

A New Deal For The Local Economy

Budget Memorandum 2021/2022

16 April 2021

Executive Summary

Objectives	Enablers	Measures
New Toolbox For Food Security & Essential Products Supply	Redesigning Food Security	<ul style="list-style-type: none"> • Rising Costs Of Production & Consumer Prices: Periodic Counter-Measures <ol style="list-style-type: none"> 1. Freight rebate scheme on imports of raw materials. 2. Fixed exchange rates in USD and Euro on imports of raw materials. • Organising & Contracting For Quality, Safety & Price Risk Management: National Value Chain Scheme <ol style="list-style-type: none"> 3. Under the National Agri-Food Development Programme provide for a National Value Chain Scheme. Direct implication of AMM, MCA, EDB. <ol style="list-style-type: none"> a. The scheme would need a MUR 10M budget to complete the initial technical desk work and kickstart a capacitation programme. b. Sub-sectors with immediate interest: dairy, fruits & vegetables for processing. c. Determine viable business model, towards net zero farm emissions, guaranteed price stability, quality of inputs/outputs to final consumer, subsidies and/or limitation/taxation of imported finished products directly competing. d. Private sector-led projects linking manufacturing sector with primary sectors.
	Boosting Local Consumption	<ul style="list-style-type: none"> • Household Consumption: Maximise The Access To Local Products <ol style="list-style-type: none"> 4. Increase the minimum shelf space of local products to 40 %. 5. Provide adequate control before renewal of business license by MOCCP. • Private Procurement: Corporate Income Tax Reduction For Local Sourcing <ol style="list-style-type: none"> 6. Allow a reduction in the corporate income tax for a company sourcing locally manufactured products from a local company in Mauritius, to a maximum amount of 3 % of annual income of the company if income over 250M; to a maximum amount of 5 % of annual income of the company if income under 250M. <ol style="list-style-type: none"> a. Tax reduction of 30 % of direct costs incurred by purchase of product from a MME. b. Tax reduction of 50 % of direct costs incurred by purchase of product from a SME. c. Tax reduction of 80 % of direct costs incurred by purchase of product from a SME certified Made in Moris.

		<p>Exclusions: purchases intended for resale, within conglomerate, between shareholders.</p> <ul style="list-style-type: none"> • Made in Moris Grant Scheme: Duration Extension for SMEs <ol style="list-style-type: none"> 7. Total amount of one-off grant scheme be comprised into a 3-year Made in Moris Grant Scheme. • Public Procurement: Buy Mauritian Programme <ol style="list-style-type: none"> 8. Observatory of Local Procurement under the PPO. 9. Designate the following families of products manufactured locally and define the selected local government procurement: <ol style="list-style-type: none"> a. Edible oil b. Margarine and spreads c. Tea d. Fruit juices e. Fresh yoghurt products f. Pasta and noodles g. Liquefied oxygen, medical gas, carbonated gas (CO2) h. Plastics products (piping, others) 10. Create public-private working group under PPO to define sustainability criteria in PP guidelines. 11. Others
	<p>Protecting Local Manufacturing From Discrepancies In Standards, Licences & Predatory Pricing</p>	<ol style="list-style-type: none"> 12. Provision of requirements for imported products and adequate control by MRA and MOCCP: <ol style="list-style-type: none"> a. Edible oils <ol style="list-style-type: none"> i. S112 for Soya, MS28 for Sunflower, MS27 for blended oil) ii. SA 8000-2014 (Social Accountability) iii. IFS - International Featured Standards iv. BRC - British Retail Consortium b. Canned food: <ol style="list-style-type: none"> i. MS 30 Labelling of products ii. MS 38 Canned processed peas iii. MS 39 Canned tomato concentrate c. Margarine and spreads: <ol style="list-style-type: none"> i. MS30, MS26 for margarine ii. MS 153 for fat spreads iii. ISO 22000:2005 iv. IFS Food v. MS27 for vanaspati & shortening d. Dairy products: <ol style="list-style-type: none"> i. MS 30: 2016 – Labelling of pre-packaged food e. Paints and varnishes: <ol style="list-style-type: none"> i. MS 3:2010 + A1:2011 + A2:2013 19 p Gr 10 87.040 ii. MS 24:2016 iii. MS 87:1991 8 p Gr 4 87.04 13. Working group to precise list of products to have a minimum of 50 % lifetime before importation.

Direct contact:

Bruno.dubarry@mauritianmanufacturers.mu
5256-6080

		<p>14. Provide adequate control in the retail sector by MOCCP in coming Food Bill.</p> <p>15. Maintain double-deduction on costs of acquisition of patents, franchises and also costs incurred to comply with international quality standards and norms.</p> <p>16. Enact appropriate legislation for anti-dumping, countervailing and safeguard measures.</p> <p>17. Imports of products in public procurement to be guided by quality considerations:</p> <ul style="list-style-type: none"> a. Certification for decent work, environmental norms, MSB standards. b. Implement control mechanisms on importers of strategic local products: <ul style="list-style-type: none"> 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.
	Regional Integration & Securing Supply Chains	<p>18. Regional maritime connectivity: support private sector effort through the <i>Partenariat Industriel</i> between AMM, ADIR, SIM and Cap Business Océan Indien in a joint advocacy at IOC level.</p> <p>19. Review International Fair Scheme for export and innovation events: bring financial support to private sector-led delegations, joint preparation with EDB.</p> <p>20. Devise a regional economic plan for the MUR 10 billion earmarked by the MIC to invest in African projects.</p>
Smart & Sustainable Manufacturing	Upgrading The Local Manufacturing	<ul style="list-style-type: none"> • Manufacturing Upgrading Fund <p>21. Matching grants ranging from 50 % to 75 %.</p> <p>22. Projects supported should cater for collective proposals such as the National Value Chains Scheme.</p> • Modernisation Investment Support Fund <p>23. Leasing ranging from 20 % to 40 %.</p>
	Circular Economy Planning	<p>24. Establish a national legal framework.</p> <p>25. Suspension of GN 156.</p> <p>26. Setting up a proper public-private working group (GN 156).</p>

		<p>27. Generalise EPR and remove taxes (e-wastes, packaging, construction and demolition materials, tyres, batteries).</p> <p>28. Separate recommended shelf life date from best before date in coming Food Bill, to reduce food waste.</p>
	Renewable Energy, Electrical Mobility & Sustainable Buildings	<ul style="list-style-type: none"> Improving The Competitiveness Of Local Manufacturing & Sustaining Local Operators In Solar PV <p>29. SSDG open window mode through E-Licensing Platform allowing investment from individuals conveniently.</p> <p>30. Incentivise solar PV for households with a commissioning of 3,000 households per year via E-Licensing Platform.</p> <p>31. MSDG to authorise self-consumption of solar PV Energy produced by companies and resale surplus on national electricity grid.</p> Boosting The Adoption Of Electrical Vehicles <p>32. Implement the 10-Year Master Plan.</p> <p>33. Grant a 5 kWp solar PV kit to charge the electrical vehicle under the SSDG net-metering scheme.</p> <p>34. Commercial Vehicle Modernisation Scheme: delete 5 % excise duty on electrical vehicles for commercial activities.</p> Sustainable Buildings <p>35. Combine the thermal insulation of the roof for all new building permit applications on the BLUP platform.</p>

I. New Toolbox For Food Security & Essential Products Supply

Time is for reform in business practices particularly in the field of food security and essential needs. The world is in the midst of continuing crises, pushing Mauritius to increase the resilience of the local economy, remediate to the structural weaknesses of the food industry, regionalise the supply chains and engage with markets of the AfCFTA.

A. Redesigning Food Security

1) Rising Costs Of Production & Consumer Prices: Periodic Counter-Measures

In a survey conducted February 2021, members of the AMM have revealed that **55 % of their increases in costs of production are resulting from costs of raw materials and costs of transportation and storage**. Since January 2021, the **increases of container freight cost from Far East regions and Europe have reached respectively 25 % and 10%**.

The AMM recommends time-bound measures:

1. **A freight rebate scheme on imports of raw materials** for products locally manufactured where the local value addition reaches a minimum of 35 %. Would be eligible: manufacturing companies producing for the domestic market.
2. **Fixed exchange rates in US dollar and Euro on imports of raw materials** for products locally manufactured where the local value addition reaches a minimum of 35%. Would be eligible: manufacturing companies producing for the domestic market.

2) Organising & Contracting For Quality, Safety & Price Risk Management: National Value Chain Scheme

Mauritius imported in 2019 some 14 billion MUR of prepared foodstuff, 7 billion MUR vegetables, 9 billion MUR of chemical products related to the food and cosmetic industries.

It is high time for a national “price risk management” which will allow national value chains to thrive. Failures in public grants and private investments which aimed at developing food industries in Mauritius, have in common the absence of inter-professional contracts (*contrat de filière interprofessionnelle*).

- 3. Under the National Agri-food Development Programme provide for a National Value Chain Scheme** based on a collaboration between organisations with the capacity to mobilise private sector expertise and investment - namely the Association of Mauritian Manufacturers, the Mauritius Chamber of Agriculture and the Economic Development Board of Mauritius. **Sub-sectors with immediate interest: dairy, fruit & vegetable** (for agro-processing).

The National Value Chain Scheme would need a **MUR 10M budget to complete the initial technical desk work and kickstart a capacitation programme:**

- Determine the **conditions for a viable business model**. For small and large operators to share interests and commitments within a *value chain contract*, **guaranteeing price stability and quality of inputs/outputs for the final consumer** (planters, breeders, cooperatives, animal feeding providers, manufacturers, distributors, retailers).
- Support **private sector-led pilot projects, linking the manufacturing sector with primary sectors** of agriculture and breeding.
- Support the acquisition and/or leasing of productive facilities (drying units, storage, deep freezing, etc) and technologies required to guide the local production on the path of net zero farm emissions (lowest environmental impact, GHG emissions, etc).
- Where it may be needed, intervention on rules and practices of the Competition Commission of Mauritius.

- Determine the level and length of subsidies needed by the national value chains.
- Where it may be needed, provide for the limitation of imports and/or increased taxation of imported finished products directly competing with the products of national value chains.
- Designate local products for the supply of public bodies under the Buy Mauritian Programme (cantines of public and parastatal bodies).

B. Boosting Local Consumption

The accessibility of local products for Mauritian and foreign consumers, outweighs any marketing campaign for local purchasing. The time is right for strong incentives in favour a local purchasing in household consumption, private sector procurement and public sector procurement.

1) Household Consumption: Maximise The Access To Local Products

4. **Increase the minimum shelf space of local products to 40 %.** Based on surveys conducted by the AMM and Made in Moris label, the average of shelf space occupied by local products in large and medium commercial areas is over 35 %.
5. Provide an **adequate control** from the Ministry of Commerce and Consumer Protection conducted through **onsite surveys prior to the renewal of the business license of the retailer.**

2) Private Procurement: Corporate Income Tax Reduction For Local Sourcing

Inspired from the Buy Mauritian Programme, in order to increase the local multiplier effect of the Mauritian economy and foster solidarity between large and small operators.

6. Allow a reduction in the corporate income tax, for every company sourcing locally manufactured products from a local company in Mauritius:

- **Tax reduction of 30 %** of the direct costs incurred by the purchase of products manufactured locally from a local mid-market enterprise.
 - **Maximum amount of the tax reduction representing 3 % of the annual income of the company (before tax) if income is over MUR 250M.**
 - **Maximum amount of the tax reduction representing 5 % of the annual income of the company (before tax) if income is under MUR 250M.**
- **Tax reduction of 50 %** for the direct costs incurred by the purchase of products manufactured locally from a SME.
 - Maximum amount of the tax reduction representing 3 % of the annual income of the company (before tax) if income is over MUR 250M.
 - Maximum amount of the tax reduction representing 5 % of the annual income of the company (before tax) if income is under MUR 250M.
- **Tax reduction of 80 %** for the direct costs incurred by the purchase of products manufactured locally from a SME certified Made in Moris.
 - Maximum amount of the tax reduction representing 3 % of the annual income of the company (before tax) if income is over MUR 250M.
 - Maximum amount of the tax reduction representing 5 % of the annual income of the company (before tax) if income is under MUR 250M.

The product locally manufactured must reach a minimal local value addition of 25 %. The purchases in all 3 categories (Mid-market, SME, SME certified Made in Moris) can be cumulated at the end of the fiscal year and accounts must be certified by a chartered accountant.

The tax reduction excludes: purchases intended for resale e.g. retail sector, purchases between companies of a same conglomerate, purchases between a company and the company in which it has direct shareholding.

3) Made in Moris Grant Scheme: Duration Extension For SMEs

7. In order to promote long-term commitment of SMEs on best practices e.g. investing in quality and branding, especially in the current economic turmoil; it is proposed that the **total amount of the one-off grant scheme (MUR 50,000) be comprised into a 3-year Made in Moris Grant Scheme:**
 - Supporting the costs related to the membership to a maximum of MUR 50,000 per company, covering a maximum period of 3 years.
 - E.g. the SME, depending on its turnover, may benefit of the total amount over one year, two years or three years to a maximum of MUR 50,000.
 - The extended support (year N+1 and N+2) would be justified by an audit conducted by the certifying body for the Made in Moris label, proving there has been continuous improvements by the SME.

4) Public Procurement: Buy Mauritian Programme

In 2021, one can still be surprised by the overwhelmingly presence of imported products in public sector meetings (juices, biscuits, etc). Exemplarity matters a lot. In addition, there is need for measurement, accountability and predictability within the Buy Mauritian Programme.

8. Create the **Observatory of Local Procurement under the Public Procurement Office** in order to improve the efficiency of the Buy Mauritian Programme: with the data collected by the observatory, made accessible to private sector organisations for matters of guidance and assistance to companies willing to participate in public procurement.
 - **After the implementation of the corporate income tax reduction for local sourcing, the observatory tool should be revamped in an Observatory of Local Purchase** to allow the much needed sensitisation and training, monitoring and continuous improvement of public and private procurement of local products and to some extent local services. This office would define its annual activities on the basis of a public & private working group.

9. Following the announcement in Budget 2020/2021 for the future designation of local manufacturing for selected local Government procurement.

Designate the following families of products manufactured locally and define the selected local Government procurement:

- Edible oil
- Margarine and spreads
- Tea
- Fruit juices
- Fresh yoghurt products
- Pasta and noodles
- Liquefied oxygen, medical gas, carbonated gas (CO2)
- Plastic products (piping, others).

10. Create a **public-private working group under the Public Procurement Office to define sustainability criteria in public procurement guidelines.**

11. Others:

- Consider that total reimbursement of WAS may not take precedence over private banking loans to companies.
- Consider the impact of the *Solidarity Levy* on the consumption of personal services: helpers, carers, handyman, drivers, private lessons, etc.
- Add “Publishing” to BRN activities within the Registrar of companies and classify as zero rated VAT all educational publications (books, puzzles, games).
- Allow “Publishing” activities to bid in public procurement exercises of public schools.

C. Protecting Local Manufacturing From Discrepancies In Standards, Licences & Predatory Pricing

The local manufacturing sector is committed to security and safety of supply for the Mauritian market. 25 years after the liberalisation in Mauritius, same commitments are not expected from imported products.

12. For the following products on which discrepancies of standards have been flagged for several years: **make provision of the following requirements for imported products and an adequate control of these products by the Mauritius Revenue Authority and the Ministry of Commerce and Consumer Protection** in the coming Food Bill where it may be required:

- Edible oils
 - MS112 for Soya, MS28 for Sunflower, MS27 for blended oil
 - SA 8000-2014 (Social Accountability)
 - IFS - International Featured Standards
 - BRC - British Retail Consortium
- Canned food
 - MS 30 Labelling of products
 - MS 38 Canned processed peas
 - MS 39 Canned tomato concentrate
- Margarine and spreads
 - MS30, MS26 for margarine
 - MS 153 for fat spreads
 - ISO 22000:2005
 - IFS Food
 - MS27 for vanaspati & shortening
- Dairy products: MS 30: 2016 – Labelling of pre-packaged food
- Paints and varnishes
 - MS 3:2010 + A1:2011 + A2:2013 19 p Gr 10 87.040
 - MS 24:2016
 - MS 87:1991 8 p Gr 4 87.040

13. With the objective of ensuring that products imported with less than a few weeks left before expiry are not dumped in our markets, the Budget 2020/2021 announced that a number of products, excluding fresh products, with a minimum of 50 percent lifetime before importation would be increased.

In the Budget 2021/2022: create a **working group in which coordinating public authority and private sector (MCCI and AMM) will have to precise the list of products to have a minimum of 50 percent lifetime before importation**, taking into account the situation of potential disrupted international supply chains.

14. For the **minimum of 50 percent lifetime before importation** provide an **adequate control in the retail sector by the Ministry of Commerce and Consumer Protection in the coming Food Bill**.
15. Maintain the **double deduction on the cost of acquisition of patents and franchises and also the costs incurred to comply with international quality standards and norms**, already announced in Budget 2020/2021.
16. **Enact the appropriate national legislation for anti-dumping, countervailing and safeguard measures.**
- For each product where a **case of predatory pricing is identified by private sector representatives and companies directly concerned; an investigation should be conducted in collaboration between the International Trade Division (MOFA), private sector representatives and companies directly concerned** in order to substantiate the imposition of a safeguard measure. The investigation would include:
 - Description of issues faced (injury, suspected subsidies in originating country, predatory pricing, quality standards, decent work standards, environmental norms);
 - Originating countries concerned (link issues with countries);
 - Specific recommendations regarding problematic originating countries.
17. **Imported products in public procurement, where a local production exists must be guided by more qualitative considerations:**
- Certification for decent work, environmental norms, MSB standards.
 - Implement control mechanisms on importers of strategic local products:

- Maintaining a list of approved importers (and non-eligible ones) based on previous experience on quality, timeliness and other critical issues.
- Factory visit / process review on quality, delivery and respect of the certification norms.
- Review of the financial stability of parties to ensure consistency of supply.

D. Regional Integration & Securing Supply Chains

In the midst of the global pandemic and the multiple crises it has caused in the transportation and storage activities, **the vulnerabilities of Mauritius and the region are revealing themselves more and more acute.**

18. With the objective of growing regional trade and in the perspective of an enhanced regional maritime connectivity, **support the private sector effort (through “Partenariat Industriel” between AMM, ADIR, SIM and Cap Business Océan Indien) in a joint advocacy at institutional level (Indian Ocean Commission) for:**

- Setting up a regional observatory to monitor the maritime logistics chain in order to identify and anticipate potential disruptions.
- Build an operational continuity plan for the maritime supply chain, territory by territory, with, among other things, loading capacity quotas at the exits of European and Asian ports.
- Control our means of maritime and air transport in the medium term by setting up solutions adapted to our transport needs, in complementarity with the large companies that serve our territories.

19. **Review the International Fair Scheme for export and innovation events in order to bring financial support to private sector-led delegations.** This would allow organisations such as the AMM to maintain tailor-made B2B missions in emerging regional economies and seize niche markets opportunities in Europe, North America, Far East. **The joint preparation of such missions with the Economic Development Board of Mauritius would then be made possible.**

20. **Devise a regional economic plan for the MUR 10 billion earmarked by the MIC to invest in African projects (Budget 2020/2021), including the provision of industrial buildings in Special Economic Zones.**

II. Smart & Sustainable Manufacturing

The manufacturing sector and supporting industries are in need of a conducive environment for upgrading and modernisation, circular economy integration, renewable energy deployment.

A. Upgrading The Local Manufacturing

According to the Industrial Policy and Strategic Plan (IPSP 2020-2025) new funding schemes are vital for the successful transformation of the manufacturing sector in Mauritius through industrial upgrading and modernisation.

The Manufacturing Upgrading and Modernisation Investment Scheme, comprising two funds would have for implementation agency the ISP Ltd.

1) Manufacturing Upgrading Fund (MUF)

21. **Matching grants under the MUF should be ranging from 50% to 75% of support depending on the size of company. MUF would spend a maximum of MUR 2 billion over 5 years:**

- **Large**
Support of up to 50% of cash grant (up to a maximum of MUR 40M); 50% cash contribution by enterprises.
- **Mid-market**
Support of up to 75% of cash grant (up to a maximum of MUR 20M); 25% cash contribution by enterprises.

- **Medium**
Support of up to 75% of cash grant (up to a maximum of MUR 10M);
25% cash contribution by enterprises.
- **Small**
Support of up to 75% of cash grant (up to a maximum of MUR 2M);
25% cash contribution by enterprises.

22. The type of **projects supported should cater for collective proposals such as the National Value Chains Scheme** described above.

2) Modernisation Investment Support Fund (MISF)

23. **Leasing should be ranging from 20% to 40% depending on the size of the company** (SME, MME and large enterprise). MISF would spend a maximum of MUR 3.7 billion over 5 years.

B. Circular Economy Planning

24. On the basis of consultations between stakeholders, **establish a national legal framework**. This involves the complete modernisation of the national waste management strategy, moving from the linear model to the circular while ensuring the inclusion of NGOs and associations.

25. Whereas the Budget 2020/2021 announced a transition towards a “0 plastic Mauritius in 2030” several bans and communications at cabinet level and ministry level have followed with unmanageable timeframes.

The AMM recommends the suspension of the ban on non-biodegradable single use plastic products (GN 156) planned for January 2022.

26. Fundamental elements of definition and planning require the **setting up of a proper public-private working group:**

- No assessment was carried out on the economic impact of the ban.
- Producers and suppliers of plastic products have been alerting authorities on the unavailability of technology and/or raw materials in quantity and affordable prices (non-petroleum based plastic products). E.g. time lapse between ordering and receiving new equipments is 18 months in normal conditions.
- The food industry (manufacturers of food and beverages, manufacturers and suppliers of packaging) are caught up in a worldwide crisis where business travels are suspended making it impossible to identify, purchase, receive the equipment and train their personnel with the right expertise on alternative packaging solutions.
- The food industry is coping with an uneven situation as no clarity is given on the implementation of the ban regarding imported products (issue on HS Codes identification of final product versus prohibited packaging).

27. Generalise the principle of Extended Producer Responsibility (EPR) for the following types of products and remove existing taxes to make room for the eco-contribution. Companies will organise themselves under eco-organisations to structure the sub-sectors:

- E-wastes
- Packaging (plastics, paper, cardboard, glass)
- Construction and demolition materials
- Motor vehicles (tyres, conventional and electrical batteries).

28. Separate the “recommended shelf life date” from the “best before date” in the coming Food Bill.

- As at today, no food product can be sold or given away if it has passed its “recommended shelf life date” when this simply indicates that the nutrients, aromas and freshness of the food may have diminished but the product is still edible.
- In general, this legal adjustment reduces food waste at the national level by 10 %.

C. Renewable Energy, Electrical Mobility & Sustainable Buildings

1) Improving The Competitiveness Of Local Manufacturing & Sustaining Local Operators in Solar PV

29. SSDG in “open window” mode: **create a solar photovoltaic section on the E-licensing Platform** allowing individuals to invest and install solar PV when convenient.
30. **Incentivise gradually the adoption of rooftop solar PV by some 300,000 households** through the E-licensing Platform with an annual commissioning of 3,000 households per year.
31. Under a **net-metering MSDG scheme: authorise the self-consumption of solar PV energy produced by companies and authorise the resale of the surplus** to the national electricity grid.

2) Boosting The Adoption Of Electrical Vehicles

32. Publish and **implement the "10-year Master Plan"** produced by the Ministry of Energy and Public Utilities.
33. **Grant a 5 kWp solar PV kit to charge the electrical vehicle under the SSDG net-metering scheme**, for early adopters of an electrical vehicle.
34. Commercial Vehicle Modernisation Scheme: **delete the 5% excise duty on electric vehicles for commercial activities.**

3) Sustainable Buildings

35. Combine the thermal insulation of the roof for all new building permit applications on the BLUP platform.
 - The roof represents nearly 70 % of heat input and good thermal isolation would significantly reduce the need for air conditioning.