AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

Country Focus Report 2025

Mauritius



Making Mauritius' Capital Work Better for its Development

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ACKNOWLEDGEMENTS

The Country Focus Report (CFR) 2025 for Mauritius was prepared in the Chief Economist and Vice-Presidency for Economic Governance and Knowledge Management Complex, under the general direction and supervision of Prof Kevin C. Urama, Chief Economist and Vice-President, with support from Adamon Mukasa (Principal Research Economist), and Amah Marie-Aude Ezanin (Executive Assistant).

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Our thanks go to (i) Herve Lohoues (Division Manager, ECCE2); (ii) the Mauritius Country Team led by Kennedy Mbekeani (Director General Southern Africa, RDGS); Moono Mupotola (Deputy Director General, RDGS and Country Manager for Mauritius); (iii) the Department of Macroeconomic Policy, Forecasting and Research (ECMR) led by Anthony Simpasa (Director); (iv) the Department of Transition States (RDTS) led by Yero Baldeh (Director); (v) the African Centre for Natural Resources (ECNR) led by Solomane Koné (Director); and the Economic Research Consortium for Africa (AERC) led by Prof. Victor Murinde (Executive Director); for their contributions.

The Bank would like to thank the heads of government entities for hosting and organizing the mission to prepare the 2025 Country Focus Report of Mauritius and the quality of the discussions. It also thanks the representatives of civil society organizations, the private sector, and technical and financial partners for their availability and the quality of the discussions during the meetings held with the mission.

The data in this Report were compiled by the Department of Statistics - ECST headed by Samson Babatunde Omotosho (Director) with the participation of Koua Louis Kouakou (Head of the Economic and Social Statistics Division), and Anouar Chaouch (Senior Statistician, Economic and Social Statistics Division, ECST) and Beejaye Kokil (Consultant, ECST).

Comments made during the peer review were received from (i) Innocent Onah (Chief Natural Resource Officer, ECNR); and (ii) Sanni Yaya (Consultant, ECCE2). Dr Joseph Atta-Mensah (Senior Fellow from Africa Centre for Economic Transformation-Ghana), and Dr. Simeon Coleman (University of Loughborough, Uk and AERC Expert) acted as external reviewers.

The cover of the report is based on a general design by Laetitia Yattien- Amiguet and Justin Kabasele of the Bank's External Relations and Communications. Copy-editing was done by the Ahmadou Gaye and layout was done by Creable Media.



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LIST OF ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AML/CFT	Anti-money Laundering and Countering the Financing of Terrorism
BOM	Bank of Mauritius
CFR	Country Focus Report
CIT	Company Income Tax
COMESA	Common Market for Eastern and Southern Africa
DBM	Development Bank of Mauritius
FATF	Financial Action Task Force
FD	Financial Development
FDI	Foreign Direct Investment
FY	Fiscal Year
GBCs	Global Business Companies
GDP	Gross Domestic Product
GOM	Government of Mauritius
ICT	Information and Communication Technology
IFC	International Financial Centre
IMF	International Monetary Fund
IUU	Illegal, Unreported and Unregulated
MRA	Mauritius Revenue Authority
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PIT	Personal Income Tax
PPP	Public Private Partnership
SADC	Southern Africa Development Community
SDGs	Sustainable Development Goals
SEEA	System of Environmental Economic Accounting
SEM	Stock Exchange of Mauritius
SIDS	Small Island Developing State
SMEs	Small and Medium Enterprises
SNA	System of National Accounts
STEM	Science, Technology, Engineering and Mathematics
VAT	Value Added Tax
USD	United States Dollar





EXECUTIVE SUMMARY

Economic Performance and Outlook

Real GDP growth moderated to 4.7% in 2024, from 5.0% in 2023 and is projected to slow further to 3% in 2025 and 2026. Headline inflation declined to 3.6% in 2024, down from 7.0% in 2023, aligning with the monetary policy target range of 2–5%, largely due to lower commodity prices. The fiscal deficit widened to 9.8% of GDP in FY 2024/2025, reflecting weaker-than-anticipated revenue performance. Public debt reached 83.4% of GDP as of June 2024, but accelerated to 90% of GDP in FY 2024/2025, driven by persistent fiscal deficits.

Boosting Effective Domestic Capital Mobilization and Efficient Utilization in Mauritius

Mauritius faces an annual financing gap exceeding US$ 350 million to support structural transformation and climate change adaptation through 2030. Despite this challenge, most development financing is mobilized domestically, with domestic debt accounting for nearly 80% of total public debt and tax revenue standing at 23% of GDP in 2024. The government has prioritized human capital development, underpinned by the provision of free education and healthcare services.

Harnessing Mauritius' Capital Potential and Resources for Development

Strong governance, high institutional quality, and adherence to the rule of law have enabled Mauritius to successfully transition from a low-income to a diversified upper middle-income economy, anchored by a well-developed international financial centre.



GENERAL INTRODUCTION

Mauritius is a Small Island Developing State (SIDS) located in the western Indian Ocean, approximately 2,000 kilometres off the southeast coast of Africa. Classified as an upper middle-income country, Mauritius had a GDP per capita of US$ 11,396 in 2023. Since gaining independence in 1968, the country has successfully diversified its economy from a monocrop agriculture-based system into a robust, multi-sectoral economy. Key sectors now include agro-industry, manufacturing, financial services, tourism, retail trade, and information and communication technology (ICT). This diversification has driven sustained economic growth over the past four decades, contributing to the elimination of absolute poverty.

While Mauritius is not endowed with vast natural resources, it has leveraged its strategic island location, human capital, strong democratic traditions, sound governance, and political stability to build one of the most resilient and diversified economies in Africa.

The Country Focus Report (CFR) 2025 for Mauritius aims to provide an in-depth analytical perspective on how the country can better leverage its capital to finance economic development. The CFR is a country-level publication aligned with the annual theme of the African Economic Outlook—the flagship publication of the African Development Bank. The theme of the 2025 Mauritius CFR is "Making Mauritius's Capital Work Better for Its Development." In addition to its thematic focus, the report also analyses the country's current macroeconomic performance and outlook through key economic, social, and governance indicators.

Beyond desk research, the Mauritius CFR 2025 draws on extensive consultations with stakeholders including the Government of Mauritius, the private sector, civil society, and development partners. These consultations were conducted during the CFR 2025 mission held from 17 to 21 February 2025. Stakeholders emphasized the need for policy reforms aimed at strengthening fiscal consolidation, refocusing the universal basic retirement pension, improving access to international finance for climate adaptation, building capacity for implementing environmental-economic accounting systems to better valorise natural capital, enhancing SME access to finance, formalizing the large informal sector, and scaling up research and development to move Mauritius further up the global value chain.

The rest of the report is organized as follows: Chapter 1 presents macroeconomic performance and outlook. Chapter 2 discusses boosting effective domestic capital mobilization and efficient utilization in Mauritius while Chapter 3 assesses governance and institutional quality to harness Mauritius' capital potential and resources for development.

MACROECONOMIC PERFORMANCE AND OUTLOOK

1



Key Messages

- Mauritius' real GDP grew by 4.7% in 2024, down from 5% in 2023 driven by construction, financial services and recovery in the tourism sector, with tourist arrivals reaching 1.38 million, 97% of the pre-pandemic levels, in 2024. Growth is projected at 3% in both 2025 and 2026. The fiscal deficit widened to 9.8% of GDP in FY 2024/2025 due to lower-than-expected tax revenues and higher expenditure. Public debt was 83.4% of GDP in June 2024, but accelerated to 90% in FY 2024/2025, above the statutory debt ceiling of 80%.

1.1 Introduction

This chapter assesses Mauritius' recent economic performance (2023-2024) and provides updated growth projections over the period 2025-2026. It discusses the main downside risks and upside triggers to the outlook. The chapter assesses macroeconomic trends, fiscal policies, inflation, public debt, and financial flows such as remittances, FDI, and ODA. Analysis of social development examines progress and well-being of individuals and communities using measures of poverty, inequality and employment. The report suggests policy options to foster high and resilient growth, support macroeconomic stability, and economic transformation.

1.2 Growth Performance

Real GDP grew by 4.7% in 2024, slightly below the 5% growth recorded in 2023. The strong growth performance was driven on the supply side by construction, financial services, and a strong performance by the tourism sector with tourist arrivals reaching 1.38 million (97% of pre-pandemic level) in 2024, as well as wholesale and retail trade. Agricultural output growth added 0.3 percentage point to GDP growth, higher than manufacturing (0.2%), which was adversely impacted by a contraction in the textile industry and sugar manufacturing. On the demand side, gross fixed capital formation (investment) and consumption were the main drivers of growth. Investment (gross fixed capital formation) grew by 8.3% in 2024 driven by robust growth in both private (10.2%) and public sector investment (0.2%). Growth in exports of goods and services also improved to 2.8% in 2024 compared to nearly -2% in 2023. The slowdown in GDP growth from December 2024 projection of 5.1% to 4.7% was due to slow growth in construction (13.3%, instead of 25%), tourist arrivals (5.6%, instead of 7.4%) and manufacturing (1.5%, instead of 1.7%).

1.3 Other Recent Macroeconomic and Social Developments

1.3.1 Monetary Policy, Inflation, Exchange Rate

Headline inflation rate declined to 3.6% in 2024 down from 7% in 2023 driven by easing

global food and energy prices. The Bank of Mauritius (BOM) on 4 February 2025 increased the Key Rate by 50 basis points to 4.5% from 4% to contain excess liquidity, reverse negative interest rate differentials with the US dollar and mitigate exchange rate pressures. The Rupee traded at Rs47.28/US$ in February 2025 compared to Rs46.18/US$ in February 2024, depreciating by 2.3%. The creation of Mauritius Investment Corporation (MIC) in 2020 with US$ 2 billion in equity investment by BOM contributed to excess liquidity, inflationary pressure and depreciation of the exchange rate (GoM, 2024a).

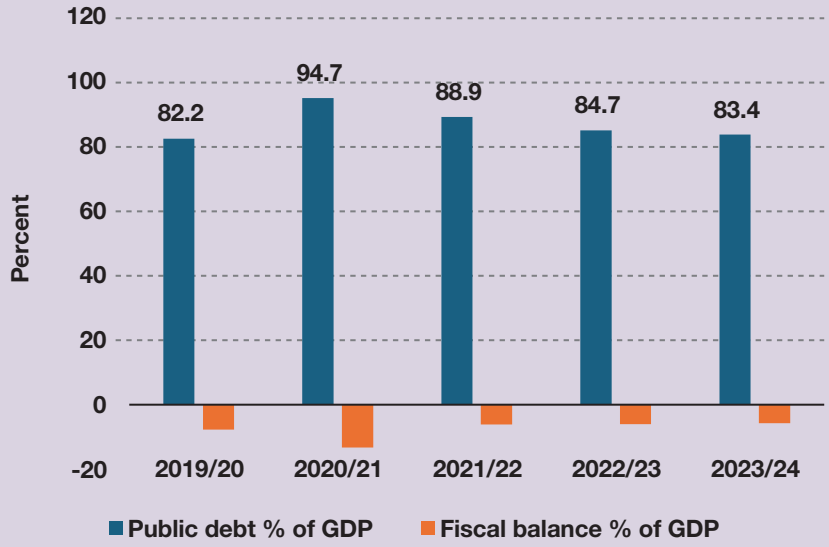
1.3.2 The Financial Sector

The financial services sector is one of the core sectors of the Mauritian economy. The sector contributed the largest share (13.3%) to GDP in 2024 with financial intermediation accounting for half of this share. Mauritius has a three-decade track record in cross border investment and finance as an International Financial Center (IFC). Mauritius is home to several international banks, legal firms, corporate services, investment funds and private equity funds. The Stock Exchange of Mauritius (SEM), with total market capitalization of over US$ 8.5 billion, is one of the leading exchanges in Africa. Currently, the SEM hosts the listing of 180+ securities with a market cap to GDP ratio of 64%. The gross domestic savings (GDS) was 18.6% of GDP in 2024 compared to 17.2% in 2023. Bank lending to the private sector grew by 8.9% in September 2024 from 6.5% in September 2023. Non-performing loans to total loans declined to 3.8% in September 2024 from 5.8% in September 2023 while regulatory capital to risk weighted assets increased to 22.3% in September 2024 from 21.4% in September 2023.

1.3.3 Fiscal Policy and Public Debt

Fiscal policy remained expansionary in FY 2022/2023 and 2023/2024, with general government expenditure remaining unchanged at 29.2% and 28.7% of GDP, respectively driven by social benefits and public investment. With progressive increases in the basic retirement pension (BRP) and related benefits, welfare payments have increased to 31.2% of total government expenditure in 2022/2023 compared to 29% in the previous FY. Public sector investment grew by 15.6% in 2024 compared to 19.6% in 2023 as the government invested massively in infrastructure projects. The fiscal deficit marginally narrowed to 5.7% of GDP in FY 2023/2024 compared to 6.1% in the previous FY but it increased to 9.8% in FY 2024/2025 due to lower-than-expected tax and non-tax revenues and higher expenditure mainly on social security, salary adjustments and interest payments. The budget deficits have been financed largely by domestic borrowing via treasury bills and bonds. Public debt marginally declined from 84.7% of GDP in June 2023 to 83.4% in June 2024 (Figure 1), but accelerated to 90% in FY 2024/2025, above the statutory debt ceiling of 80% with a significant risk to sustainability. Accordingly, based on the IMF's Sovereign Risk and Debt Sustainability Framework, Mauritius' overall risk of sovereign stress is assessed as high (IMF, 2024a). Domestic debt accounted for 76% of the total public debt in FY 2022/2023 while foreign debt accounted for 23.7%. The main drivers of the increase in public debt were higher fiscal deficit and the impact of the depreciation of the rupee on the value of external debt, as well as equity injections to public enterprises.

Figure 1: Trends in Fiscal Balance and Public Debt in Mauritius



Source: GoM, 2024; AfDB Statistics Department, 2024

1.3.4 External Position – External Financial Flows

The current account deficit widened to 6.4% of GDP in 2024 from 4.6% in 2023 driven by weak growth in goods export as volume of goods exported declined by 12% in 2023. The weak growth of goods export was due to the decline in manufacturing exports primarily textiles and weak industrial diversification. Total gross FDI flows declined to US$ 733.2 million in 2024 from about US$ 822 million in 2023. However, the distribution of FDI remains very skewed towards the real estate sector, which received 72.5% of total inflows in 2024. The multiplier effect of such investments is limited relative to investments in productive sectors. FDI inflows in sectors such as agriculture, manufacturing, tourism, ICT and financial services represented about 10% of total inflows in 2024 (see GoM, 2024a). Mauritius received US$ 315 million in personal remittances in 2023 while net ODA and official aid was US$ 76.2 million in 2022. Gross international reserves as at end-January 2025 stood at US$ 8.5 billion compared to US$ 7.2 billion as at end-January 2024 representing 13.2 months of imports. In 2021, the IMF recommended to incorporate an estimated value of the output of Global Business Companies (GBCs)[1] in the compilation of Exports of Services. The rationale for this change was that GBCs in Mauritius carry out most of their activities vis-à-vis non-residents, implying an export of services (GoM, 2024a).

Box 1. The Impact of New Tariffs on Mauritius' Trade under AGOA

Mauritius became eligible for trade under African Growth and Opportunity Act's (AGOA's) third-country fabric provision in 2008. This provision granted duty-free access to the U.S. market, primarily for Mauritius' apparel exports, boosting the sector and contributing to the country's industrial development. Trade under AGOA has also generated hundreds of jobs in the manufacturing sector. Mauritius has exported US$ 3.8 billion in apparel to the United States since 2000. In 2022 alone, apparel exports to the U.S. totaled US$77 million, with 85% benefiting from AGOA preferences. That same year, Mauritius also leveraged AGOA preferences for exports of electronic products (34%), chemical products (23%) and agricultural goods (5.5%). However, the introduction of new 40% tariffs threaten to erode Mauritius' preferential access under AGOA, particularly as the program is set to expire in September 2025.

1.3.5 Social Development

The poverty headcount ratio in Mauritius declined from 9.6% in 2017 to 7.3% in 2023, aligning closely with the World Bank's estimate of 7.5% based on the US$ 6.85 per day poverty line for upper middle-income countries. This reduction is likely attributed, in part, to the significant increase in the National Minimum Wage, which rose from Rs 9,000 in 2018 to Rs 17,100 in January 2025. Mauritius has a comprehensive social protection system, with social protection expenditure accounting for approximately one-third of total government spending. The Gini coefficient stood at 36.8 in 2023, indicating moderate income inequality. The overall unemployment rate was 5.8%, while youth unemployment reached 16.4% in the fourth quarter of 2024. Mauritius ranked 72nd globally on the Human Development Index in 2022, reflecting its strong performance in health, education, and income indicators.

Box 2. Domestic resource mobilization efforts and development finance gap

Mobilizing additional tax revenue is a policy priority for Mauritius. This is essential to implement growth friendly fiscal consolidation to preserve debt sustainability and to invest in critical growth promoting programs. Mauritius has made some progress in revenue mobilization in recent decades, supported by tax administration and policy reforms (IMF, 2024b). On the administrative side, the Government established the Mauritius Revenue Authority (MRA) in 2006 to enhance the effectiveness and efficiency of revenue mobilization. On the tax policy side, in early 2000s, the government focused on expanding the tax base while reducing the personal income tax (PIT) from 22.5% to 15%, corporate income tax (CIT) from 25% to 15% while increasing the value added tax (VAT) from 10% to 15%. These reforms in tax policy led to an increase in tax revenue from 16% of GDP in early 2000s to 23% in 2024. The development financing gap amounted to 1.25% of GDP for development programs and 1.6% of GDP to mitigate climate change (AfDB, 2024). Closing the tax gap estimated at over 3% of GDP could go a long way in addressing the financing needs.

[1] A GBC is a company incorporated or registered in Mauritius that primarily conducts business outside the country

Table 1: Key Macroeconomic and Social Indicators

	2020	2021	2022	2023	2024(e)	2025(p)	2026(p)
Real GDP Growth	-14.5	3.4	8.7	5.0	4.7	3.0	3.0
Real GDP per capita growth	-14.3	3.7	9.0	5.3	4.9	3.2	3.3
CPI inflation	2.5	4.0	10.8	7.0	3.6	2.9	2.8
Budget balance % GDP *	-7.7	-13.2	-6.1	-6.1	-5.7	-9.8	-4.7
Current account balance % GDP	-12.1	-13.1	-11.1	-4.6	-6.4	-4.9	-4.8

Source: Data from Domestic authorities; estimates (e) and prediction (p) based on authors' calculations.
** Data for fiscal year: Year n refers to July n-1 / June n*

1.4 Macroeconomic Outlook and Risks

1.4.1 Outlook (Economic growth – Inflation - Fiscal and External position)

The economy is projected to grow at 3% in both 2025 and 2026, driven primarily by the construction, financial services and tourism sectors. Inflation is expected to decline to 2.9% in 2025 and 2.8% in 2026, benefiting from the easing of global commodity prices amid tight monetary policy (Table 1). While the fiscal deficit reached 9.8% of GDP in 2025 due to wage increases and expanded social security spending, it is projected to improve to 4.7% in 2026 as fiscal consolidation measures and enhanced revenue collection strategies are implemented. The current account deficit is projected to narrow to 4.9% and 4.8% of GDP in 2025 and 2026, respectively, driven largely by a firm performance by the tourism sector.

1.4.2 Risks

The macroeconomic outlook for 2025–2026 is subject to substantial downside risks. These include a potential escalation of geopolitical tensions, high tariffs on Mauritian exports to the US and global trade war, renewed supply chain disruptions, increased geo-economic fragmentation, and financial stress stemming from rising public debt levels. On April 2, 2025, the United States imposed new 40% tariffs on Mauritian exports which was later suspended for 90 days. Such high tariffs in conjunction with uncertainty regarding the renewal of AGOA, pose significant headwinds for the Mauritian economy, particularly affecting the competitiveness of its manufactured exports, primarily textiles and apparel (see Box 2). The cuts in ODA will have limited impact because of Mauritius's limited dependence on ODA having received only US$ 76 million in 2022. Additional risks involve a series of extreme weather events—such as droughts, cyclones, and flash floods—as well as tightening labour market conditions, driven by a sharp increase in the national minimum wage and persistent labour shortages amid an ageing population. On the upside, the outlook could benefit from the new government's commitment to broad structural reforms aimed at accelerating economic transformation, improving governance, and advancing tax policy reforms. A potential shift from a consumption-driven growth model to one focused on investment and productivity could further support long-term resilience and inclusive growth.

Risk mitigation measures may include export diversification, strengthening tax enforcement and compliance to improve revenue collection and recover arrears. In parallel, the government could intensify institutional reforms to enhance access to global climate finance, crucial for supporting climate adaptation considering Mauritius's high vulnerability as a small island developing state. In 2024 the Government adopted a Corporate Climate Responsibility (CCR) levy of 2% on companies with a turnover of over US$ 1.1 million.

Box 3. Shock Effects and Transmission Channels

The 40% tariffs imposed by the U.S. on Mauritian exports will significantly harm manufacturing exports particularly apparel and textiles. In 2024, Mauritius exported goods worth US$ 234.5 million to the U.S., accounting for 11% of its total exports, with apparel and textiles comprising a large share. Mauritius' textile and apparel industries employing over 40,000 people across 250 companies are especially vulnerable due to competition from other countries. The tariffs may also affect the economy through second-round effects which could stem from broader global repercussions of U.S. tariffs on major trading partners such as China and the European Union. A slow growth in these major export markets for Mauritius could lead to lower demand for Mauritian exports and FDI. In addition, weakened growth in Europe could reduce outbound tourism, further constraining Mauritius' GDP growth. Mauritius should implement the reforms outlined in the Government Programme 2025–2029 to transition toward a new growth model driven by investment and productivity. A focus on high-value production and knowledge-intensive manufacturing is crucial. In the long term, Mauritius should diversify its export markets by leveraging trade agreements with India, China, the UAE, and regional blocs such as the AfCFTA, COMESA, and SADC.

1.5 Policy Options to Accelerate the Economic Development of Mauritius

Key policy options to accelerate growth, support Mauritius' economic transformation, and deal with recurrent shocks include:

a. Implementing a fiscal consolidation plan and ensuring debt sustainability. Fiscal policy should strike a balance between supporting economic recovery and maintaining fiscal and debt sustainability. Strengthening efforts to contain the fiscal deficit and manage public debt through expenditure rationalization, tax reforms, and innovative financing is necessary without compromising social spending and infrastructure investment.

b. Accelerating structural reforms. Addressing structural bottlenecks hindering long term economic growth in the country including (i) labour market rigidities exacerbated by the migration of skilled workers, a skills mismatch (only about 20% of the labour force has a post-secondary education) and an ageing population; and (ii infrastructure deficit in water supply, coupled with a heavy reliance on imported energy—accounting for 90% of the country's energy needs—continues to exert significant pressure on the current account balance. Trade performance is also hindered by low productivity and inefficiencies at the port, a critical gateway for the island's import and export activities. In the digital sector, gaps persist in Geographic Information

System (GIS) technology and in the availability of data centres, limiting progress in ICT-driven transformation. Addressing labour market rigidities, and regulatory barriers are crucial to unlocking Mauritius' growth potential.

c. Addressing skills mismatches through the reform of the education system, and investing in education and training, promoting innovation and entrepreneurship, streamlining regulations and continuously improving the business environment can help attract larger FDI inflows, enhance productivity, and facilitate economic transformation (AfDB, 2024).

d. Fostering sustainability and climate change adaptation: The new government aims to evaluate the effectiveness of institutional, regulatory and legal framework in dealing with climate change. Proactive climate risk mitigation and resilience measures are imperative. Integrating climate considerations into planning, sustainable land use practices, and investing in adaptation measures can protect infrastructure and promote sustainability (AfDB, 2024).

e. Reforming the pension system, particularly the universal basic retirement pension (BRP), which is the main driver of social protection spending accounting for 61% of the total government expenditure on social security and welfare will alleviate pressure on the fiscus. The total expenditure on social security and welfare amounted US$ 1.2 billion accounting for 31.2% of total government expenditure and 9.3% of GDP in FY 2022/2023.

f. Revisiting the Personal Income Tax (PIT) reform introduced in July 2023 which resulted in reduced PIT revenue. The reform involved the introduction of a progressive PIT tax regime with various tax bands ranging from 0% to 20% replacing a flat rate of 15%. The reform also involved repealing the Solidarity Levy, previously imposed on high income earners and collected as pay as you earn (PAYE). As a result, 63% of taxpayers are paying less and 22% are out of tax net (MRA, 2025).

g. Export diversification considering steep US tariffs on Mauritian exports: Mauritius should diversify its export markets by leveraging trade agreements with countries like India, China, the UAE, and the African Continental Free Trade Area (AfCFTA). Mauritius has begun trading under the AfCFTA with its first exports to Ghana and trade in high value-added products could be expanded to the rest of the continent. The Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) also constitute important outlets for Mauritius exports since these blocks have eliminated tariff barriers, set up mechanism to facilitate the free movement of goods.

BOOSTING DOMESTIC CAPITAL MOBILIZATION AND EFFICIENT UTILIZATION

2



Key Messages

- Mauritius is an upper middle-income country that has successfully diversified its economy from monocrop agriculture to manufacturing, tourism, financial services and ICT. However, it still faces a significant financing gap to achieve sustainable development. The estimated financing gap to accelerate structural transformation and meet Sustainable Development Goals (SDG) targets amounted to US$ 128.9 million (1.25% of GDP) annually by 2030. Infrastructure accounted for the bulk of financing needs (60%). Climate financing needs are higher (US$ 679 million per annum until 2030), with a financing gap of 1.6% of GDP.
- Despite these challenges, Mauritius' economic growth is financed predominantly through domestic resources, including tax revenue 23% of GDP in 2024, gross domestic savings 19.7% of GDP in 2023, and remittances (US$ 315.4 million annually). Although the Mauritius tax-to-GDP ratio is above average for several countries in sub–Saharan Africa, it is below the estimated potential of 25% of GDP. To close the financing gap, the domestic resource mobilization and expenditure efficiency must be strengthened.

2.1 Introduction

This chapter examines the key categories of domestic capital in Mauritius, including fiscal resources, natural assets, business capital, human capital, and financial resources. It evaluates the status of each capital type, identifies inefficiencies, and outlines strategies for their effective mobilization and utilization to support sustainable development. The core objective is to assess how these resources can be better leveraged to promote future growth, enable structural transformation, and build long-term resilience. The chapter also analyses the country's tax structure and explores the role of innovative financing instruments, such as public-private partnerships (PPPs), financial technology (FinTech), and other emerging financial products.

2.2 Fiscal Resource Mobilization

2.2.1 Mauritius Financing Needs

The annual financing needs to accelerate structural transformation was estimated at US$ 334 million and US$ 58.5 million, in 2030 and 2063, respectively for Mauritius (AfDB, 2024). Infrastructure accounted for the bulk of the financing needs – about 60% and 88% for the 2030 and 2063 targets, respectively. The annual financing gap for structural transformation amounted to US$

128.9 million by 2030 and US$ 22.5 million by 2063 representing 1.25% and 0.2% of GDP, respectively. The total estimated cost to implement the Nationally Determined Contribution (NDC) is US$ 6.5 billion (US$ 4.5 billion for adaptation), US$ 679 million per annum until 2030, with the share of the unconditional contribution from the government and the private sector being US$ 2.3 billion (or 35%). A conditional contribution of US$ 4.2 billion (or 65%) is expected from international sources and donor agencies. Mauritius received financial support of US$ 118.05 million from 2017 till December 2024 for climate action.

2.2.2 Tax Revenue

In 2023, Mauritius recorded total revenue of US$3.5 billion, with tax revenue comprising 83.3% and non-tax revenue accounting for the remaining 16.7%. The main taxes include personal income tax (PIT) (up to 20%), corporate income tax (CIT) (15%) and value added tax (VAT) levied at 15%. The main source of tax revenue is VAT accounting for 33% followed by CIT (16%) and PIT (12%) in 2022 (OECD, 2024). In 2024, Mauritius' tax revenue amounted to 23% of GDP—substantially higher than the average of 16% recorded across 36 African countries during the same period

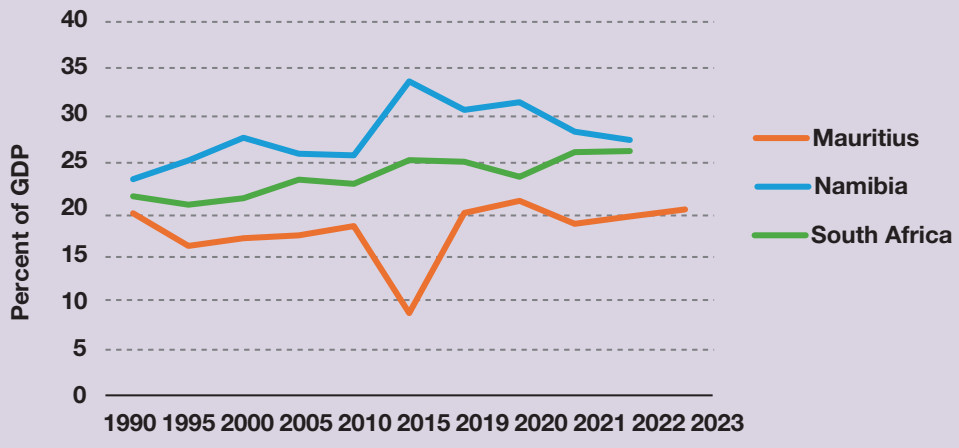
2.2.3 Non-Tax Revenue

In 2022, Mauritius' non-tax revenues amounted to 3.9% of GDP lower than the average non-tax revenues for 36 African countries (6.2% of GDP) (OECD, 2024). Grants from foreign governments and international organizations amounted to US$ 46.5 million in 2022-2023 (GoM, 2024b). In July 2023, the Government replaced 15% flat PIT rate with a progressive band of eleven rates up to 20% while maintaining an allowance threshold that keeps a large share of the population outside of the tax base, lowering the average tax rate which reduced revenue (IMF 2024c).

2.2.4 Mobilizing Domestic Fiscal Resources and Expenditure Efficiency

Total expenditure declined to 28.4% of GDP in 2024 from 28.9% in 2023, reflecting the gradual phasing out of pandemic-related spending. Total expenditure is driven by rising current expenditure due to higher social protection spending (30.4% of total expenditure) as well as rising outlays on social housing and the public sector wage bill, which together represent 26% of total public spending. Public infrastructure investment stood at 3.5% of GDP. However, the efficiency of such investment is estimated at approximately 60%, in line with the average observed in emerging market economies (IMF, 2024d).

Figure 2: Trends in domestic resource mobilization (Tax revenue % of GDP)



Source: World Bank WDI 2023

2.3 Mauritius Natural Capital

2.3.1 Overview of Mauritius' Natural Capital

Mauritius is endowed with renewable natural capital including an Exclusive Economic Zone of 2.3 million km2, agricultural land, forests, renewable energy, biomass, tourism, and blue economy resources. The real value of the Mauritian natural capital declined by 16% to US$ 4,236 million in 2020 from US$ 5,024 million in 1995 (Table 2), attributable primarily to a rapid decline in the value of fisheries (-43%) over this period. The overexploitation of fish stocks and forest resources for timber have contributed to the decline in natural capital value.

Table 2: Decomposition of Natural Capital

Mauritius	Total USD 2019 Million			Per capita USD 2019		
	1995	2020	% Increase	1995	2020	% Increase
Produced capital	3,497	17,655	405%	3116	13,946	348%
Human capital	36,416	57,867	59%	32,444	45,708	41%
Renewable natural capital	5,024	4,236	-16%	4,476	3,346	-25%
Forests, timber	9	8	-10%	8	7	-20%
Forests, recreation, hunting, and fishing services (es1)	496	463	-7%	441	366	-17%
Forests, non-wood forest products (es2)	33	31	-7%	30	25	-17%
Forests, water retention services (es3)	19	18	-7%	17	14	-17%
Mangroves	0	0	0	0	0	0
Fisheries	113	65	-43%	101	51	-49%
Agricultural land	4,026	3,330	-17%	3,587	2,630	-27%
Hydropower energy	372	319	-14%	255	252	-24%
Non-renewable natural capital	0	0	n.a	0	0	n.a
Oil	0	0	n.a	0	0	n.a
Natural gas	0	0	n.a	0	0	n.a
Coal	0	0	n.a	0	0	n.a
Metals and Minerals	0	0	n.a	0	0	n.a
Foreign Assets	3,847	474,496	12,241%	3,428	375,033	10,851%
Foreign Liabilities	5,029	457,832	9,004%	4,480	361,633	7,972%
Population (millions)	1.12	1.27	13%			

Source: World Bank, The Changing Wealth of Nations 2024

2.3.2 The Economic Contribution of Mauritius' Natural Capital

Mauritius' renewable natural capital contributed significantly to economic growth. Agriculture contributed 5% to GDP and employed 5.4% of the labour force in 2023 compared to 16.7% in 1990 reflecting a significant structural transformation in the economy. The agriculture sector accounted for 48.8% of the total domestic exports in 2023 with fish and fish preparation accounting for 20% of domestic exports in 2023. Forest rent was 0.00272% of GDP in 2022. The contribution of natural capital rent to fiscal revenue is minimal owing to limited non-renewable natural resources.

2.3.3 Estimates and Dynamics of Mauritius' Natural Capital

Mauritius renewable natural capital was estimated at US$ 4,236 million in 2020 compared to US$ 5,024 million in 1995, a decline of 16% while the per capita renewable natural capital declined by 25% to US$ 3324 in 2020 from US$4476 in 1995. The decline was driven by decreases in the values of fisheries through IUU, intensification of agricultural land-use and water-use for hydropower energy. On the other hand, Mauritius' produced capital increased by 405% to US$ 17,655 million in 2020 from US$ 3,497 million in 1995, reflecting rapid economic development. Mauritius has limited non-renewable resources.

2.3.4 Challenges in Leveraging Mauritius' Natural Capital

Mauritius migrated from the 1993 UN System of National Account (SNA) to the 2008 SNA. Statistics Mauritius is preparing to migrate to the 2025 SNA and data collection process is underway. The country adopted a National Plan for Advancing Environmental-Economic Accounting (AEEA) in 2015, but implementation was limited. The plan sought to link the existing Mauritius environmental-economic accounting policy requirements with United Nations System of Environmental Economic Accounting (SEEA). Statistics Mauritius produced water volume accounts for 2021-2022 based on the SEEA methodology but could not measure its value due to a lack of skills and capacity.

2.4 Business Capital

2.4.1 Setting the stage

Business capital encompasses the financial, physical, and intellectual assets that enterprises utilize to drive economic activity, investment, and production. This includes micro, small, and medium enterprises (MSMEs), large corporations, start-ups, industrial infrastructure, and the financial capital that supports business operations. Mauritius hosts 138,553 registered SMEs, 2,119 large enterprises, and approximately 20,000 international companies and 935 funds incorporated in the country. The private sector contributes 75% of GDP, with SMEs accounting for 99% of all businesses, 36% of GDP, and 49% of total employment. However, only 15% of SMEs operate in high-growth sectors such as information and communication technology (ICT) and financial services, highlighting the need for greater sectoral diversification and innovation within the SME landscape.

2.4.2 Indicators of Business Capital

With over 138,553 registered SMEs, 2,119 large enterprises and more than 20,000 international companies, Mauritius' business capital is robust. However, only 15% of the country's SMEs are involved in high-growth sectors such as information and communication technology (ICT) and financial services. Many SMEs operate at almost subsistence

levels, 47% operate with five or fewer employees and annual turnovers of less than MUR 2 million (World Bank, 2023). There were 38,550 informal businesses that accounted for 28% of small businesses, 11% of GDP and 20% of employment by small businesses. In the World Bank's 2024 Business Ready report, Mauritius scored 69.79/100 on operational efficiency, regulatory framework (64.55) and public service (56.28).

2.4.3 Challenges and Opportunities in Enhancing Business Capital in Mauritius

Businesses face structural constraints hindering economic growth in Mauritius. These include (a) labour market dynamics encompassing the migration of skilled workers and a domestic skills mismatch, high minimum wages, and an ageing population; and (b) an infrastructure deficit in energy and water supply, low productivity and inefficiency of the port, and a digital infrastructure and ecosystem gap, including the absence of key systems such as GIS technologies and more data centres. They also face challenges to access credit. Mauritius' installed electricity generation capacity is only 628 MW and there is currently a supply gap of 130MW due to increased demand. About 40.4% of firms experienced power outages in 2023, leading to higher production costs. In Mauritius it takes 92 days to connect a firm to water supply compared to 24 days for sub–Saharan Africa and 25 days for upper middle-income countries (World Bank, 2023b).

2.5 Mauritius Human Capital

2.5.1 Current State of Human Capital in Mauritius

Free education underpinned the country's structural transformation from unskilled agriculture to modern, high-skill services. School enrolment rates are near 100% and Mauritius has the second highest Human Capital Index (0.62) in Africa. Tertiary enrolment was 50,011 students in 2024. The enrolment rate for science, technology, engineering and math (STEM) subjects at secondary level was 39% in 2018. However, youth unemployment remains high at 16.4% in 2024 due to a skills mismatch. The labour force participation rate was 69.2% for men and 48.9% for women in Q4 2024 (Table 4). Mauritius is yet to achieve SDG 4 (quality education). High school enrolment rates mask low pass rates in national exams and a lack of attention given to students with special needs (AfDB, 2024). In parallel, the government has continually invested in vocational and lifelong training through institutions such as polytechnics, the Academy of Design and Innovation, the Human resource Development Council, and the Civil Service College Mauritius. The maternal mortality ratio was 84 per 100,000 live births in 2020. Life expectancy at birth was 74 while infant mortality rate was 13.4 in 2023.

Table 3: Key Indicators of Education, Health, and Workforce in Mauritius, 2024

No	Human Capital Key Indicators	Percent/number
1	**Education**	
1.1	Primary school gross enrolment ratio (%)	107
1.2	Secondary education gross enrolment ratio (%)	73.7
1.3	Tertiary education enrolment ratio (number)	50,011
1.4	STEM enrolment (%)	27%
1.5	Education sector expenditure as a share of GDP (%)	4.6 (2023)
2	**Health**	14.4 (2023)
2.1	Under five mortality rate per 1000 live births (number)	13 (2023)
2.2	Infant mortality rate per 1000 live births (number)	8.8 (2023)
2.3	Neonatal mortality rates per 1000 live births (number)	328 (2023)
2.4	Population to medical doctor ratio (%)	263 (2023)
2.5	Population to private and public hospital bed ratio (%)	6.4 (2023)
2.6	Health sector expenditure as a share of GDP (%)	
3	**Labour Force**	
3.1	Labour force participation rate (%)	58.8 (Q42024)
3.1.1	Male	69.2
3.1.2	Female	48.9
3.2	Unemployment	5.8% (Q42024)
3.2.1	Male	4.1
3.2.2	Female	7.9
3.3	Youth unemployment (16-24)	16.4 (Q42024)

Source: Statistics Mauritius (various issues), World Bank, WDI 2023.

2.5.2 Major Barriers to Human Capital Development in Mauritius

(i) Skills mismatch: The education system has not been able to address the gaps in industry demand and available skills; (ii) Briain drain: skilled labour force migrates to advanced economies depleting Mauritius labour force; (iii) Only about 20% of the labour force has post-secondary education; (iv) Mauritius is unable to achieve SDG 4 (quality education), and (v) a lack of coordination between ministries of health and education to promote healthy life style for the labour force. Health expenditure accounts for 6.4% of GDP and education sector expenditure (4.6%).

2.5.3 Investing in Education and Skills Development

Improving the quality of education is crucial to develop the higher skill levels needed by the existing and emerging economic sectors and create a labour force that is ready for the future. The government's expenditure on education and training for 2024 was estimated at US$ 475.3 million, accounting for 9.3% of total expenditure. Of this amount, 49.6% was allocated to secondary education, primary education (24.4%), tertiary education (9.1%), pre-primary education (3.6%), and technical and vocational education (1.4%). There were 8,730 students enrolled in publicly funded TVET schools in 2023.

Box 4. Successful Reforms and Investments in Education

One of the most successful education policies in Mauritius is ICT policy in education. The National ICT Policy 2007 underscores the effective use of ICT in education as critical in improving learning methods, the quality of education and allowing greater mobility. In addition, the Digital Mauritius 2030 Strategic Plan emphasizes the importance of promoting STEM in education system to foster the development of a technopreneur spirit and innovation. To achieve these goals, Mauritius has invested significant resources to ensure access to ICT tools in pre-primary, primary and secondary education. Accordingly, as of March 2024, out of the 818 pre-primary schools in Mauritius, 676 (83%) had computers. All primary and secondary schools were equipped with computers. Availability of Internet access for students in schools was 35% in pre-primary schools, 92% in primary and 100% in secondary schools. This contrasts with the rest of Africa where 89% of learners in sub-Saharan Africa do not have access to household computers, 82% lack Internet access and at least 20 million live in areas not covered by a mobile network (Mo Ibrahim Foundation, 2021). Mauritius' investment on access to ICT in education plays a pivotal rolein developing human capital equipped with skills in emerging technologies such as artificial intelligence, blockchain, robotics, Internet of things, FinTech and big data which are prerequisite in the digital transformation process.

2.5.4 Health as a Pillar of Human Capital Development

Mauritius offers a universal public healthcare to citizens. Nearly 100% of births are attended by skilled health staff. The under-five mortality rate was 14.4 while infant mortality stood at 13 per 1,000 live births in 2023. Mauritius has successfully met the SDG3 target for the under-5 mortality of 25 per 1,000 live births and the neonatal mortality rates of 8.8 per 1,000 live births in 2023 versus a global target of 12. Health facilities had 4,622 beds. The major disease burden is non-communicable diseases.

2.6 Financial Capital

2.6.1 Domestic Capital and Financial Markets

Mauritius' financial capital consists of the banking sector, nonbanking financial institutions, global business sector and capital markets with the country serving as an International Financial Centre (IFC) which benefits from a well-developed infrastructure, modern and innovative legal framework and ease of doing business. Despite being a well-developed IFC, Mauritius still faces significant financing gaps of over US$ 350 million per annum for both SDG targets and climate change financing until 2030. Limited access to international climate finance exacerbates the gap. Domestic capital and financial markets are resilient and well-integrated into international financial markets. The value of assets held by the global business companies was US$ 741 billion in December 2023 while the market capitalization of SEM was over US$ 8.5 billion in 2024 with listed securities of about 200 of which 65 were international. The SEM raised US$ 7 billion in capital (68% from international investors) from listed companies since 2010. Annual remittances amounting to US$ 315.4 million in 2023 were a significant source of capital. The gross domestic savings was 18.6% of GDP in 2024 compared to 19.7% in 2023.

2.6.2 The State of Financial Development in Mauritius

Key indicators of the financial capital landscape include a tax-to-GDP ratio of 23%

in 2024 (above Africa's 20% target), savings at 18.6% of GDP (below the 25% threshold for sustained growth), significant remittances, and a capital market (SEM) valued at over $ 8.5 billion with more than 180 listed securities. The IMF's composite Financial Development (FD) Index is a ranking of countries based on the depth, access, and efficiency of their financial institutions and financial markets. The index ranges between 0 (low financial development) and 1 (highest possible development). Comparing 2012-2016 to 2017-2021 IMF average data (Table 5), Mauritius financial institutions appear to be more developed than the financial markets. With overall average FD index of 0.48 for 2017-2021, Mauritius is one of the top performers in financial sector development reflecting its success as an IFC.

Table 4: Detailed Breakdown of the Mauritius FD Index by Component

Dimension	Financial Institutions (FI)		Financial Markets (FM)	
Period	**2012-2016**	**2017-2021**	**2012-2016**	**2017-2021**
Depth	0.454	0.382	0.47	0.824
Access	0.402	0.386	0.248	0.436
Efficiency	0.634	0.656	0.058	0.058
FI/FM Indices	**0.49**	**0.47**	**0.25**	**0.43**

Source: IMF, Financial Development Index Database

The performance of the Mauritius Financial Markets (FM) has improved over the 2017-2021 period compared to 2012-2016. The depth of FM development and access to finance has almost doubled from 0.47 to 0.82 and 0.24 to 0.43, respectively in 2017-2021 compared to 2012-2016 (Table 5).

2.6.3 Mobilizing Financial Resources for the Development of Mauritius

The banking sector dominates Mauritius's financial system, accounting for 90% of total financial assets. Commercial banks provide both traditional financial services and innovative offerings such as a sustainable supply chain and trade finance. The Development Bank of Mauritius supports access to credit across various sectors, including SMEs and microfinance. The Global Business sector plays a key role in private equity, banking, professional services, and insurance. Mauritius is home to a growing number of venture capital firms and FinTech hubs, aimed at mobilizing private capital for investment (BoM, 2024). As of December 2023, non-bank financial institutions held assets equivalent to 22.2% of GDP, representing 11% of total financial sector assets. Given interest in the circular economy, climate-resilient infrastructure, and green growth, blended finance and public-private partnerships (PPPs) have become vital instruments for private sector engagement (AfDB, 2023). The Mauritius African FinTech Hub fosters innovation in financial services, supporting the country's transition toward a digital and inclusive financial ecosystem. In 2024, domestic savings amounted to 18.6% of GDP, while diaspora remittances reached US$ 315.4 million in 2023, highlighting their importance as key sources of capital for development.

2.6.4 Offshore-Linked Financial Resources for the Development of Mauritius

Mauritius is an IFC, and its banking sector is a key player in offshore banking activities. The bulk of fiscal deficit is financed through domestic borrowing. The external debt accounted for 22.7% and 23.7% of total public debt in 2022 and 2023, respectively, mostly from concessional bilateral and multilateral sources. Total gross FDI flows declined

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to US$733.2 million in 2024 from about US$ 822 million in 2023. However, the distribution of FDI remains very skewed towards the real estate sector, which received 72.5% of total inflows in 2024. As an upper middle income country Mauritius receives limited ODA resources (US$76 million) in 2022. The country received US $315 million in personal remittances in 2023. It received limited climate financing from global funds, US$ 118.05 million from 2017 till December 2024 for climate action. The main challenges limiting access to global climate funds are (i) bureaucratic bottlenecks, (ii) a lack of capacity to prepare bankable projects to attract funding; and (iii) a lack of implementing partners.

2.6.5 Innovative Finance

According to the AfDB (2023), domestic banks, namely the Mauritius Commercial Bank (MCB), State Bank of Mauritius (SBM) and AfriAsia Bank Ltd have offered innovative financing instruments including 'green loans' focused on renewable energy, waste management, pollution prevention, conservation and other environmental-friendly projects. In addition, development partners such as the Agence Française de Développement and the European Union provided credit lines to these financial institutions under the Sustainable Use of Natural Resources and Energy Finance (SUNREF) programme to drive and catalyse green investment decisions. Recently, the Development Bank of Mauritius (DBM) also joined the green loan initiative. The DBM issues green financing to SMEs, parastatals and public institutions that invest in renewable energy projects, green building and construction, and land use and forestry. Such green projects include the setting up of solar panels, solar systems and rainwater harvesting systems, among others (AfDB, 2023). Mauritius could also leverage the PPP framework and Fintech services, including payments and processing, remittances, blockchain and cryptocurrencies, security and fintech tools to mobilize more savings and extend credit to productive activities.

2.7 Policy Recommendations

Key proposed policy reform measures could include:

For the government:

a. Addressing structural issues hindering economic growth including labour market dynamics, infrastructure deficit in energy, water supply, low productivity and inefficiency of the port and gaps in ICT infrastructure;
b. Implementing reforms to enhance domestic resource mobilization and improve expenditure efficiency aiming to increase the tax-to-GDP ratio from 23% to 25%;
c. Leveraging the well-developed financial sector to mobilize innovative financing for development and facilitate greater SME access to finance and digital banking;
d. Improving the quality of education and enhancing TVET and digital education to reduce youth unemployment (16.4%) and address persistent skills mismatches;
e. Promoting sustainable tourism, fisheries, and agricultural diversification to offset the 16% decline in renewable natural capital since 1995;
f. Integrating climate finance strategies with national fiscal frameworks to manage rising adaptation costs (US$ 679 million / year needed).

For development partners:

a. Offering Mauritius more innovative development financing options;
b. Providing technical assistance to ensure Mauritius fully integrates SEEA in its national accounts.

For MDBs and DFIs:

a. Providing more concessional resources for climate financing;
b. Supporting SMEs with affordable credit to engage in high value-added economic activities to foster economic diversification, exports and job creation.

HARNESSING MAURITIUS' CAPITAL POTENTIAL AND RESOURCES FOR DEVELOPMENT

3



Key Messages

- Mauritius has a well-established institutional framework for domestic revenue mobilization, with the Mauritius Revenue Authority (MRA) recognized for its efficiency and effectiveness. However, tax policy remains relatively generous compared to peer countries in Africa. The corporate income tax rate in Mauritius is 15%, significantly lower than that of Botswana (22%), Namibia (30%), and South Africa (27%). Similarly, the personal income tax rate of 20% in Mauritius is on the lower end relative to these peers.

- To enhance private financing for development, it is essential to implement policy reforms that encourage domestic private savings. Strengthening the Public-Private Partnership (PPP) framework is equally important to increase the scale and pace of PPP project development and implementation. Additional efforts should focus on leveraging diaspora contributions to national development and on measuring and promoting the value of natural capital as part of the broader development strategy. The Mauritian Diaspora Scheme launched by the government in 2023 aims to attract members of the Mauritian diaspora back to the country to contribute to economic development.

- Mauritius has also made significant strides in mitigating the risks associated with illicit financial flows (IFFs). The country implemented a National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Strategy (2019–2022) and has achieved compliance with nearly all Financial Action Task Force (FATF) recommendations, leading to its removal from the FATF grey list by the end of 2021.

3.1 Introduction

This chapter examines how institutional quality, governance, and the rule of law influence Mauritius' ability to mobilize domestic capital and promote sustainable development focusing on the country's endowment of natural, human and other capital. It also investigates the state of institutional capacity, governance issues, perception of corruption, and capital flight and how they impact the effective mobilization of resources for sustainable development as well as the reforms needed to curb any financial leakages and inefficiencies and provide evidence-based strategies to leverage Mauritius' capital for economic development.

3.2 Institutional Arrangement for the Management and Utilization of the Various Forms of Capital

The institution mandated to mobilize domestic revenue is the Mauritius Revenue Authority (MRA). It was established in September 2004 to effectively and efficiently manage the revenue mobilization system. The MRA is managed by a Board of Directors consisting of 7 members who are accountable to the Ministry of Finance. The MRA consists of three major Divisions: (i) the Compliance Division; (ii) the Support Division; and (iii) the Systems and Integrity Division. The MRA had a total of 1,491 employees in June 2023. The total revenue collected was US$ 2.8 billion for FY 2022/2023. Of this amount, VAT accounted for 37%, corporate income tax (17%), personal income tax (12%), excise duties (16%), and social contributions (7%). The main challenges include supply chain disruptions, climate change-induced disasters and disruptions, a depreciating rupee, the spread of digital economy and taxing international economic activities. In terms of institutional quality, the MRA is guided by a well-designed regulatory, policy and standards framework. The laws governing the MRA include the Mauritius Revenue Authority Act 2004, the Income Tax Act 1995, the Value Added Tax Act 1998, the Customs Act 1988, and the Excise Act 1994. The regulatory framework governing the MRA includes the Income Tax Regulations 1996, the Value Added Tax Regulations 1998, the Customs Regulation 1998, the Customs Regulation 1989, the Excise Regulations 1994, and other related regulations. These laws and regulations ensure an effective and efficient revenue mobilization system. The MRA strives to enhance tax compliance by digitalising its processes, and offering a range of online services, including e-assistance, tax calculators, taxpayer education sessions, awareness campaigns, and the publication of various tax guides. The MRA strives to reach e-filing of tax returns in almost all cases and collecting 98% of tax receipts through e-payment. In addition to the introduction of e-filing, and e-payment, the MRA has adopted e-recruitment, e-declarations at Customs, and successfully launched the e-invoicing project in 2023 (MRA, 2023).

Human capital development is the mandate of the Ministry of Education and Human Resources and the Ministry of Tertiary Education Science and Research. The former is responsible for basic education until the completion of secondary education while the latter focuses on higher education and training including technical and vocational education and training. Despite improvements in access to education with primary school enrolment at nearly 100%, the quality of education remains low. To address this challenge, it is necessary to revamp teachers' training programmes, revisit the curriculum, enhance the use of technology to foster access and quality, and ensure disadvantaged children have equal access to education.

Regarding natural capital, the capacity of institutions mandated to measure the value of natural resources such as Statistics Mauritius and the Ministry of Environment, Solid Waste Management and Climate Change, must be strengthened through capacity building training. The government needs to integrate System of Environmental Economic Accounting (SEEA) in the planning process and allocate budget for its effective implementation.

Institutions that support private sector development and investment including the regulatory authorities and Economic Development Board (EDB) have performed well as Mauritius has evolved as one of the most investment-friendly destination on the continent.

However, more reforms are required to address lingering structural challenges that are hindering the growth of the private capital, particularly SME development.

3.3 Governance Challenges in the Management and Utilization of the Various Forms of Capital for Resource Mobilization

A survey conducted by Afrobarometer (2024) ahead of the November 2024 elections captured public sentiment toward key government institutions. The findings revealed low trust in the previous administration: 24.7% of respondents reported no trust at all in the Prime Minister, and an additional 32% expressed only a little trust. Similarly, trust in the National Assembly was low, with 36.5% of respondents reporting minimal trust and 24.3% expressing complete distrust. Moreover, perceptions of corruption were widespread: 54.5% of respondents believed that some members of the Prime Minister's office were involved in corruption, while 57.2% felt the same about members of the National Assembly. Alarmingly, 72% of those surveyed believed that some civil servants were also involved in corruption. These results underscore the governance challenges the new government must address. In response, the current administration has begun implementing governance reforms, which, if effectively executed, could improve public trust going forward.

Mauritius has taken several measures to address illicit financial flows (IFFs). As an international financial centre (IFC) and investment hub for Africa, Mauritius faces heightened exposure to IFFs, both as a source and conduit (AU/ECA, 2015). To mitigate these risks, the government adopted a National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Strategy (2019–2022), based on the 2018 Mutual Evaluation Report. Mauritius now has a robust legal and institutional framework to combat money laundering, terrorist financing, and the proliferation of weapons financing. The country is now fully compliant or largely compliant with all 40 Financial Action Task Force (FATF) Recommendations (GoM, 2024c), having overhauled its AML/CFT legal architecture. As a result, Mauritius was removed from the FATF grey list at the end of 2021. Building on this achievement, Mauritius has become a regional leader in AML/CFT technical assistance, having supported Kenya, Angola, and Mozambique in FY 2023/2024 with capacity-building programs.

The need for institutional capacity building across both the public and private sectors was a recurring theme during the Country Focus Report (CFR) mission in February 2025. On the public side, Statistics Mauritius and the Ministry of Environment, Solid Waste Management and Climate Change require enhanced human resource capacity to implement the System of Environmental-Economic Accounting (SEEA) to better assess and value the country's natural capital. These institutions have partnered with the University of Mascareignes to train staff in SEEA methodologies.

In the private sector, businesses also require capacity-building support to effectively participate in the circular economy. In 2023, Mauritius developed a Roadmap and Action Plan for a Circular Economy, aimed at maximizing resource efficiency through sustainable consumption and production practices. This action plan aligns with the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. To unlock the benefits of this strategy, businesses must be equipped with the knowledge and tools needed to adopt circular business models and technologies.

3.4 The Rule of Law, the Management and Utilization of the Various Forms of Capital

Mauritius ranks 46th out of 142 countries worldwide in the World Justice Project (WJP) Rule of Law Index in 2023 while the country ranked 3rd out of 34 countries in Sub-Saharan Africa after Rwanda (41st) and Namibia (44th) out of 142 countries. Mauritius also ranks 5th among 41 Middle Income countries in the Rule of Law Index. The ranking encompasses various indicators, including constraints on government powers, absence of corruption, open government, fundamental rights, and regulatory enforcement, among others. Mauritius' enduring political stability and good governance have enabled the country to successfully diversify its economy from a monocrop agriculture-based low-income economy into a manufacturing, tourism, financial and ICT services- driven economy and achieve upper middle-income status with per capita income over US$ 11,396 by 2023. Property rights are protected in the Constitution, the country providing a favourable environment for foreign direct investment, entrepreneurship and economic prosperity. Due to its enabling legal and regulatory environment, Mauritius was able to attract large global investors into its Global Business sector with total assets of over US$ 741 billion 50 times the size of the GDP. Mauritius is also home to over 935 funds that are registered in the country to invest in Africa and other regions in various sectors. The country was therefore able to harness capital not only for its development but also for the development of the rest of the African continent.

In addition to creating a conducive climate for attracting business capital, the country has also developed a robust framework to attract human capital to address labour market constraints. In recent years, the country attracted approximately 48,000 foreign workers, making up about 8% of the active labour force particularly in manufacturing, construction and tourism. The government has streamlined policies to attract foreign worker. The 2024-2025 Budget underscores that to sustain higher levels of growth the country will continue to open to foreign talents and make the process of hiring foreign workers seamless for businesses. The government has introduced various reforms including (i) reducing a threshold for occupation permits for professionals to Rs 22,500 from Rs 30,000, (ii) allowing professionals with a minimum of 10 years' experience to receive a temporary occupation permit lasting 3 months, enabling them to work pending approval; (iii) prolonging the maximum renewal period for the manufacturing sector to 10 years; and (iv) setting a maximum timeframe to deliver or renew a work permit to 3 weeks. The regulatory framework for the protection and use of natural capital is robust. In 2024 the government repealed the Environment Protection Act and replaced it with a modern legislative framework with a view to ensuring better protection, management and conservation of the environment. The Act establishes the National Environment and Sustainable Development Commission that will set national objectives and goals, and determine policies and priorities for environmental protection, management and conservation. It will also set national objectives and targets regarding circular economy, green economy, and sustainable consumption and production; and national objectives and targets in accordance with obligations under multilateral environmental agreements and sustainable development commitments. Despite good performance, there are areas that need further reforms, including the adoption of effective mitigation and adaptation measures, the elaboration of sound climate policies and governance practices.

3.5 A Pan-African Approach to Strengthening the Rule of Law, Institutions and Governance for Harnessing Mauritius's Capital

African leaders held a high-level meeting on Measuring the Green Wealth of Africa in 2024 informed by the study conducted by the AfDB on the topic. In line with Goal 7 of the AU Agenda 2063 - environmentally sustainable and climate-resilient economies and communities - the African Union and RECs could play a significant role in supporting Mauritius' national systems and capacity to measure natural capital and enhance the efficiency of mobilizing and use of financial, human and business capital to foster sustainable growth and structural transformation.

3.6 Conclusion and Policy Recommendations

While the institutional framework to mobilize domestic revenue is well established and the MRA is effective and efficient, the country's relatively generous tax policies - compared to its African peers - constrain the full potential of revenue mobilization. Access to education has improved significantly although it is necessary to revamp teachers' training programs, revisit the curriculum, enhance use of technology to foster quality of education and address the skills mismatch. The proposed reforms include the following:

- Sustain strong regulatory frameworks, anti-money laundering compliance, and judicial independence;
- Enhance transparency and accountability to rebuild public trust and attract further international investment;
- Implement regulatory reforms to attract FDI into tradable goods and emerging sectors, currently 70% of FDI is allocated to real estate;
- Accelerate regional trade integration under AfCFTA and support SME and local supplier participation to reduce dependence on external suppliers;
- Build robust administrative and project management capacities to seek direct access to global climate funds;
- Leverage pan-African institutions to enhance governance and institutional capacity, particularly regarding the integration of SEEA into national accounts systems to valorise natural capital.

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