

# **Shift To A Circular & Low-Carbon Local Production**

**Budget Memorandum 2022/2023**

**May 2022**

## Preamble

The following budget memorandum contains 30 measures for innovation, investments, import-substitution, country branding, regional integration, renewable energy, circular economy.

It is structured around two chapters: Programming the shift (I) and Adapting the institutional framework (II).

In addition to the budget memorandum there are several annexes: a white paper on food security & solidarity, a common proposal from MEXA and AMM on renewable energy, a presentation of the project Moris Solider.

The occasion is taken to congratulate the Ministry of Finance, Economic Planning and Development for the special attention given to local production.

## I. Programming The Shift

It is high time for a shift in local production and consumption in Mauritius. It is vital for the manufacturing sector to shift to circular and low-carbon models.

### A. Lokal Shift Lab

The AMM initiated in 2010 the pilot project on energy efficiency which led to the national programme PNEE supported by a public-private partnership. In 2012 the AMM created the Made in Moris label and 10 years later it is 7 sub-sectors strong, 160 companies, 300 brands and supported by public incentives and preferential margins.

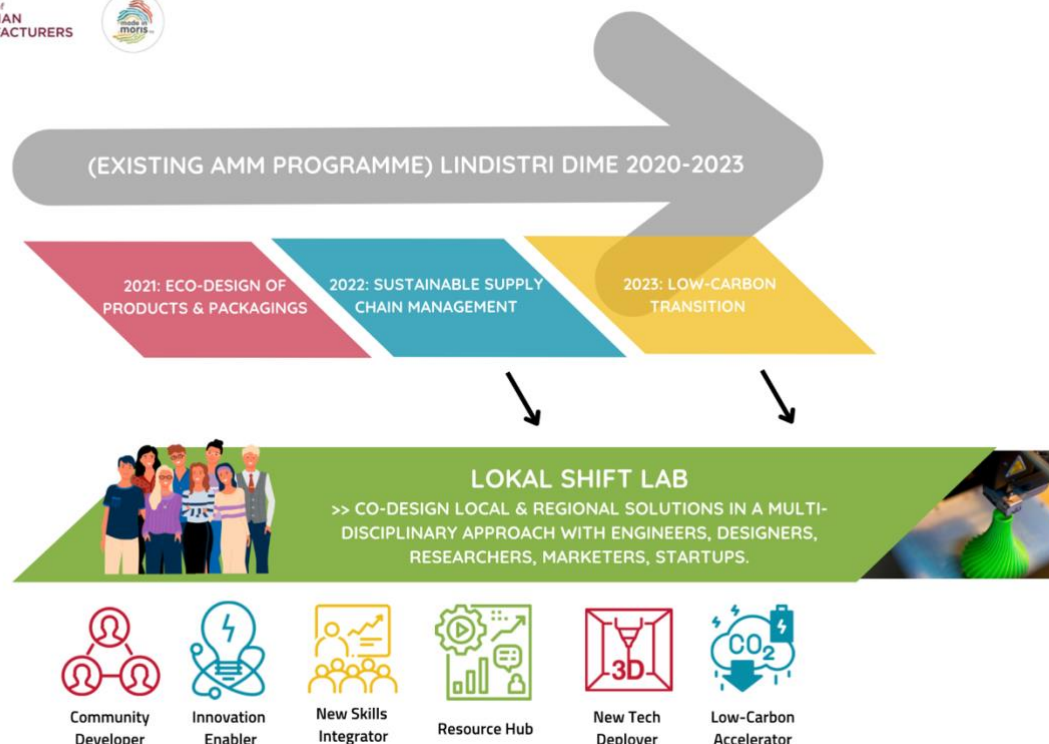
**In 2022 the AMM is launching the Lokal Shift Lab, open innovation platform designed to support the transformation of the manufacturing sector and other productive sectors, under climate and energy constraints.**

The Lokal Shift Lab will be opened to all companies and organisations willing to develop local and regional solutions for the advancement of our productive sectors.

The Lokal Shift Lab will push further collective initiatives launched within the AMM & Made in Moris network and their partners **to guide companies in investing in the adequate technologies and skills; liaising with financing solutions such as the IFCM and other tools identified at national and international levels.**

Phase 1 will cover the period 2022-2025 with **local and foreign service providers (companies, universities, agencies) and the hosting of technologies to work on:**

- A 3D Printing and Additive Manufacturing FabLab focused on bio-materials with pre-project engineering.
- Low-Carbon Manufacturing (Analysis of material and energy flows. Opportunities for circular value chains. Selective imports according to local/regional recycling potentials. Technical assistance to shift to low-carbon. Development of a low-carbon certification).
- Sustainable and Inclusive Agri-food Chains (Selection of sub-sectors to implement agri-food chains. Analysis of requirements for inter-professional organisations, policy review for sustainable production, skills & technologies. Technical assistance for planning and deploying the agri-food chains).
- Creating high-value jobs in the manufacturing sector and opportunities for local tech start-ups, through skills training and industrial design challenges.



### By 2025, the objective is to have:

- 75 companies undergoing programmes of the Lokai Shift Lab.
- 10 projects of new value chains and/or existing with local conversion projects (import-substitution of raw materials and innovation of by-products).
- A low-carbon certification for local producers.

To succeed the AMM and the Made in Moris will gather all financing solutions available. **The budget of the programme is evaluated at 65M MUR for a period of 3 years. The support of the Government of Mauritius is needed. It is proposed that:**

1. A seed capital of 25M MUR be invested into the project to generate a significant impact from the start.
2. The Lokai shift Lab be hosted at the Data Technology Park in Côte d'Or.
3. Extend the Double Deduction of R&D Expenditure for tax purposes to June 2025.

## **B. Sustainable and Inclusive Agri-food Chains**

The AMM has produced a white paper (see annex 1) *Food Security & Solidarity In Times Of Crisis* proposing a methodology to prepare reforms improving the status of food security and solidarity in Mauritius. With a mindset of “roadmapping rather than building a roadmap” it highlights several structural weaknesses in the current system and provides a toolbox for public-private agreements.

Global risks are bearing important consequences on Mauritius and territories of the IOC region. Likely to increase in the coming years, they highlight the vulnerability of small island developing states. Figures from 2015 indicated that Mauritius met 55% of its food needs through local production but that only 56% of this production (i.e. half of the 55%) was economically independent (i.e not depending on foreign raw materials and other inputs). This situation brings up the question: **“are we really heading towards food security by diversifying our sourcing countries and encouraging for more local manufacturing when our raw materials will remain outside of the country and the region for a large majority?”**

Since the pandemic of 2020, increased risks were observed in terms of supply for Mauritius both in terms of access to transportation and financial capacities. In the midst of the crisis in Ukraine, strained international markets supplies and increasing costs have raised the risks at a very high level, placing Mauritius in an even more precarious situation, therefore calling for reforms in the agri-food sectors.

**The main recommendations for the National Budget 2022/2023 are:**

- 4. Prepare the institutional environment for the development of sustainable and agri-food chains by:**
  - a. Organising a national policy dialogue “Food & Nutrition Security In 2030” with two major exercises:
    - Collective visualisation “Where do we want to be in 2030?” in terms of regional trade, industrialisation and market integration.
    - Organisation design exercise for public institutions and private operators to understand clearly the need for coordination.

- b. Amending the institutional framework & practices by establishing an open platforms' governance.
    - Level 1: Strategic Agricultural Platform to propose support and regulations developing sustainable and inclusive agri-food chains.
    - Level 2: Agri-food Chains Platforms to facilitate the collection and dissemination of best practices and innovation within agri-food chains.
    - Level 3: Producers Platforms to allow structured data going upstream for strategic planning and implementation.
  - c. Redirect public funding on agro-industry towards sustainable and inclusive agri-food chains projects, identified through the process.
5. **Increase solidarity in the food chain by supporting the project “Moris Solider” (Annex 3).**

## **C. Made in Moris & Local Purchasing**

In the midst of global increases on prices, the purchasing power of Mauritian consumers, private and public institutions remain an area of deep concern for local producers, the AMM and the Made in Moris label.

Controlled prices and the importation of substitutes to local products are understandable given the urgencies but clearly inconsistent with policies calling for more local production.

**Given the situation it is recommended to strengthen the measures supporting the Made in Moris label to ensure that the number of local producers and particularly SMEs do not wind up their activities:**



6. In order to operationalise the shelf space of local products in supermarkets: support a national campaign for local brands and products under the Made in Moris label to the tune of 8M MUR in the National Budget 2022/2023.
7. Support financially the establishment of a Made in Rodrigues label in partnership with the Made in Moris label.
8. Maintain the Made in Moris Grant Scheme for SMEs joining the label.
9. Maintain the preferential margins in public procurement for products manufactured locally.
10. Open the designated list of products for procurement (PPEs and medical equipment) to other basic commodities manufactured locally.
11. Increase the deduction of procurement from SMEs from 110% to 150% for MMEs and large companies.
12. Create a public-private working group under the Public Procurement Office to define sustainability criteria in public procurement guidelines.
13. Establish an Observatory of Local Procurement under the Public Procurement Office to give access to data on the usage preferential margins in public procurement under the Buy Mauritian Programme.
14. Accrued need for working capital: use existing structures, such as the MIC or the IFCM, to provide credit guarantees which will enable banks to deploy working capital credit to its clients on the back of these credit guarantees.

## **D. Regional Integration**

15. Open of 2 new Embassies in the Republic of Kenya and the Republic of Ivory Coast.
16. Establish warehousing facilities in Kenya to address the connectivity issues and increase market penetration.
17. Discounting export credit guarantees to support potentially high-risk market search activities in Sub-Saharan African markets where Mauritian manufacturers do not have a track record of supply.
18. Extend the International Fair Scheme to export and innovation events and include large companies (currently only SMEs).

## **II. Adapting The Institutional Framework**

The manufacturing sector and supporting industries are in need of stability and a conducive environment for quality, renewable energy investment, circular economy integration.

### **A. Doubling Down On Quality For Local Manufacturing**

The proposed measures for the National Budget 2022/2023 are:

19. Regulatory Impact Assessment:
  - Acceleration of the passing of the RIA Act.
  - Accelerate the operation of the RIA office by contracting relevant experienced specialists for the first 24 months.
  - Post Implementation RIA – which is an assessment of the laws passed within a time



frame and what has been the impact – be carried out for the following, including the clear actions regarding required changes:

- Sugar Tax, Ban on Single-Use Plastic, Workers' Rights Act, Environment Protection Act.

20. 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 (MOFARIT), private sector representatives and companies directly concerned in order to substantiate the imposition of a safeguard measure. The investigation would include:

- a. Description of issues faced (injury, suspected subsidies in originating country, predatory pricing, quality standards, decent work standards, environmental norms);
- b. Originating countries concerned (link issues with countries);
- c. Specific recommendations regarding problematic originating countries.

21. 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.

22. To strengthen quality insurance in public procurement, implement control mechanisms on importers of strategic products:

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

experience on quality, timeliness and other critical issues.

## **B. Renewable Energy Investment Framework (Annex 2)**

Sustainability is no longer an option but a requirement for the local manufacturing and the export oriented enterprises. Consumers worldwide are increasingly concerned about climate change and the carbon impact of their consumption and give preference to brands who are acting to alleviate their carbon footprint.

Local manufacturers with demonstrably sustainable practices in terms of production of renewable energy, reduction of energy intensity and more circularities will give more reasons to consumers to buy local products, more reasons to private and public procurement offices to choose local brands and companies.

Today, the two most significant factors contributing to our carbon emissions are the use of electricity and heavy fuel oil in generating steam. **The industrial sector is one of the largest energy consumers on the island amounting to around 28% of total energy usage.**

**This Renewable Energy Investment Framework would be based on the following principles:**

23. Companies to be allowed to generate up to a maximum of 120% of their existing electricity usage (the 20% surplus will cater for activity variance and future growth).
24. Allow the setting up of on-site or off-site PV installations with access to the CEB grid. This would allow companies with insufficient in-house space to generate their required usage and provide opportunities for mutualised investments between companies to benefit from economies of scale.
25. A pricing mechanism based on Net Metering.
26. Facilitate companies' access to green financing options on solar PV installations and related equipment needed

for the shift towards renewable energy production and consumption, through long-term loans under the IFCM.

## **C. Circular Economy Framework**

Based on the conclusions of the technical committee on single-use plastics comprising representatives from ministries and private sector organisations, studies conducted by the private sector for a Waste Plastic Free Mauritius and on the economic potential of Circular Economy in Mauritius, the AMM recommends the following measures:

27. The ban on single-use plastic (GN 156) be applicable only for the food service business.
28. Remediate to the absence of a level playing field in terms of administrative burden between imported raw materials containing plastics used for local manufacturing and imported finished products containing plastics.
29. Operationalisation of the National Waste Management Strategy by:
  - a. Developing waste recycling streams based on the Extended Producer Responsibility (EPR) Principle for products such as, paper, carton, plastics & glass packaging; tyres, batteries & electric batteries for vehicles. This will be carried out through eco-organisms who would in turn work with NGOs for collection and incentivising.
  - b. Encouraging businesses to enter into the recycling of construction wastes with a tipping fee amount to be defined paid to the operator of the recycling plant.
30. Clearly distinguish between “expiry date” and “best before date” of perishable products in the law with the aim of fighting food waste.