, sometimes	3	27.3
No, because no workshops were offered	1	9.1
No, but workshops were offered	5	45.5
Does not apply	2	18.2
Total	**11**	**100.0**

Table 20.2: Have You Attended Meetings on RI Within SADC

	Count	%
Yes, regularly	2	16.7
Yes, sometimes	9	75.0
No, but workshops were offered	1	8.3
Total	**12**	**100.0**

Table 20.3: Have You Attended Meetings on RI Within COMESA

	Count	%
Yes, regularly	1	8.3
Yes, sometimes	7	58.3
No, because no workshops were offered	2	16.7
No, but workshops were offered	1	8.3
Does not apply	1	8.3
Total	**12**	**100.0**

Table 20.4: Have You Attended Meetings on RI Within EAC

	Count	%
No, because no workshops were offered	4	66.7
Does not apply	2	33.3
Total	**6**	**100.0**

Table 21.1: Are You in Favour of Regional Integration in General

	Count	%
Yes, strongly	3	23.1
Yes, slightly	7	53.8
No	2	15.4
Don't know	1	7.7
Total	**13**	**100.0**

Table 21.2: Are You in Favour of RI Within SADC

	Count	%
Yes, slightly	8	66.7
No	4	33.3
Total	**12**	**100.0**

Table 21.3: Are You in Favour of RI Within Comesa

	Count	%
Yes, strongly	3	27.3
Yes, slightly	6	54.5
No	2	18.2
Total	**11**	**100.0**

Table 21.4: Are You in Favour of RI Within EAC

	Count	%
Yes, slightly	4	80.0
No	1	20.0
Total	**5**	**100.0**

Table 22.1: Preferred Degree of RI - Reduce Tariffs Within SADC

	Count	%
Yes	12	80.0
No	2	13.3
Don't know	1	6.7
Total	**15**	**100.0**

Table 22.2: Preferred Degree of RI - Remove Tariffs Within SADC, Establish CET to All Other Countries

	Count	%
Yes	5	29.4
No	9	52.9
Don't know	3	17.6
Total	**17**	**100.0**

Table 22.3: Preferred Degree of RI - Remove All Trade Restrictions Within SADC

	Count	%
Yes	7	38.9
No	8	44.4
Don't know	3	16.7
Total	**18**	**100.0**

Table 22.4: Preferred Degree of RI - Remove Restrictions on the Free Movement of Capital Within SADC

	Count	%
Yes	11	61.1
No	4	22.2
Don't know	3	16.7
Total	**18**	**100.0**

Table 22.5: Preferred Degree of RI - Remove Restrictions on The Free Movement Of Labour Within SADC

	Count	%
Yes	3	16.7
No	14	77.8
Don't know	1	5.6
Total	**18**	**100.0**

Table 22.6: Preferred Degree of RI - Remove Restrictions to the Free Movement of Services Within SADC

	Count	%
Yes	11	57.9
No	5	26.3
Don't know	3	15.8
Total	**19**	**100.0**

Table 22.7: Preferred Degree of RI - Implement Same Level of Taxes Within SADC

	Count	%
Yes	9	47.4
No	5	26.3
Don't know	5	26.3
Total	**19**	**100.0**

Table 22.8: Preferred Degree of RI - Design Competition and Trade Policies for SADC as a Whole

	Count	%
Yes	8	44.4
No	6	33.3
Don't know	4	22.2
Total	**18**	**100.0**

Table 22.9: Preferred Degree of RI - Create Single Currency Within SADC

	Count	%
Yes	1	5.3
No	16	84.2
Don't know	2	10.5
Total	**19**	**100.0**

Table 22.10: Preferred Degree of RI - Create Political Union With Parliament and Executive

	Count	%
Yes	1	5.3
No	16	84.2
Don't know	2	10.5
Total	**19**	**100.0**

Annex 2: Tables for NSA Perception Survey

Table 1: Types of Organization

	Count	%
Organized labour	2	18.2
Organized employer	1	9.1
Industry association	1	9.1
Other civil society organization	5	45.5
Others, please state	2	18.2
Total	**11**	**100.0**

Table 2: Period of Operation

	Count	%
More than 10 years	11	100.0
Total	**11**	**100.0**

Table 3: Membership to SADC National Committee

	Count	%
Yes	6	54.5
No	5	45.5
Total	**11**	**100.0**

Table 4: Membership to Regional Umbrella Organization

	Count	%
Yes	7	63.6
No	4	36.4
Total	**11**	**100.0**

Table 5: RI Will Increase Competition on the Domestic Market

	Count	%
Agree strongly	3	27.3
Agree	8	72.7
Total	**11**	**100.0**

Table 6: RI Will Reduce Input Prices

	Count	%
Agree	10	90.9
Disagree	1	9.1
Total	**11**	**100.0**

Table 7: RI Will Reduce Consumer Good Prices

	Count	%
Agree strongly	1	11.1
Agree	7	77.8
Disagree	1	11.1
Total	**9**	**100.0**

Table 8: RI Will Increase Efficiency and Competitiveness of Domestic Production

	Count	%
Agree strongly	2	20.0
Agree	7	70.0
Disagree	1	10.0
Total	**10**	**100.0**

Table 9: RI Will Have Positive Input on Domestic Companies' Turnover

	Count	%
Agree strongly	1	10.0
Agree	7	70.0
Disagree	1	10.0
Don't know	1	10.0
Total	**10**	**100.0**

Table 10: RI Will Benefit the Economy In General

	Count	%
Agree strongly	1	12.5
Agree	6	75.0
Disagree	1	12.5
Total	**8**	**100.0**

Table 11: RI Will Provide New Export Opportunities

	Count	%
Agree strongly	4	36.4
Agree	7	63.6
Total	**11**	**100.0**

Table 12: RI Will Provide New Investment Opportunities

	Count	%
Agree strongly	3	27.3
Agree	7	63.6
Disagree	1	9.1
Total	**11**	**100.0**

Table 13: RI Will Reduce Unemployment Rates

	Count	%
Agree strongly	1	9.1
Agree	7	63.6
Disagree	2	18.2
Don't know	1	9.1
Total	**11**	**100.0**

Table 14: RI Will Lower Costs of Labour

	Count	%
Agree	4	40.0
Disagree	6	60.0
Total	**10**	**100.0**

Table 15: RI Will Result In Influx on Immigrants

	Count	%
Agree	4	40.0
Disagree	4	40.0
Disagree strongly	1	10.0
Don't know	1	10.0
Total	**10**	**100.0**

Table 16: RI Will Enhance Human Rights Situation in the Country

	Count	%
Agree strongly	3	27.3
Agree	6	54.5
Disagree	2	18.2
Total	**11**	**100.0**

Table 17: RI Will Reduce Political Sovereignty of the Country

	Count	%
Agree	1	9.1
Disagree	9	81.8
Disagree strongly	1	9.1
Total	**11**	**100.0**

Table 18: RI Would You Have Responded Differently If Asked About COMESA or EAC

	Count	%
Yes, some	3	27.3
No. hardly any	2	18.2
No. not at all	5	45.5
Don't know	1	9.1
Total	**11**	**100.0**

Table 19: Relevancy of Customs Tariffs as Trade Barriers

	Count	%
Relevant	8	72.7
Hardly relevant	2	18.2
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 20: Relevancy of Import Duties and Taxes

	Count	%
Very relevant	1	9.1
Relevant	5	45.5
Hardly relevant	3	27.3
Not at all relevant	2	18.2
Total	**11**	**100.0**

Table 21: Relevancy of Sanitary and Phyto-Sanitary Regulations

	Count	%
Very relevant	4	36.4
Relevant	5	45.5
Hardly relevant	1	9.1
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 22: Relevancy of Rules of Origin

	Count	%
Very relevant	3	27.3
Relevant	4	36.4
Hardly relevant	2	18.2
Not at all relevant	1	9.1
Don’t know	1	9.1
Total	**11**	**100.0**

Table 23: Relevancy of Export/Import Licenses and Permits Required

	Count	%
Very relevant	2	18.2
Relevant	6	54.5
Hardly relevant	3	27.3
Total	**11**	**100.0**

Table 24: Relevancy of Non Transport of Rules and Regulations Abroad

	Count	%
Very relevant	4	36.4
Relevant	3	27.3
Hardly relevant	3	27.3
Not at all relevant	1	9.1
Total	**11**	**100.0**

Table 25: Relevancy of Time Consuming Customs Procedures

	Count	%
Very relevant	2	18.2
Relevant	4	36.4
Hardly relevant	5	45.5
Total	**11**	**100.0**

Table 26: Relevancy of Bureaucracy

	Count	%
Very relevant	2	18.2
Relevant	6	54.5
Hardly relevant	3	27.3
Total	**11**	**100.0**

Table 27: Relevancy of Corrupt officials

	Count	%
Very relevant	1	9.1
Relevant	6	54.5
Hardly relevant	2	18.2
Not at all relevant	1	9.1
Don't know	1	9.1
Total	**11**	**100.0**

Table 28: Most Relevant Barrier to Trade

	Count	%
Customs tariffs currently employed	1	10.0
Sanitary and phyto-sanitary regulations	3	30.0
Lack of transparency of rules and regulation abroad	1	10.0
Lack of information about foreign markets	2	20.0
High regional communication costs	1	10.0
High transport costs	1	10.0
Weak law enforcement in export destination	1	10.0
Total	**10**	100.0

Table 29: Second Most Relevant Barrier to Trade

	Count	%
Import duties and taxes have to be paid in cash	1	10.0
Sanitary and phyto-sanitary regulations	1	10.0
Rules of origin	1	10.0
Export/import licenses and permits required	1	10.0
Substantial paper works, bureaucracy	1	10.0
No export insurance available to cover payment risk	1	10.0
Poor regional communication infrastructure	3	30.0
Weak regional transport infrastructure	1	10.0
Total	**10**	**100.0**

Table 30: Third Most Relevant Barrier to Trade

	Count	%
Customs tariffs currently employed	1	10.0
Export/import licenses and permits required	1	10.0
Time consuming customs procedures	1	10.0
Corruption of officials	1	10.0
Lack of information about foreign markets	1	10.0
Risk of non-payment of customers abroad	1	10.0
No export insurance available to cover payment risk	1	10.0
Weak regional transport infrastructure	2	20.0
High transport costs	1	10.0
Total	**10**	**100.0**

Table 31: Will RI Result In Retrenchment

	Count	%
Likely	3	30.0
Unlikely	4	40.0
Don't know	3	30.0
Total	**10**	**100.0**

Table 32: Will RI Result In More Employment

	Count	%
Likely	6	60.0
Unlikely	2	20.0
Don't know	2	20.0
Total	**10**	**100.0**

Table 33: Will RI Result In Increased Domestic Production

	Count	%
Likely	9	100.0
Total	**9**	**100.0**

Table 34: Will RI Result In Closing Down Of Domestic Production

	Count	%
Likely	2	22.2
Unlikely	7	77.8
Total	**9**	**100.0**

Table 35: Will RI Result In Increasing Investments Abroad

	Count	%
Likely	9	90.0
Unlikely	1	10.0
Total	**10**	**100.0**

Table 36: Will RI Result In Increase in Joint Ventures in Other SADC Countries

	Count	%
Likely	10	100.0
Total	**10**	**100.0**

Table 37: Will RI Result In New Business Activities

	Count	%
Likely	10	100.0
Total	**10**	**100.0**

Table 38: Will RI Result In More Imports from Other SADC Countries

Likely	10	100.0

Table 39: Will RI Result In More Exports to Other SADC Countries

	Count	%
Likely	9	90.0
Unlikely	1	10.0
Total	**10**	**100.0**

Table 40: Will RI Result In Access to Cheaper Inputs

	Count	%
Likely	1	9.1
Don’t know	10	90.9
Total	**11**	**100.0**

Table 41: Will RI Result In Access to Cheaper Foreign

	Count	%
Likely	5	50.0
Unlikely	4	40.0
Don't know	1	10.0
Total	**10**	**100.0**

Table 42: Change in Employment

	Count	%
3	1	9.1
10	1	9.1
Don't know	9	81.8
Total	**11**	**100.0**

Table 43: Change in Production

	Count	%
20	1	9.1
25	1	9.1
Don't know	9	81.8
Total	**11**	**100.0**

Table 44: Change in Investment

	Count	%
20	1	9.1
Don't know	10	90.9
Total	**11**	**100.0**

Table 45: Change in Exports to SADC

	Count	%
50	1	9.1
Don't know	10	90.9
Total	**11**	**100.0**

Table 46: Change in Exports from SADC

	Count	%
50	1	9.1
Don't know	10	90.9
Total	**11**	**100.0**

Table 47: Change in Input Prices

	Count	%
15	1	9.1
Don't know	10	90.9
Total	**11**	**100.0**

Table 48: Impact of RI on NSA's Involvement in Policy Making

	Count	%
Strengthen strongly	5	45.5
Strengthen slightly	3	27.3
No changes expected	3	27.3
Total	**11**	**100.0**

Table 49: Involvement in Design of Domestic Policies

	Count	%
Yes	7	63.6
No	4	36.4
Total	**11**	**100.0**

Table 50: Involvement in the Design of SADC Policies

	Count	%
Yes	7	63.6
No	4	36.4
Total	**11**	**100.0**

Table 51: Impact of RI on NSA's Influence on Domestic Policies

	Count	%
Strengthen strongly	4	36.4
Strengthen slightly	4	36.4
No changes expected	3	27.3
Total	**11**	**100.0**

Table 52: Public Debates on Regional Integration in General

	Count	%
Yes, very much	4	36.4
Yes, but not so prominent	5	45.5
No	2	18.2
Total	**11**	**100.0**

Table 53: Public Debates on Regional Integration within SADC

	Count	%
Yes, very much	7	63.6
Yes, but not so prominent	4	36.4
Total	**11**	**100.0**

Table 54: Public Debates on Regional Integration within Comesa

	Count	%
Yes, very much	3	27.3
Yes, but not so prominent	4	36.4
No	3	27.3
Don't know	1	9.1
Total	**11**	**100.0**

Table 55: Public Debates on Regional Integration within EAC

	Count	%
Yes, very much	1	9.1
Yes, but not so prominent	3	37.3
No	6	54.5
Don't know	1	9.1
Total	**11**	**100.0**

Table 56: Discussions in Your Organizations Regional Integration in General

	Count	%
Yes, regularly	5	50.0
Yes, sometimes	5	50.0
Total	**10**	**100.0**

Table 57: Discussions in Your Organizations of Regional Integration within SADC

	Count	%
Yes Regularly	7	63.6
Yes, sometimes	4	36.4
Total	**11**	**100.0**

Table 58: Discussions in Your Organizations of Regional Integration within Comesa

	Count	%
Yes, regularly	5	50.0
Yes, sometimes	4	40.0
No	1	10.0
Total	**10**	**100.0**

Table 59: Discussions in Your Organizations of Regional Integration within EAC

	Count	%
Yes, sometimes	4	44.4
No	5	55.6
Total	**9**	**100.0**

Table 60: Organization of Public Workshops/Seminars on Regional Integration in General

	Count	%
Yes, regularly	2	18.2
Yes, sometimes	7	63.6
No	2	18.2
Total	**11**	**100.0**

Table 61: Organization of Public Workshops/Seminars on Regional Integration within SADC

	Count	%
Yes, regularly	2	20.0
Yes, sometimes	5	50.0
No	3	30.0
Total	**10**	**100.0**

Table 62: Organization of Public Workshop/Seminars on Regional Integration within Comesa

	Count	%
Yes, regularly	1	11.1
Yes, sometimes	3	33.3
No	4	44.4
Don't know	1	11.1
Total	**9**	**100.0**

Table 63: Organization of Public Workshops/Seminars on Regional Integration within EAC

	Count	%
Yes, sometimes	1	11.1
No	7	77.8
Don't know	1	11.1
Total	**9**	**100.0**

Table 64: Use of Press Releases to Raise Issues Of Regional Integration In General

	Count	%
Yes, regularly	3	30.0
Yes, sometimes	4	40.0
No	2	20.0
Don't know	1	10.0
Total	**10**	**100.0**

Table 65: Use of Press Releases to Raise Issues of Regional Integration with SADC

	Count	%
Yes, regularly	2	22.2
Yes, sometimes	5	55.6
No	2	22.2
Total	**9**	**100.0**

Table 66: Use of Press Releases to Raise Issues of Regional Integration within Comesa

	Count	%
Yes, regularly	1	12.5
Yes, sometimes	2	25.0
No	5	62.5
Total	**8**	**100.0**

Table 67: Use of Press Releases to Raise Issues of Regional Integration within EAC

	Count	%
No	8	100.0
Total	**8**	**100.0**

Table 68: Attendance of Workshops/Seminars on Regional Integration in General

	Count	%
Yes, regularly	3	30.0
Yes, sometimes	7	70.0
Total	**10**	**100.0**

Table 69: Attendance of Workshops/Seminars on Regional Integration within SADC

	Count	%
Yes, regularly	3	30.0
Yes, sometimes	7	70.0
Total	**10**	**100.0**

Table 70: Attendance of Workshops/Seminars on Regional Integration with Comesa

	Count	%
Yes, regularly	1	12.5
Yes, sometimes	5	62.5
No, because no workshops were offered	1	12.5
Don't know	1	12.5
Total	**8**	**100.0**

Table 71: Attendance of Workshops/Seminars on Regional Integration within EAC

	Count	%
Yes, sometimes	1	12.5
No, because no workshops were offered	5	62.5
Don't know	1	12.5
Does not apply	1	12.5
Total	**8**	**100.0**

Table 72: Invitation to SADC National Committee Meetings

	Count	%
Yes, regularly	3	30.0
Yes, sometimes	2	20.0
No	5	50.0
Total	**8**	**100.0**

Table 73: Participation in SADC National Committee Meetings

	Count	%
Yes, strongly	8	72.7
Yes, slightly	3	27.3
Total	**11**	**100.0**

Table 74: Need to Increase Capacity among NSAs to Participate On Regional Issues

	Count	%
Yes	10	100.0
Total	**10**	**100.0**

Table 76: Are You In Favour Of Regional Integration In General

	Count	%
Yes, strongly	10	90.9
Yes, slightly	1	9.1
Total	**11**	**100.0**

Table 77: Are You In Favour Of Regional Integration within SADC

	Count	%
Yes, strongly	10	90.9
Yes, slightly	1	9.1
Total	**11**	**100.0**

Table 78: Are You In Favour Of Regional Integration within Comesa

	Count	%
Yes, strongly	8	72.7
Yes, slightly	3	27.3
Total	**11**	**100.0**

Table 79: Are You In Favour Of Regional Integration within EAC

	Count	%
Yes, strongly	6	60.0
Yes, slightly	2	20.0
No	1	10.0
Don’t know	1	10.0
Total	**10**	**100.0**

Table 80: Degree of RI-Reduce Tariffs within SADC

	Count	%
Yes	10	90.9
Don’t know	1	9.1
Total	**11**	**100.0**

Table 81: Degree of RI-Remove Tariffs and Establish CET with All Other Countries

	Count	%
Yes	7	70.0
No	1	10.0
Don’t know	2	20.0
Total	**10**	**100.0**

Table 82: Degree of RI-Remove All Trade Restrictions within SADC

	Count	%
Yes	7	63.6
No	4	36.3
Total	**11**	**100.0**

Table 83: Degree of RI-Remove Restrictions on the Free Movement of Capital within SADC

	Count	%
Yes	7	70.0
No	1	10.0
Don't know	2	20.0
Total	**10**	**100.0**

Table 84: Degree of RI-Remove Restrictions on the Free Movement of Labour within SADC

	Count	%
Yes	5	45.5
No	5	45.5
Don't know	1	9.1
Total	**11**	**100.0**

Table 85: Degree of RI-Remove Restrictions on the Free Movement of Services within SADC

	Count	%
Yes	6	60.0
No	3	30.0
Don't know	1	10.0
Total	**10**	**100.0**

Table 86: Degree of RI Implements Same Level of Taxes within SADC

	Count	%
Yes	3	27.3
No	5	45.5
Don't know	3	27.3
Total	**11**	**100.0**

Table 87: Degree of RI-Design Competition and Trade Policies for SADC as A Whole

	Count	%
Yes	9	81.8
No	2	18.2
Total	**11**	**100.0**

Table 88: Degree of RI-Create Single within SADC

	Count	%
Yes	4	36.4
No	5	45.5
Don't know	2	18.2
Total	**11**	**100.0**

Table 89: Degree of RI-Create Political Union with Parliament and Executive

	Count	%
Yes	4	40.0
No	3	30.0
Don't know	3	30.0
Total	**10**	**100.0**

Table 90: Degree of RI-Create Regional Umbrella Organization on Non-State-Actors

	Count	%
Yes	8	100.0
Total	**8**	**100.0**

Authors Profile

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