



BUDGET MEMORANDUM 2019/2020

**FOR A SMART & SUSTAINABLE
MANUFACTURING**



Table of contents

AMM - MEXA common vision for the future of manufacturing	4
Introduction	5
Executive summary	6
Budget measures	7
I. Stimulate investments in the manufacturing sector	7
A. Fiscal measures	7
B. Level the playing field	8
C. Support inclusiveness in the local business ecosystem	9
II. Regionalise the manufacturing sector	10
A. Support export initiatives	11
B. Enhance market access and logistics	11
III. Ensure long-term supply commitments through Strategic Local Enterprises	11
A. Identify Strategic Local Enterprises (SLE) to be protected	11
B. Provide a specific support	11

AMM - MEXA common vision for the future of manufacturing

The socio-economic contribution of the manufacturing sector to the Mauritian economy is unparalleled. It has been at the base of our modern economy and has created thousands of jobs over the past 50 years. Today, manufacturing still employs some 97,000 people of all skills and functions and generates the highest multiplier effect in the local economy (1,92).

AMM and MEXA share a common belief that the manufacturing sector can build a bright future given our unique attributes and capabilities. The appropriate institutional support will enable us to take advantage and ride the wave of the disruptive changes happening in customer behaviours, expectations and needs worldwide.

Our shared vision for manufacturing in Mauritius is to become smart, service-oriented and sustainable. We aspire to transform the sector into a world-class industry renowned in the Indian Ocean region and beyond for its ability to anticipate and meet new market needs both locally and internationally. To achieve this vision, we are calling for major investments in new technologies and processes such as automation, digitalisation and sustainability. As we integrate evermore innovative services to manufactured goods, our manufacturing industry will transform into a sunrise sector offering high value new jobs to the next generation of Mauritians and shift our economy to a higher growth path.

Introduction

Figures are stark enough to call for action at the highest level:

- the contribution of the local manufacturing in the GDP has gone down by -1,8% between 2006 and 2018.
- The multiplier effect of the Mauritian economy has gone down by -35% over the last 20 years.
- Our imports of finished products represent 59% of our GDP when the average in Small Island Developing States (SIDS) is 54% and the average in high income countries is 30%.
- Our economic autonomy has been reducing for the past 20 years: -7,5% in agriculture, -4,6% in food and beverages, -3,6% in apparel and garments.
- Since the 1970s for each +1% of GDP, our carbon footprint grew at an average of +0,93%.

As the manufacturing sector is a seedbed for the complexification of the Mauritian economy, the largest employer with 97,000 direct jobs, a major contributor to the GDP with around 57 billion MUR; **the emergency is to maintain the level of contribution of the manufacturing sector at 14% of GDP.**

In line with the Government of Mauritius' vision to reach a high-income economy: Mauritian manufacturers are poised to shift towards a regionalised, smart and sustainable sector.

The conditions for such a move, call for a **coherent strategy for the sector comprising measures for import substitution and export promotion.**

This year, the **Association of Mauritian Manufacturers will setup an open platform for Smart and Sustainable Manufacturing.** One critical achievement is already expected: a blueprint for the sector.

Executive summary

Objectives	Enablers	Budget Measures
Stimulate investments in the manufacturing sector	Fiscal measures	<ul style="list-style-type: none"> • Low flat-tax on corporate income. • Extension of Investment tax credit (15%) on P&M. • Operationalisation of double deduction on R&D expenses. • Double tax deduction on cost incurred by international quality standards & norms.
	Level the playing field	<ul style="list-style-type: none"> • Enforcement of mandatory standards & norms. • Extension of minimum shelf life. • Operationalisation and extension of Public procurement bid price preference to all companies. • Push variable geometry agenda for SIDS at WTO study.
	Support inclusiveness	<ul style="list-style-type: none"> • Support SMEs through the Made in Moris Scheme. • Support the circular economy & renewable energies: <ul style="list-style-type: none"> ◦ Review the mechanism of ban on export of scrap metal. ◦ Opening on a large scale the MSDG Net Metering Scheme. ◦ Replace the tax on PET bottles by Extended Producer Responsibility.
Regionalise the manufacturing sector	Support export initiatives	<ul style="list-style-type: none"> • Support the costs for a Regional manager – East Africa with a role of business development & promotion. • Review of International Fair Scheme for Export & Innovation Events. • Reserve a space for Made in Moris™ products at Duty-free Shop SSR Airport.
	Enhance market access & logistics	<ul style="list-style-type: none"> • Extension of Speed to Market Scheme to all manufacturing & African Markets. • Extension of Freight Rebate Scheme to Tamatave & South African ports. • Preferential port handling charges for all manufacturing sector. • Provision of warehouses in Special Economic Zones.
Ensure long-term supply commitments through Strategic Local Enterprises	<ul style="list-style-type: none"> • Identify SLEs • Provide support 	<ul style="list-style-type: none"> • Imports of strategic local products to be guided by quality-cost consideration. • Security of supply to be included as condition. • Certification for decent work, environmental norms, MSB standards. • Implement control mechanisms on importers of strategic local products.

Budget measures

I. Stimulate investments in the manufacturing sector

- The manufacturing sector engaged in import substitution activities (DOEs), has felt the brunt of international trade for several years. The benefits of international trade to take advantage of competitive and comparative advantages are well known and certainly benefit the Mauritian consumer in the short term with cheaper prices and more variety.
- However, in the case of the small open economy that is Mauritius, DOEs are meshed in a local manufacturing ecosystem, and the difficulties faced by some producers may lead to a negative tipping point for the secondary sector.
- It must also be highlighted that local manufacturing forms the seedbed for the complexification of the economy and the increase in local multiplier which can strengthen resilience and create jobs.

A. Fiscal measures

- Low flat-tax on corporate income.
- Extension of Investment tax credit (15%) on P&M.
- Operationalisation of double deduction on R&D expenses.
- Double tax deduction on cost incurred of obtaining international quality standards and norms.

B. Level the playing field

- Compensatory mechanism for companies affected in their local market from a surge in the import of goods is a matter of business continuity, food security and value addition to the economy.
- In the case of Small Island Developing State – SIDS as Mauritius, a compensatory mechanism for manufacturing companies is required; as a new diplomacy agenda requires long-term efforts.
- Improving the competitiveness of manufacturing companies in Mauritius is obviously limited, as they still have to import their raw materials and equipment; and compete locally with international big players.

Measures:

- a. Enforcement of mandatory standards and norms on specific products.
- b. Extension of minimum shelf life on specific sensitive products.
- c. Operationalisation and extension of Public procurement bid price preference to all companies.
- d. Push variable geometry agenda for SIDS at WTO study.

e. Pending issues:

- i. **Implement a safeguard measure for the manufacturing sub-sector of edible oils.**
- ii. Remove concession A10 from Customs duty: introduced in 1985 when there was a lack of warehousing and factory building facilities. Nowadays local steel structured manufacturers and suppliers are disadvantaged as the components needed (steel, bolts, galvanized

metal beams, etc) have an import duty rate higher than Concession A10.

- iii. VAT exempted products to become zero rated (fruits, vegetables, and all prepared and cooked chicken products).
- f. Review the limit of turnover defining a Small and Medium Enterprise: the average in emerging economies (including the region) is equivalent to 150M-200M MUR and rely on several criteria (turnover, jobs).

C. Support inclusiveness in the local business ecosystem

a. Support SMEs through the Made in Moris Scheme (see table below)

The Made in Moris label has been offering an inclusive marketing platform for SMEs since its inception in 2013, with a growing range of sectors that collaborate in promoting their brands and products.



- i. Targeting “high growth potential” SMEs (turnover over 25M MUR).
- ii. Maximising grants for micro and small companies (turnover under 25M MUR).

Category (Annual turnover)	Annual cost per company (Made in Moris entry fees + on-site visit)	Grants proposed (micros would be supported 100%)
Under 10M MUR	12,600 MUR	12,600 MUR
Over 10M MUR and under 25M MUR	37,500 MUR	20,000 MUR
Over 25M MUR and under 40M MUR	54,000 MUR	40,000 MUR
Over 40M MUR and under 50M MUR	65,000 MUR	40,000 MUR

b. Support the circular economy and renewable energies

- Removing obstacles to businesses engaged in the circular economy and sustainable energies is a priority for both economic and environmental reasons.
- Develop Regional Waste Management policy, taking into account the private sector collaboration which has already been engaged, for the following categories of goods:
 - PET Bottles, Heavy Plastics, Oil, Batteries, Textiles.

Measures:

- Review the mechanism of ban on export of scrap metal, by authorising manufacturing companies specialised in depolluting and processing of e-wastes to export.
- Opening on a large scale the MSDG Net Metering Scheme, to enable companies of all sizes to use their roof for the production of solar PV energy: for instant consumption during working hours and export the surplus in net billing mode during closing days, weekends and public holidays.
- Replace the tax on PET bottles by a full voluntary Extended Producer Responsibility (EPR) mechanism to ensure a better collection of plastic waste.

II. Regionalise the manufacturing sector

- Promote locally manufactured products at the international airport is a must for any exporting economy (benchmark from regional countries).
- Mauritian manufacturers are engaged in several export initiatives. To succeed they need more promotion within our borders and abroad.
- The Made in Moris label has a growing range of products and is geared to propose an innovative concept; on which the sector could capitalise for international events.

A. Support export initiatives

- Support the costs for a Regional manager – East Africa with a role of business development and promotion of the manufacturing sector, during a boot phase (2 years).
- Review of International Fair Scheme for Export and Innovation Events: move to a 50-50 matching grant.
- Reserve a space for goods and products certified Made in Moris at the Duty-free Shop of SSR International Airport.

B. Enhance market access and logistics

- Extension of Speed to Market Scheme to all manufacturing sector and to African Markets.
- Extension of Freight Rebate Scheme to Tamatave and South African ports.
- Preferential port handling charges for all manufacturing sector.
- Provision of warehouses in Special Economic Zones.

III. **Ensure long-term supply commitments through Strategic Local Enterprises**

A. Identify Strategic Local Enterprises (SLE) to be protected

A preparation work for a blueprint for the manufacturing sector.

B. Provide a specific support

- a. Imports of strategic local products should be guided by Quality-cost consideration (product grade as per international norms; supplier to prove pricing equivalence to home country, without subsidy).

- b. Security of supply to be included as condition, including local warehousing for strategic products.
- c. Certification for Decent work, Environmental norms, MSB standards or equivalent.
- d. Implement control mechanisms on importer criteria:
 - i. Maintaining a list of approved importers (and non-eligible ones) based on previous experience on quality, timeliness and other critical issues.
 - ii. Factory visit / process review on quality, delivery and respect of the certification norms.
 - iii. Review of the financial stability of parties to ensure consistency of supply.
 - iv. Implement the Minimum Shelf life requirement.
 - v. Margin of Preference to local production – to be calculated on local employment, local multiplier and other factors.