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# Mauritius Country report

For the SADC-DFRC 3P



# Contents

<b>1</b>	<b>Overall evaluation of Mauritius's readiness for PPPs</b>	<b>1</b>
<b>1.1</b>	<b>Background</b>	<b>1</b>
<b>1.2</b>	<b>Attractiveness of Mauritius</b>	<b>1</b>
<b>1.3</b>	<b>Availability of domestic capital and debt funding</b>	<b>2</b>
<b>1.4</b>	<b>Judicial system</b>	<b>3</b>
<b>1.5</b>	<b>Governance and decision making</b>	<b>3</b>
<b>1.6</b>	<b>Ease of doing business in Mauritius</b>	<b>4</b>
<b>1.7</b>	<b>PPP environment in Mauritius</b>	<b>5</b>
<b>1.8</b>	<b>Observations</b>	<b>6</b>
<b>1.9</b>	<b>Conclusion</b>	<b>6</b>

# Mauritius



## 1 Overall evaluation of Mauritius's readiness for PPPs

### 1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely , Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

On the country visits we meet with the member country's Treasury/PPP unit, one or two banks and KPMG local office representatives.

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

### 1.2 Attractiveness of Mauritius

Use the information in the table below and on the excel spreadsheet provided to conclude

Attractiveness of the member country	Source of information	Information
GDP % growth for last 3 years	World Bank	4.10%
Actual GDP in numbers (size of economy), current USD\$	World Bank	11 259 856 301
Lending Interest rates	World Bank	8.9
Inflation rate	<a href="http://www.tradingeconomics.com/country-list/inflation-rate">www.tradingeconomics.com/country-list/inflation-rate</a>	3.60%
Credit Rating	Country visit	A-/ BBB
Political Stable and Absence of Violence	Governance indicator, World bank	75
Macro-Economic Environment	The Global Competitiveness Report 2012-2013, World Economic Forum	4.41

# Mauritius



## Attractiveness of Mauritius, overall result is a three ('3')

The Mauritian economy has experienced one of the highest growth rates in the SADC region at 4.10% over the last three years off a high per capita base of USD15,800. The overall size of the economy is USD11,260 billion. In addition Mauritius has a low inflation rate and a very stable credit rating from Moody's of Baa1 making it one of Africa's prime investment destinations. This analysis results in an overall value of three ('3'), Mauritius is thus considered "maturing" in terms of this category.

## 1.3 Availability of domestic capital and debt funding

Availability of domestic capital and debt funding	Source of information	Information
Number of banks	Country visit	21
Number of equity investment funds	Country visit	0
Number of pension funds	Country visit	0
3 year history of bond issuance	Country visit	There have been three corporate debenture issues. The three recent issues in Rs as follows: 5 years Rs 1bn fixed, 5 years Rs 570m fixed and in May 5 years Rs 750m. Bond markets exist and there is large appetite to invest in good infrastructure assets.
Assessment of available capital (local) for investment	Country visit	21

## Availability of domestic capital and debt funding in Mauritius, overall result is a four ('4')

Its stable political and macro-economic environment make Mauritius well suited as bases of financial institutions and investment funds. The large number of domestic and international banks in the country at 21 and the presence of institutional and equity funds is well suited to investment in infrastructure and informal responses indicated that the debt market could provide up to Rs5 billion per transaction for up to 15 years provided the amount of foreign exchange was limited as hedge tenors are lower at about 5 to 7 years. This analysis results in an overall value of three ('4'), Mauritius is thus considered "maturing" in terms of this category.

# Mauritius



## 1.4 Judicial system

Judicial system that contributes to effective commercial dispute resolution	Source of information	Information
Enforcing Contracts	Doing Business 2013 – The World Bank and IFC	58 out of 183 countries
Rule of Law	Governance indicator, World bank	75 out of 100

We used the key indicator ‘Enforcing Contracts’ from Doing Business as they focuses on how public institutions function in the case of a commercial dispute<sup>1</sup>. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit. Mauritius’s Judicial system is based upon English and French law and is easily understood and applied. Court decisions are upheld and investors are protected.

### Judicial system of Mauritius, overall result is a three (‘3’)

Mauritius’s judicial system is highly rated at 58<sup>th</sup> in the world in terms of enforcement of contractual rights and obligations and the acceptance of the Rule of Law is also rated very highly by the World Bank with a score of 75 out of a 100. This analysis results in an overall value of three (‘3’), Mauritius is thus considered “maturing” in terms of this category.

## 1.5 Governance and decision making

Governance and decision making in member country	Source of information	Information
Institutions	The Global Competitiveness Report 2012-2013, World Economic Forum	4.59 out of 7
Africa’s Governance	Ibrahim Index of African Governance	83 out of 100
Voice and accountability	Governance indicator	70.4 out of 100
Government effectiveness	Governance indicator	74.4 out of 100
Regulatory Quality	Governance indicator	76.8 out of 100
Control of Corruption	Governance indicator	72.5 out of 100

### Governance and decision making of Mauritius, overall result is a three (‘3’)

Mauritius was given a rating of 83 out of 100 for governance by the Ibrahim Index of African Governance and a government effectiveness rating of 74.4. This analysis results in an overall value of three (‘3’), Mauritius is thus considered “maturing” in terms of this category.

<sup>1</sup> Doing Business 2013, the World Bank and IFC

# Mauritius



## 1.6 Ease of doing business in Mauritius

Ease of doing business in the member country	Source of information	Information
Starting a business	Doing Business 2013 – The World Bank and IFC	14 out of 183 countries
Dealing with Construction permits	Doing Business 2013 – The World Bank and IFC	62 out of 183 countries
Getting electricity	Doing Business 2013 – The World Bank and IFC	44 out of 183 countries
Register property	Doing Business 2013 – The World Bank and IFC	60 out of 183 countries
Getting credit	Doing Business 2013 – The World Bank and IFC	53 out of 183 countries
Protecting investors	Doing Business 2013 – The World Bank and IFC	13 out of 183 countries
Paying taxes	Doing Business 2013 – The World Bank and IFC	12 out of 183 countries
Trading across borders	Doing Business 2013 – The World Bank and IFC	15 out of 183 countries
Resolving insolvency	Doing Business 2013 – The World Bank and IFC	64 out of 183 countries

Mauritius economy is growing above 4% and is developing as one of the most attractive destinations for investors to establish companies for investing further into the African continent. Mauritius has entered into a large number of double tax agreements with African member states.

### **Ease of doing business in Mauritius, overall score is a three ('3')**

Mauritius is the 14<sup>th</sup> easiest country in the world in which to start a business and is ranked 13<sup>th</sup> for protecting investors. It is 53<sup>rd</sup> in terms of access to credit and 62<sup>nd</sup> for the ease of dealing with construction permits. This analysis results in an overall value of three ('3'), Mauritius is thus considered “maturing” in terms of this category.



## 1.7 PPP environment in Mauritius

Enabling environment in the member country for PPPs	Source of information
Legal system enabling PPPs in the member country	Country visit
- Is there a presence/development of enabling legislation ie PPP Law/ regulations etc?	The Public Private Partnership Act 2004 became effective in March 2005. The legislation was amended in 2008 to allow for the setting up of a PPP Committee to deal with all matters relating to PPP projects and to provide a framework to manage unsolicited proposals by private promoters. Government issued PPP Manual 2006 provides guidance and information on the implementation of PPP projects.
- Does a policy for private participation in the member country exist?	Government has a policy to enlist private sector participation in infrastructure and public service delivery.
- Public Sector appetite/capacity and experience relating to PPPs in the member country	There are a number of PPP projects in the pipeline with one of the most recent is a 29.4MW Wind farm currently being developed. Projects often attract foreign and domestic firms for development and implementation.
Is there Political support for PPPs?	Yes. However, there are two major projects earmarked under PPP framework ( road decongestion programme and light rail transit) which have been subject to parliamentary questions from the opposition and heated debates in the national assembly. These related essentially to the process for selection of bidders, sources of government funding, imposition of toll, cost of rail tickets and fees paid for project consultancy services.
- Is there a PPP focal point/ Unit in the member country?	The PPP Unit which falls under the Ministry of Finance and Economic Development.
- Does an existing PPP track record in the member country exist?	No. To date there have not been any project undertaken under a PPP agreement.
Private sector capacity, capability and appetite	
- Are multiple firms active in the PPP market?	Yes. South African (Group 5/Aveng) , French (Bouyguez) and Chinese (Sinohydro) firms are active in the market..
- Does capacity exist in the private sector?	Bidders for PPP projects are consortiums of local and foreign operators, with the foreign party/leading leading.

### PPP environment in the Mauritius, overall score is a three ('3')

There is a functional PPP Unit in the Ministry of Finance and Economic Development and PPP law and regulation exist and are applied to a number of PPP projects. The large road project that has reached preferred bidder stage and the planned light rail transit project have attracted significant off shore interest and boosted local capacity (advisory as well as financial investment resources) in PPPs. This analysis results in an overall value of three ('3'), Mauritius is thus considered "maturing" in terms of this category.

# Mauritius



## 1.8 Observations

Our results are based on the most recent verifiable information available at time of the report

Reputable external sources were used where appropriate and fact based observations were made.

Representative of the member countries PPP units did not recognise the projects identified in the RIDMP and STAP

## 1.9 Conclusion

Mauritius is an attractive PPP environment. A number of points lend themselves to conducting PPP projects in Mauritius. Some of the notable points include good governance systems, strong judicial system and growing financial sector, There is certainly evidence of market appetite to invest in these types of deals, however local capacity e.g. contracting fraternity, may be lacking. This can easily be improved by foreign firms bidding for the implementation of various projects.

Mauritius PPP unit needs some demonstrative projects which will promote further political support for this type of model. Currently, majority privately financed deals have been conducted on a concessional loan basis with the Ministry of Finance providing the finance for the project.

Overall Mauritius is thus considered “maturing” in terms of this assessment.

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