

A photograph of a lighthouse on a pier at sunset. The lighthouse is white with red horizontal stripes and a dark top. The pier is made of wooden posts and extends into the water. The sun is low on the horizon, creating a warm orange and yellow glow that reflects on the water. The sky is a mix of blue and orange. A red vertical bar is on the left side of the image.

# BDO Compass

## Time To Be Bold

A Publication of BDO in Mauritius  
May 2021

**BDO**

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# Time to be Bold



**Yacoob Ramtoola**  
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BDO (Mauritius)

**M**auritius, May 2021. As the country strives to curb the second wave of the pandemic amidst the vaccination campaign, the economic situation remains precarious. The survey conducted by Statistics Mauritius in December 2020 revealed that “about 76 percent of households reported having difficulty to meet their household expenses with their current monthly income (in December 2020)” while “over 1 in 3 Mauritian households posted a reduction in income compared with the 12 months before the lockdown”.

On the international front, the world largest economies -USA and China- are undergoing robust rebounds but with two diametrically opposed drivers. While the former’s economic recovery is boosted by the Biden administration’s \$1.9tn fiscal stimulus, the latter’s recovery is based on an outstanding rebound in local consumption and exports. Conversely, the Eurozone is struggling to step out of the shadows, crippled by a rise in coronavirus infections and national lockdowns which are expected to drag the bloc into a double-dip recession in the first three months of this year. Its GDP is unlikely to return to pre-pandemic levels until mid-2022. Meanwhile, India is experiencing an explosion in Covid 19 cases with its new strain and a complete lockdown is in the offing, which means that it faces a 1.5% downside risk in its GDP.

As a small island state, where do we go from here? In this edition of BDO Compass, our team analyses the challenges and opportunities of the country’s several key sectors, namely the Manufacturing sector, Agribusiness, the Outsourcing industry, ICT with a focus on cybersecurity, Hospitality and Financial Services.

While there is a need to tackle the fundamental challenges faced by our key sectors over the past decades, we also have to move forward with pragmatic actions to revitalize our economy.

As Mauritius formulates strategies for recovery, this crisis represents an opportunity to embark on a new economic journey centered on innovation, inclusion and sustainability. As David Malpass, President of the World Bank Group rightly stated in the World Bank Global Economic Prospects (Jan 2021), “making the right investments now is vital both to support the recovery when it is urgently needed and foster resilience. Our response to the pandemic crisis today will shape our common future for years to come. We should seize the opportunity to lay the foundations for a durable, equitable, and sustainable global economy”.

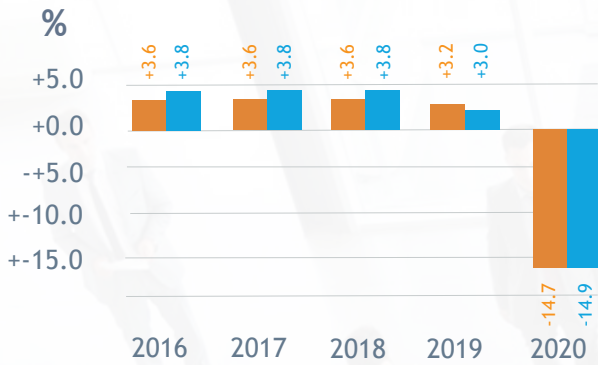
While the pandemic may not be behind us yet, it is time for us to embark on the path of recovery. As an insular society, we recognise the benefits of isolation on health and sanitary grounds. Nonetheless, recovery can only occur through openness and co-operation, provided that we abide by strict application of sanitary measures and vaccine roll-out. As a resilient nation, we need to work together to overcome these new challenges. Let’s be determined to stand and gear our actions towards new growth and seize the opportunity to forge a more sustainable and inclusive economy. As a long term service provider to local and global companies, we call for an imperative paradigm shift. We face uncertainty about the likeliness of future waves of the pandemic but we will valiantly surf over these. It is a time to be bold so that our economic activities provide a much needed fillip to our overall growth. It is a time for innovation and perseverance. By creating wealth anew, we will be reversing indebtedness at household, corporate and national level.

“We call for an imperative paradigm shift”



# Economic Dashboard

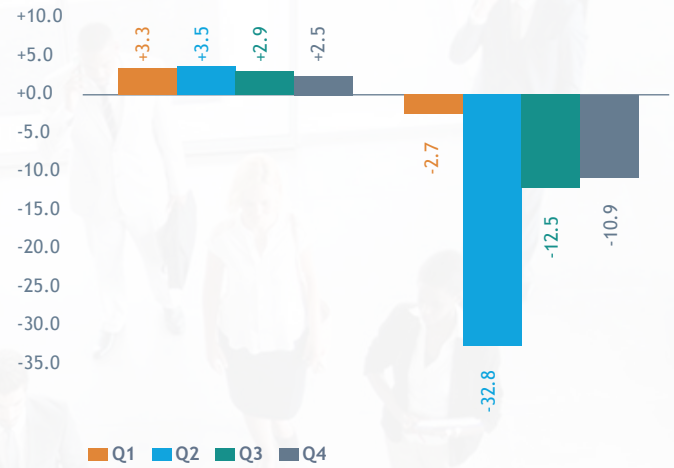
## Economic Growth Rate



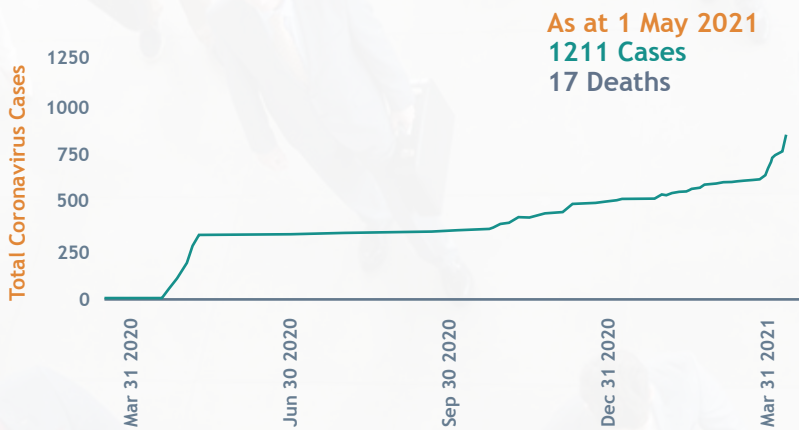
2021 IMF Forecast 2021: 9.9% real GDP growth before 2nd wave outbreak.

■ Gross Value Added (GVA) at basic prices  
■ Gross Domestic Product (GDP) at market prices

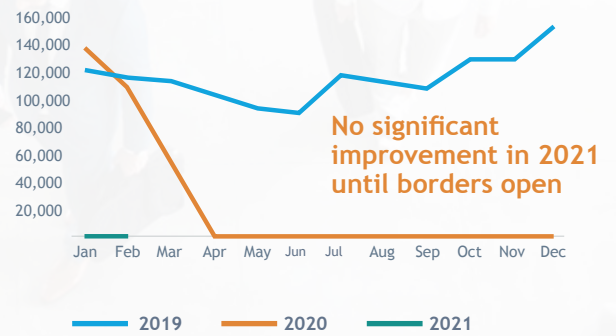
## Gross Domestic Product % Growth at Market Prices 2019 & 2020



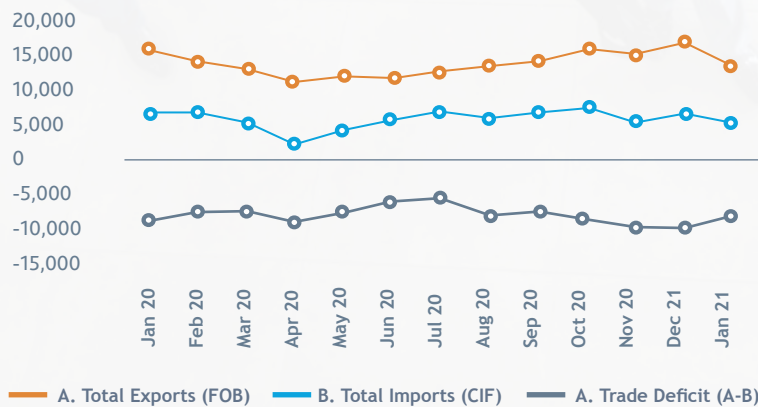
## Number of COVID cases



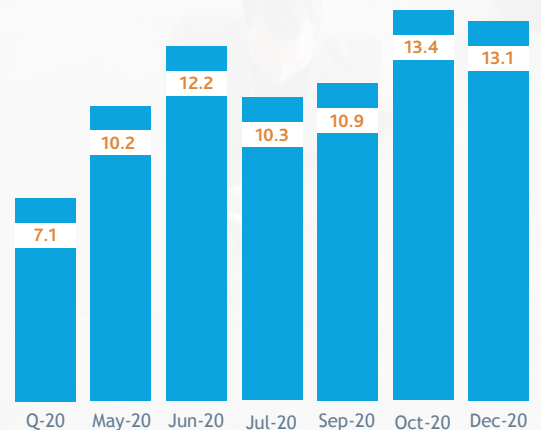
## Tourist Arrivals (2019-2021)



## Trade Flows Jan 2020 To Jan 2021

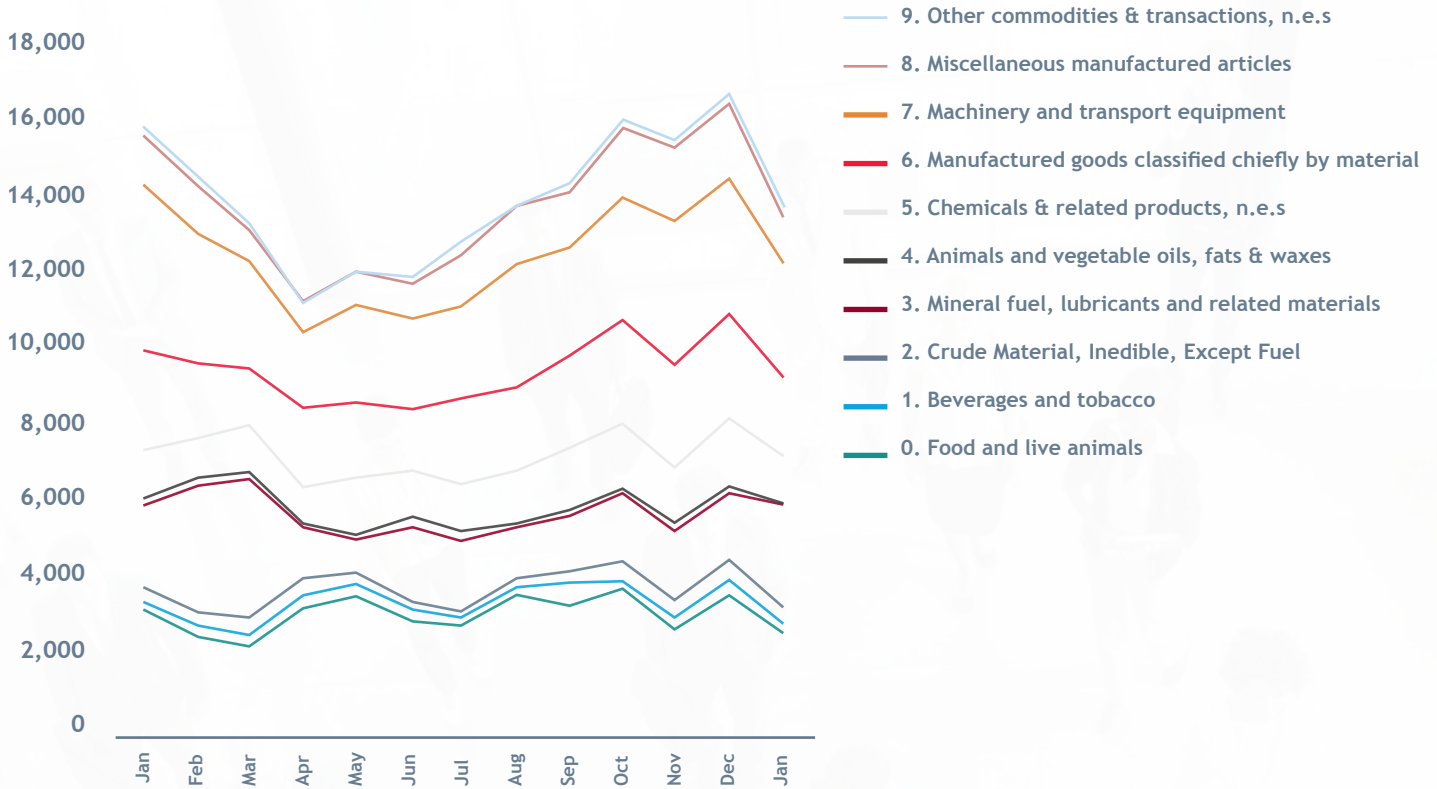


## Unemployment Rate (%) 2020

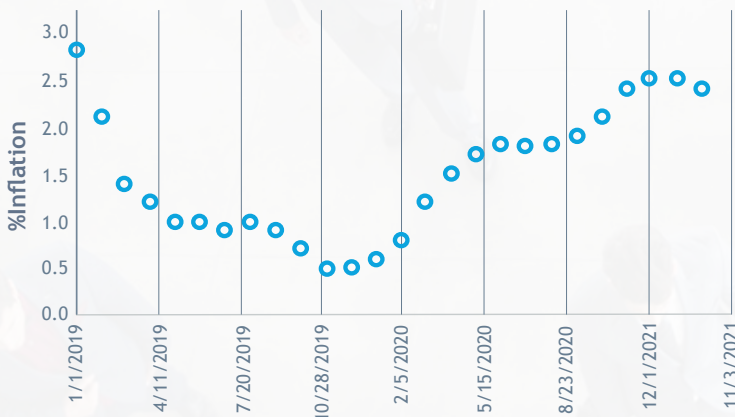


# Economic Dashboard

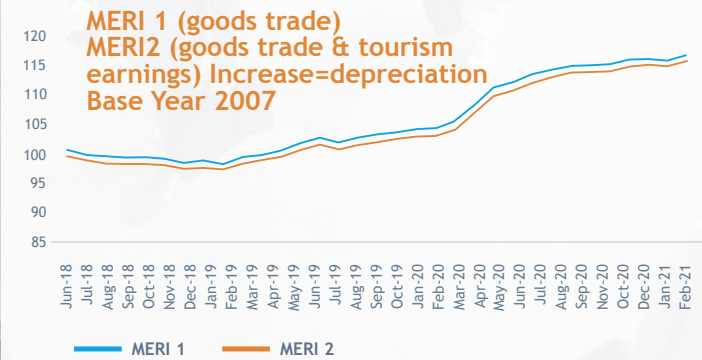
## Imports of goods - CIF value (Rs Mn) Jan - Dec 2020



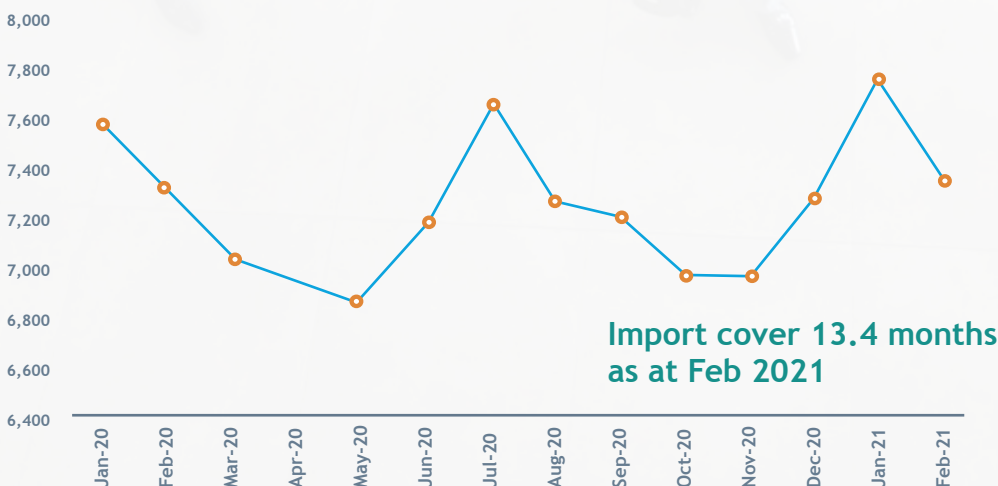
## Headline Inflation Jan 2019 - Feb 2021



## Mauritius Exchange Rate Index



## Gross Official International Reserves - USD Million



Sources: Statistics Mauritius, Bank of Mauritius





# AgriBusiness



# AgriBusiness: Tapping the Opportunity of Local Production



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## Sugar industry, Resilience amidst turbulence

Once the most prosperous economic sector of Mauritius, the sugar industry, has faced numerous challenges over the years, with the erosion of preferential access to its main markets, unstable international prices, a high cost of production and a fading interest in the sugarcane cultivation from local planters amongst others.

Amidst such turbulence, the sector has however displayed tremendous resilience by finding

solutions to mitigate adverse impact of its challenges over the years with the assistance of all stakeholders, a proactive implication of the Mauritius Sugar Syndicate, a diversification strategy and facilitation schemes from the Government. Though the sugar cane yield has gone down by 20.7% for crop 2020 due to the Covid-19 lockdown, the price of sugar was 12,282/tonne in 2020 (2019: Rs 8,800/tonne) largely due to the depreciation of the Mauritian rupee against the main foreign currencies given that the prices of white sugar on the international market have not increased. The sugarcane sector was also among the least affected sectors during the previous confinement, with 40,000 tonnes<sup>1</sup> of sugar shipped during this period.

With Covid-19 impact, it is expected that the hard currencies will continue to remain high in the short term but it is difficult to estimate how consumption and production of white sugar will evolve world-wide. There is always an uncertainty relating to future sugar prices on the international market.

Since it is important that the players in the sugar sector remain competitive on the international market, any measures from the Government which will increase their revenue and optimise efficiency will be welcome by planters and millers.

## Demand for local produce

One significant outcome of Covid-19 on local consumption is certainly an increased demand for local production of food and vegetables prompted by the disruption in international trade. As a country heavily reliant on imports (with a trade balance more on the deficit side rather than surplus), the shift in demand towards local produce has been warmly welcomed by local producers who have been advocating for a 'buy local' strategy for many years. This was coupled with various individual initiatives to promote local planting for consumption at home.

Back in January 2019, the MCB's *Lokal is Beautiful* report highlighted the sharp decrease in agricultural self-reliance since at least 1995 and the need to raise the value-addition of our agricultural sector to our economy. The same downwards trajectory was observed with regards to our local food industry as a whole.

This situation led the government to propose a series of measures in Budget 2020-21 to promote local agricultural production with the inception of a National Agri-Food Development Programme to ensure "food security and reduce dependence on imports"<sup>2</sup>. In order to achieve this, the government intends to increase the land under cultivation by creating a centralised digital Land Bank of State and Private Agricultural Land that will be managed under Landscape Mauritius. Other noteworthy measures include: more technical support for small planters through the Food and Agricultural Research and Extension Unit (FAREI) to participate in the National Food Development Programme, an increase in the subsidy for seed purchase from Rs5000 per ton to Rs25 000 to boost the production of onions and potatoes amongst others.

A National Wholesale Market is also on the way, for the benefit of planters and consumers alike.

The capacity to achieve food and agricultural self-sufficiency will depend on the outcome of the numerous measures announced over the years as well as proper sensitization campaigns to promote local consumption. Climate change related issues and the use of chemical inputs in crop cultivation also need to be addressed.

The Association of Mauritian Manufacturers (AMM) has been actively promoting local products via the 'Made in Moris' label. While the argument of a liberalized market has often stood as an obstacle to local produce, Covid-19 has somehow re-shuffled the cards. Will Mauritius be able to tap in this new opportunity?



<sup>1</sup> Devesh Dhukira, The Resilience of the Sugar Industry , 19 Oct 2020- pluriconseil.com

<sup>2</sup> Budget Speech 2021- Page 6

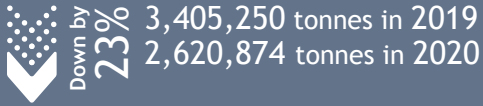
# AgriBusiness: Tapping the Opportunity of Local Production

## Agricultural Statistics 2020

### Sugar Cane Sector



#### Sugar Cane Production



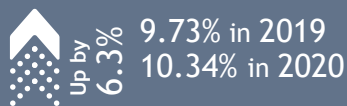
#### Average Yield



#### Harvested Area



#### Extraction Rate



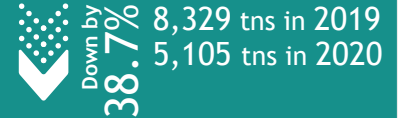
### Tea Sector



#### Area Under Plantation



#### Green Tea Leaves



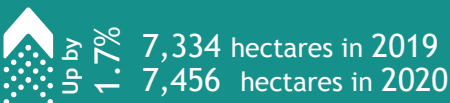
#### Manufactured tea



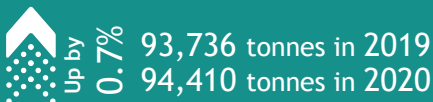
### Food and Crops



#### Area Harvested

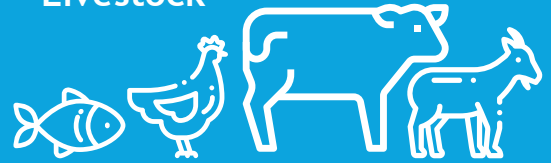


#### Production



No rice cultivation in year 2020 compared to 6 hectares harvested in 2019

### Livestock



#### Beef Production (from live cattle)



#### Goat Meat and Mutton

42 tonnes (unchanged as compared to 2019)

### Poultry Production



### Fish Production



### Production of Fresh Coastal Fish



Source: Agricultural and Fish Production 2020. Statistics Mauritius



# Manufacturing Sector



# Manufacturing Sector: Improving Competitiveness and Tapping New Opportunities Through Innovation



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With more than 50 years of existence, the manufacturing industry remains a major contributor to the overall development of Mauritius. Following centuries of monocrop-based economy, the sector has been instrumental in the diversification process of the island, thanks to the creation of the import-substitution sector and the development of the export-manufacturing cluster.

Moreover, the adherence of Mauritius to different commercial agreements

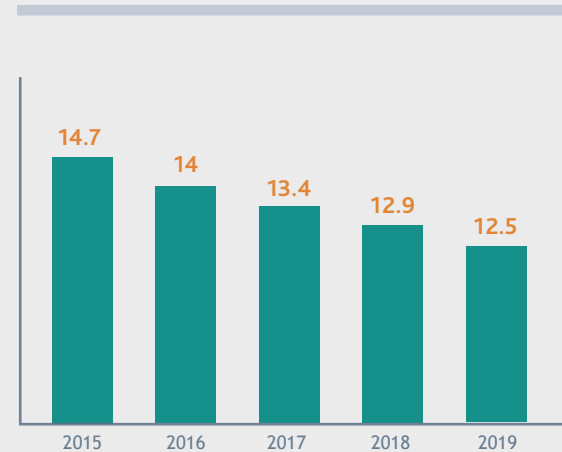
and regional markets such as the African Growth and Opportunity Act (AGOA), the COMESA or the SADC has substantially contributed to the development and expansion of our export market.

The initial prosperity was however met with a series of challenges during the following decades namely with the erosion of preferential access on key markets, rise of manufacturing giants mainly from Asia along with a gradual liberalization of the local market (affecting domestic oriented enterprises- DOE).

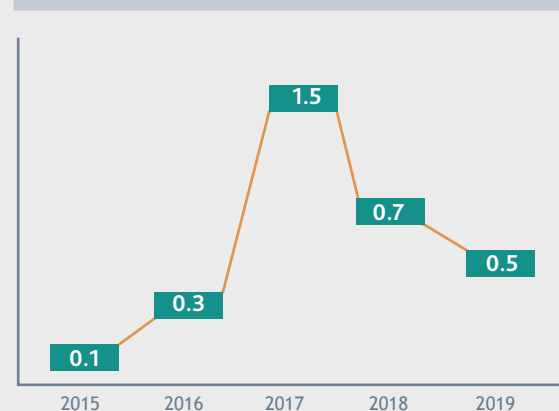
While Covid-19 did adversely impact our manufacturing industry, the challenges faced by the sector predate the tremors of the pandemic. Issues related to productivity and competitiveness such as: the rising cost of production, lack of labour, lack of capital investment (impacting automation capacity) lack of product and market diversification and a liberalized local market (with an unequal level playing field for locally manufactured products) have been severely hindering the development of the sector since the past decade.

These issues have been regularly addressed to the government by operators via organizations like the Mauritius Export Associations (MEXA), the Mauritius Chamber of Commerce and Industry (MCCI) and the Association of Mauritian Manufacturers (AMM). In their Budget Memorandum in 2018 and 2019, the MCCI rang the alarm bell with regards to the downwards performance of the manufacturing industry currently leading to a de-industrialization process. Albeit in positive territory, the growth rate of the manufacturing industry between 2015 and 2019 <sup>1</sup> prior to Covid-19 has stagnated between 0.1% and 0.5%. Its share of value added to the economy was merely 12.5% <sup>2</sup> in 2019 as compared to 14.7% in 2015.

## Share of Value Added to the Economy (%)



## Annual Growth Rate Manufacturing Sector(%)



Source: Digest of Industrial Statistics- 2019. Statistics Mauritius

## Disturbance in international Trade

The impact of Covid-19 on trade and globalization has been dire, with the volume of world merchandise trade falling by 9.2% in 2020 according to the World Trade Organization forecasts (Oct. 2020). The three months lock-down have definitely affected the local industry, hampering production activities for DOEs and Export Oriented Enterprises alike. In spite of logistics disturbances, the manufacturing industry has managed to adapt its production to local demand mainly geared towards masks, sanitizers, gloves and other sanitary products but the results of the lock-down are unequivocal.

According to Statistics Mauritius “net exports of goods and services would result in a deficit of Rs 83.4 billion in 2020 after the Rs75.5 billion deficit of 2019<sup>3</sup>”, equivalent to 19.5% of GDP at market prices in 2020, higher than 15.1% in 2019.

<sup>3</sup> National Accounts Estimates-(2017 - 2020) December 2020 issue. Statistics Mauritius

<sup>1</sup> Digest of Industrial Statistics-2019. Statistics Mauritius

<sup>2</sup> Manufacturing industry- Economic Development board-

<https://www.edbmauritius.org/manufacturing-traditional-industries>



## Manufacturing Sector: Improving Competitiveness And Tapping New Opportunities Through Innovation

From an international perspective, “global manufacturing value-added output will rebound in 2021 with a 6% value-add in manufacturing output compared to 2019”<sup>4</sup> and supply-chains stability remains key to the recovery of the sector.<sup>5</sup>

### Demand for locally manufactured products

Covid-19 has re-ignited the debate around local production and the need for higher self-reliance, not only for agricultural produce, but also for locally manufactured products to cater for local demand amidst a disrupted import market. The current situation may seem temporary, but our self-reliance capacity on the long term remains key to our resilience in the face of unprecedented events like the Covid-19. Associations like the AMM, that regroups DOEs has been advocating for measures to support local producers while promoting the ‘buy local’ concept through their Made in Moris label (see also AgriBusiness section) since the past few years. The government has responded by introducing schemes and facilitation measures to promote the label and its underlying concept, but without a profound rethink of our manufacturing sector and trade policies, self-reliance will remain subdued.

### Heading to the next level

The way forward for the manufacturing sector dwells in its capacity to move towards a more efficient and effective mode of production focused on quality and value addition at minimum cost, with the view of increasing our competitiveness level both for the DOEs and the EOE. This will require a higher level of automation and digitalization, implying more capital investment, skilled labor and more profound strategy to rebuild its foundations. In this respect, the Industrial Policy and

Strategic Plan for Mauritius (2020-2025)-prepared by the UNCTAD-provides an exhaustive and methodical approach to revamp the sector articulated around 5 axes<sup>6</sup>:

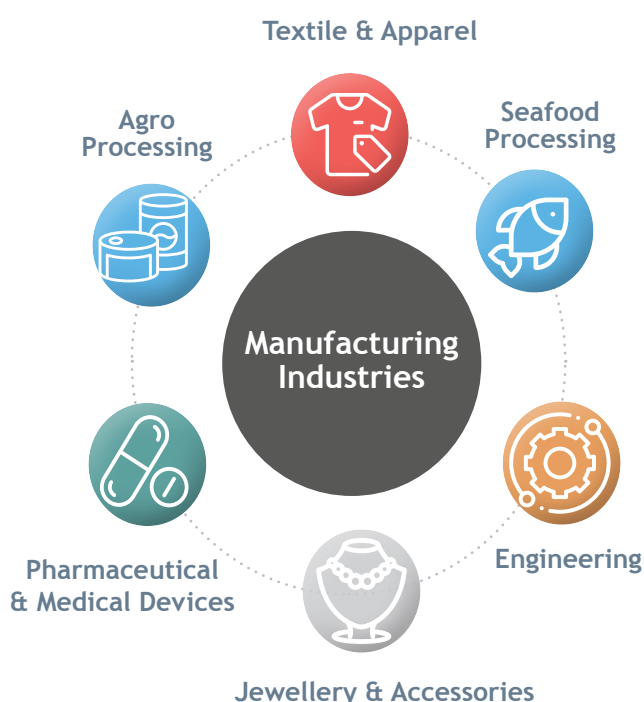
- Repairing the country’s industrial foundations in terms of skills, labour, value addition and infrastructure.
- Securing upgrading within established Mauritian Value Chains product diversification & process upgrading/ capital investment/ R&D.
- Optimizing local production for the domestic market.
- Expanding Regional and Global Exports.
- Creating an Industry 4.0 ecosystem through increasing digital and green innovations.

While this strategic plan encompasses all the ingredients to revitalize the manufacturing sector, implementation is key. The reform will not be successful without a solid public-private partnership to implement all the recommendations identified. Our recent adherence to the Africa Continental Free Trade Area (ACFTA), the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) and China-Mauritius Free Trade Agreement are laudable initiatives to promote export but they run the risk of being underused( just as the AGOA) if we do not take a full advantage of the opportunities offered.

Main Customers (% of Exports)	2019
France	12.6%
United Kingdom	11.1%
United States	10.8%
South Africa	10.4%
Madagascar	7.0%

Main Suppliers (% of Imports)	2019
China	16.7%
India	13.9%
South Africa	8.1%
United Arab Emirates	7.3%
France	7.0%

Source: Mauritiustrade.mu



Source: Economic Development Board

<sup>4</sup> Baker Mackenzie & Oxford Economics-Beyond COVID-19: Supply Chain Resilience Holds Key to Recovery

<sup>5</sup> BDO USA- 2021 BDO Manufacturing CFO Outlook Survey

<sup>6</sup> UNCTAD- Industrial Policy and Strategic Plan for Mauritius (2020-2025)- Page 43



An aerial photograph of a tropical coastline. On the right, a large, steep mountain covered in dense green forest rises from the land. To the left of the mountain, a white sand beach stretches along the shore, meeting a clear, turquoise lagoon. The lagoon's water is shallow and clear, revealing a sandy bottom and some coral reefs. In the distance, the ocean extends to the horizon under a bright blue sky with a few wispy clouds. Two red vertical bars are positioned on the left side of the image, one at the top and one at the bottom.

# Hospitality



# Hospitality Sector: Adaptation and Diversification for Resilience

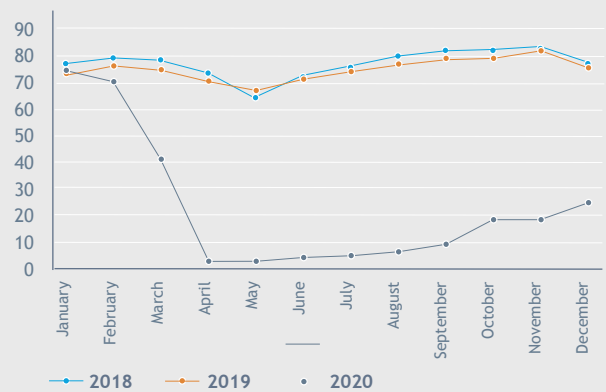


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From a sailor's transit destination to the East Indies in the 17th century till the development of the aviation industry in the 1950s and the construction of a few beach hotels in the same period under Government policy to diversify the national economy, the hospitality industry is unarguably a key driver of our economy. Comprising a handful of hotels such as Hotel Merville, Club Mediterranee, Royal Palm and Le Mauricia at the beginning, the number grew to over 100 in four decades. Until the

flourishing inbound tourism, travel agencies have contributed to the expansion of outbound tourism with thousands of residents travelling abroad especially for their holidays. Local tourism has also been expanding whereby residents have developed a keen interest in spending short stays in hotels for holidays or celebrating family events, a pattern which is aligned to world travel and tourism trends as a result of rising disposable income and the possibility of taking time off work for over a week.

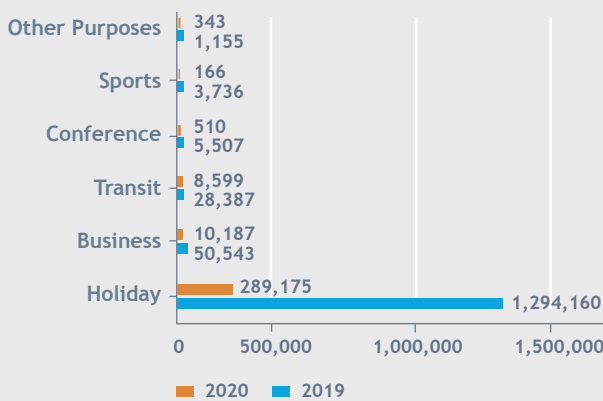
## Hotel Room Occupancy % 2018-2020



## Why tourism matters to our economy?

Tourism plays a significant role in our economy as testified by the number of hotels and other enterprises directly and indirectly involved, the number of jobs that it sustains and the contribution to GDP. The distressing experience of the lockdown has underlined how fragile the sector is also.

## Tourist Arrivals By Main Purpose of Visit



## Product offering

While in the early years, the principal motive for travelling was leisure, this has evolved over time to encompass business travel (including conferences), medical care, education or even movie casting. In addition to a

**Number of Hotels**  
**112**  
(classified 2-star to 5-star Luxury)

**Number of Rooms**  
**13,489**

**Tourist Arrivals /Year**  
**1.38 Million**

**Tourism Spending**  
USD  
**2017.4 Million**

**Employment**  
**32,000**  
in large establishments over  
**100,000**  
(direct, indirect, induced)

## Hospitality Sector: Adaptation and Diversification for Resilience

### Listed Hotel Groups/ Companies

SUN Limited  
New Mauritius Hotels Ltd  
LUX Island Resorts Ltd  
Attitude Hospitality Ltd (AHL)  
Constance Hotels Services Ltd  
Southern Cross Tourist Company  
Limited (SCT)  
Tropical Paradise Co Ltd  
Morning Light Co Ltd



### Airlines flying to Mauritius (Main)

Air Mauritius  
Air France  
Emirates  
South African-  
Airways  
Air India  
Kenya Airways  
Malaysia Airlines  
Turkish Airlines  
Singapore Airlines  
Lufthansa

 **GDP contribution**  
**18.8%**

While in early years, the country relied on foreign hotels and international brands, Mauritian companies have over the years succeeded in establishing their reputation. The largest are even listed on the Stock Exchange of Mauritius and have remained at the forefront of innovation as testified by their regular prestigious internal awards.

To the above, should be added the indirect impact of the tourism sector and its multiplier effect resulting in thousands other jobs in different sectors such as restaurants, retail, agriculture, transport, manufacturing, furniture, craftwork. Internationally, the multiplier effect of tourism on the economy is estimated by WTTC to be a factor of 3.2.

### Strengths and opportunities

Our island is endowed with fantastic natural assets which include our lagoons, beaches but also valleys and natural parks suitable for hiking. With a strong focus on the ‘sea, sun and sand’ assets coupled with our stellar service-delivery, our promotion strategy did not undergo significant changes over the years. There has however been several diversification initiatives, namely in the MICE segment, cultural tourism, “*tourisme d’intérieur*” or green tourism. One notable evolution that took place over the years is the growing number small operators offering attractive packages for ‘backpack’ tourists, a market segment that simultaneously created a demand for non-hotel experience.

While this may signal a diversification in our offer, many hospitality operators have called for more regulation and a harmonized approach towards our destination branding. Moreover, the government introduced the Premium visa, that allows tourists to work remotely from Mauritius for a specific period of time, an initiative that directly emanates from Covid-19 travel restrictions

### How to ensure the sustainability of the hospitality industry?

Since the outbreak of the pandemic in March 2021 in Mauritius, our frontiers have been closed to international tourists except for cases such as movie casting and longer stays under the Premium Visa. Hotels have been used as quarantine centres and over several months have welcomed local residents but the occupancy has not exceeded 25%. The concern of industry captains is geared towards the reopening of our frontiers in a safe environment which will bring back stability to a sector harshly impacted during the pandemic.

The sine qua non conditions for the sustainability of the industry include continuous virus testing, vaccination, sanitisation but also further diversifying the customer experience and offering an outstanding service amidst an increasingly global competitive tourism industry. The challenge is also to train and retain employees who are also looking for alternative employment either abroad on cruise ships or in totally different sectors after the bitter experience of Covid-19.

The hospitality industry also needs to address recurrent issues related to market diversification to avoid the ‘peak versus non-peak’ seasons. While many hotel groups have successfully implemented green initiatives, more climate-change mitigation actions can be taken in collaboration with the authorities.

Sources: Statistics Mauritius, World Travel and Tourism Council







# Financial Services

# Financial Services: Soundness and Stability Amidst Disruption

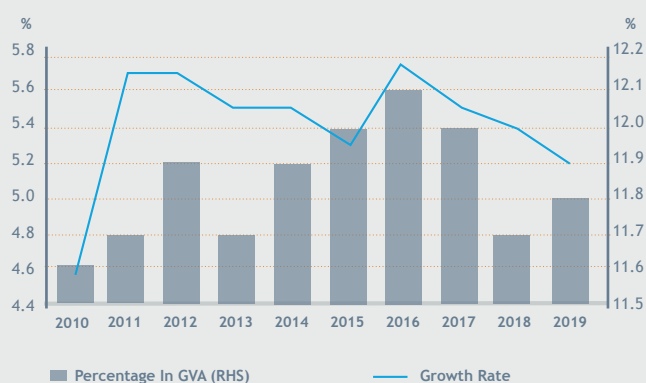


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As the only sector registering a positive growth amidst our pandemic-afflicted economy, the financial services sector is, once again, proving its resilience in the face of adversity. Relatively less impacted by Covid-19, the sector has registered a growth of 1.1%<sup>1</sup> in 2020, weaker than its stable growth for the past 10 years. Financial Banking and Non-Banking activities constitute a key driver of our economy.

## Share and Growth of Financial Sector



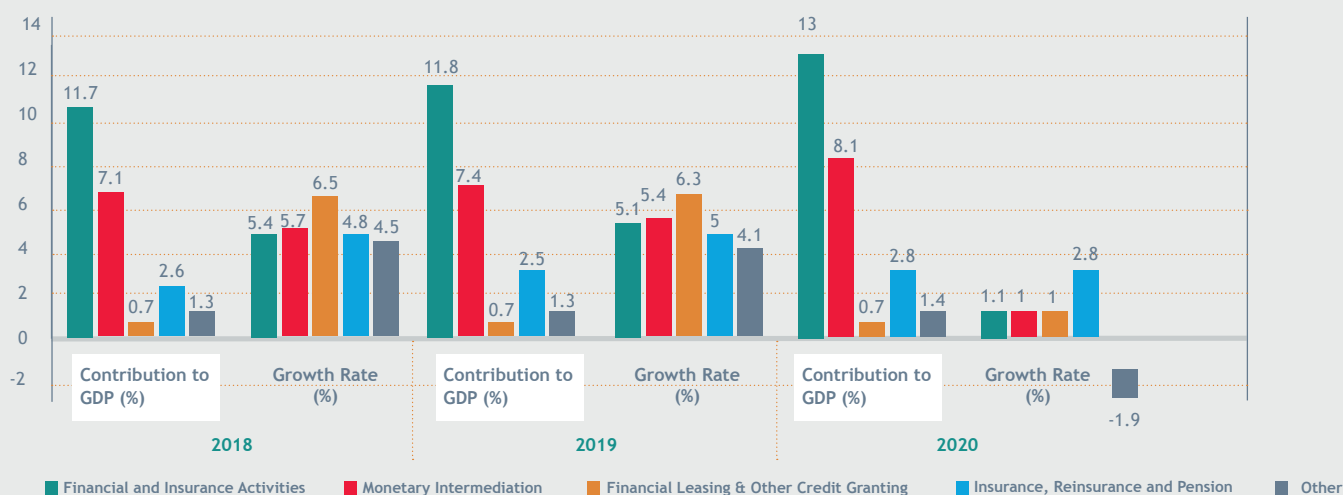
Source: Bank of Mauritius Annual Report-June 2020

## Global Business Leveraging our IFC

As one of the key cluster of the financial sector, the Global Business activities is characterized by a sustained progress albeit a series of challenges related to more stringent regulations and scrutiny from international organizations on cross-border transactions transiting through Mauritius. Once a jurisdiction whose attractiveness was mostly based on its numerous double taxation agreements, Mauritius gradually turned into a full-fledged International Financial Services Center (IFC) of repute. More than tax advantages, the Mauritian IFC's offers an array of advantages and benefits related to its stable economic and political system, the ease of doing business, a favorable time-zone, its skilled bilingual workforce as well as a stellar service delivery.

The jurisdiction also positions itself as a gateway to Africa. This transition was however fueled by a series of challenges, the most notable one being the renegotiation of the Indo-Mauritian DTAA in 2016, the increased scrutiny of major economic partners to combat tax evasion and AML/CFT via organizations like the European Union (EU) the OECD and the Financial Task Force (FATF). This resulted to a grey-listing of the jurisdiction in early 2020 and a blacklisting in October 2020. Meanwhile, the Mauritian IFC registered a dramatic drop in the Global Financial Centers Index 2021, ranking 89th this year as opposed to 63rd in 2020. The impact on the sector has been dire, with a negative growth rate of 10.7% in 2020 as compared to +3.9% in 2018 and +3.9% 2019. Its contribution to GDP remains nonetheless substantial.

## Contribution to GDP & Growth Rate

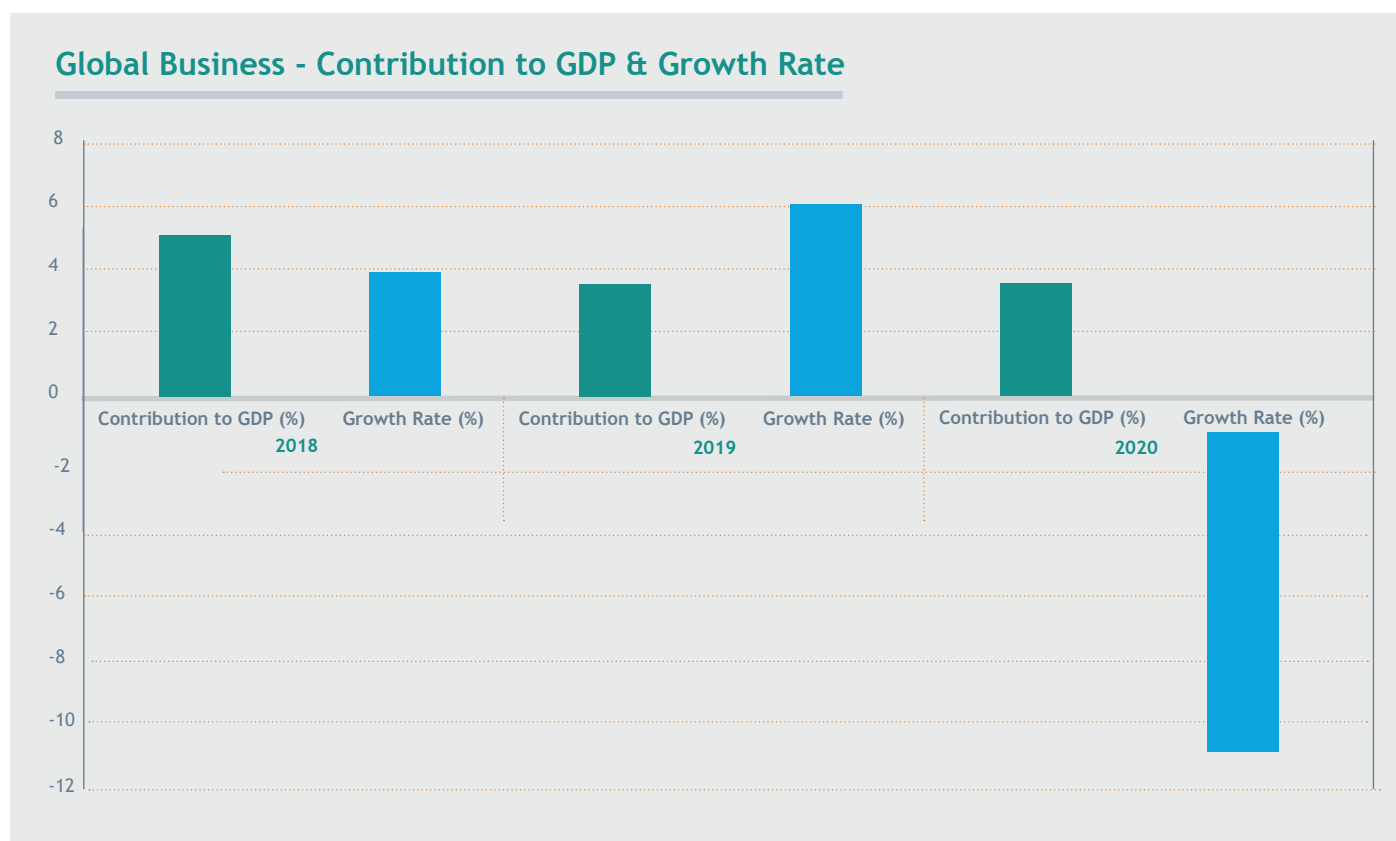


Source: Financial Services Commission-<https://www.fscmauritius.org/en/statistics/contribution-to-gdp>

<sup>1</sup> Statistics Mauritius-National Accounts Estimates 2017-2020- Dec 2020



## Financial Services: Soundness and Stability Amidst Disruption



Source: FSC Mauritius

### Covid-19

While many key sectors faced operational constraints during the 3 months lockdown in 2020, global business activities remained relatively undisturbed. The swift implementation of remote work policies allowed continuity of business in spite of major disturbances on international markets. The capacity to withstand all these shocks and maintain a steadfast service delivery stands testimony of that sector's vibrancy and competitiveness. The 2 months lockdown implemented by the government between March and April 2021 in the wake of the second wave of infection, did not cause further disturbance to global business activities.

### Banking Sector Stability and resilience

The banking sector has displayed tremendous stability prior and throughout the pandemic. According to the Bank of Mauritius Report (June 2020), banks' total assets registered a significant increase of 19.2% during FY 2019-2020 (from Rs1,415.1 billion as at end-June 2019 to Rs1,686.3 billion as at end-June 2020) compared to 5.7% recorded during the FY2018-19.

Moreover, out of 20 banks operating in the jurisdiction, 5 banks maintained their status of Domestic Systemically-Important Banks (D-SIBs) as at end June 2020. Their total assets stood at 1,093.0 billion representing 65% of total banks' assets, 65% of total bank deposits and 65.5% of bank loans.

### Profitability

The majority of banks registered a profit after tax in FY2019-2020, while 5 banks incurred losses mostly due to high provisions and/or operating costs. However, banks' total profits decreased from Rs20.1 billion for FY2018-19 to Rs19.2 billion for FY2019-20 on account of a rise in operating expenses and higher provisions and adjustments to income on credit losses.

### Covid-19 - Risks of non-performing loans

The rise in ratio of non-performing loans in the wake of the pandemic, has been a matter of great concern from the regulator, especially with a rise of 5.3% in June 2020 as compared to 4.5% in March 2020. The BoM also emphasized that the soundness and stability of the banking sector rests on the ability of households and corporates to "service their debt in a timely manner" and "the longer it takes for the economy to recover, the higher the risks that bank would need to draw from their buffers".

## Financial Services: Soundness and Stability Amidst Disruption

Uncertainties and economic disturbance related to Covid-19 adversely impacted the demand for credit 2020H1. According to BoM “Banks’ exposure to households and corporates (excluding facilities extended to the GBC sector) accounted for 21.7 per cent of total banks’ assets in FY2019-20, 3 percentage points lower compared to FY2018-19”. But Bank credit to private sector increased from 70.6% of GDP as at end-June 2019 to 79.9% of GDP as at end-June 2020.

On March 2021, Moody’s Investor’s Service lowered by one notch the long-term ratings and assessments of the MCB and Absa Bank while affirming ratings of the SBM. MCB’s and SBM’s deposit ratings outlooks are negative while Absa Bank deposit rating is stable.

This reviewed rating follows Moody’s decision to lower Mauritius Macro Profile Score to “Weak+” from “Moderate-”, a decision directly attributable to the state of our economic activities. As we derive a large share of employment and income from the tourism sector, an industry heavily affected by the pandemic, this situation “will weigh on the pace of the economic recovery, constraining economic strength and banks’ operating environment”<sup>1</sup> according to Moody’s.

### Support measures

The creation of the Mauritius Investment Corporation (MIC) is a key initiative launched by the BoM to support affected economic operators. As at 8th March 2021, the MIC has disbursed MUR 1,947.5 million to support different sectors of the economy.



Source: MIC website 26/04/2021 (<https://www.mic-ltd.mu/>)

Other initiatives include the creation of ‘Covid-19 Plan de Soutien’ Support Cell by the State Investment Corporation Limited (SIC) in collaboration with Investment Support Programme Limited (ISP), SME Equity Fund Ltd (SEF) and Development Bank of Mauritius Ltd (DBM). This initiative forms part of the support measures launched by the government to assist enterprises with a sudden need of finance due to business disruption.

### Stock Exchange

Market capitalization suffered a setback between 2019 and 2020. After evolving in a highly volatile environment during FY2019-2020, SEMDEX ended 2020 in negative territory losing 24.36%<sup>2</sup> of market cap. In spite of these trying times, the SEM has proved its resilience and capacity as a reliable fund raising platform for local and international issuers alike. Rs 13.4 billion were raised in terms of rights issues, bond issues and private placements in FY 2019-2020. With regards to listing, SEM successfully attracted 17 new securities during the same period but uncertainties prevail as long as the pandemic persists.<sup>3</sup>

### Challenges, opportunities and way forward

In spite of such a laudable performance, our IFC remains subject to a number of challenges that can affect its competitiveness and attractiveness. The upcoming Rwanda International Financial Centre is an important challenger for Mauritius on the African continent which requires pro-active measures to secure our position as the preferred IFC to service Africa.

Moreover, the Global Minimum Tax proposed by the USA and backed by the EU poses yet another threat to our jurisdiction. This tax plan intends to apply a 21% minimum corporate tax with the aim to deter multinational companies from shifting profits and tax revenues to low tax jurisdictions. If successfully implemented, it could prompt multinational companies to review their activities in outbound jurisdiction like Mauritius.

Overall, the sustainability of the financial services sector requires a proactive approach based on a solid public-private cooperation to anticipate and tackle issues threatening the stability of the sector. The creation of Mauritius Finance as united platform that represents all the clusters of the IFC ecosystem is most welcome. Such a platform would be able to work with the government on all the pressing issues affecting the jurisdiction as well as the implementation of the Financial Sector Blueprint published in 2018. With regards to COVID-19, support from authorities remain key to maintain the resilience of the banking sector.

<sup>1</sup> Source: Source: Moody’s ([https://www.moody.com/research/Moodys-takes-rating-actions-on-three-banks-in-Mauritius-following--PR\\_441776](https://www.moody.com/research/Moodys-takes-rating-actions-on-three-banks-in-Mauritius-following--PR_441776))

<sup>2</sup> Stock Exchange of Mauritius- Fact-book 2021

<sup>3</sup> Stock Exchange of Mauritius- Annual Report 2020



# ICT- Cybersecurity



# ICT: COVID-19 and the Need to Enhance Cyber Security



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Cyber criminals love a good crisis. So it is no surprise that they jumped at the opportunity to take advantage of the Covid-19 pandemic to exploit tens of millions of home-based workers who have provided new access points to malware, viruses, ransomwares and phishing attacks. The targets for attackers has never been wider.

It is a common misconception that cyber security is all about information technology (IT). IT

obviously plays an important role in cyber security, but alone it is not enough to protect you from modern cyber threats, especially with an increasing number of people working remotely due to the Covid-19 pandemic.

You may have the best technology in the world, but if you do not have proper processes and have not trained your staff on how to use this technology, then you are exposed to cyber threats.

Cyber security consists of technologies, processes and measures that are designed to protect individuals and organisations from cybercrimes.

Effective and robust cyber security reduces the risk and impact of a cyber-attack; it requires the implementation of an information security management system (ISMS) built on three pillars: people, processes and technology.



## People - More than 95% of cyber security breaches are due to human error!

Everyone using IT needs to be aware of their role in preventing and reducing cyber threats, whether it is how to spot phishing emails, handle sensitive data, use Bring Your Own Devices (BYOD) or work from home securely.

An effective cyber security awareness programme can help reduce the risk of cyber threats aimed at exploiting people. With people usually being the weakest link, cyber security is a business issue and everyone has a role to play.

## Process

Processes are key to the implementation of an effective cyber security strategy. These processes should be clearly defined in IT policies and procedures which prescribe who does what, when and how.

However, processes are useless if people do not follow them correctly. Thus, regular IT audits are essential to ensure processes (with controls) have been well defined and are being followed.

Given that a lot more workers are now having to work from home due to the Covid-19 pandemic, it is important to remind employees about your organisation's work from home (WFH) security policy and ensure staff members are following it to the letter.

## Technology

Technology is obviously crucial when it comes to cyber security. By identifying the cyber risks that your organisation faces, you can then start to look at what controls to put in place and what technologies you will need to do this.

Technology can be deployed to prevent or reduce the impact of cyber risks, depending on your risk assessment and what you deem an acceptable level of risk.

On top of your traditional technology such as antivirus and firewall, it is increasingly important to protect your email system with solutions, such as Mimecast, as email remains the major entry point for hackers.

It is no longer a matter of 'if you will be hacked' but more of 'when you will be hacked, will you know?'. Cyber defence solutions, such as Darktrace, can help detect cyber-attacks and provide autonomous response with its AI engine.

When it comes to securing your remote workforce, one of the best practices is to use a virtual private network (VPN). A VPN encrypts data in transfer, allowing personal and confidential data to tunnel from one device to the next, away from prying eyes.



## ICT: COVID-19 and the Need Enhance Cyber Security

### ISO 27001 - The standard that advocates the three pillars of cyber security

ISO 27001 is the international standard for an information security management system (ISMS) and advocates the combination of these three pillars. Creating an ISO 27001 ISMS will ensure every aspect of cyber security is addressed within your organisation.

ISO 27001 is rapidly gaining momentum as the world's leading cyber security standard, offering robust defences to those who implement it, as well as, helping them win new business through their commitment to security.

While ISO 27001 is well known in the private sector, there is increasing adoption of the standard in the public sector, e.g., in Kenya.

### Covid-19 - your biggest challenge yet

Disruption caused by the Covid-19 pandemic is inevitable and you have enough to worry about without contending with things like cyber security and compliance issues. Unfortunately, cyber criminals have sensed an opportunity amid the pandemic, launching a spate of attacks that exploit people's fear and uncertainty.

Therefore, it is more important than ever to make sure your organisation is capable of fending off attacks and preventing data breaches.

While cyber security is on the agenda of many executive committee meetings, it should perhaps be given extra attention in view of the growing threats during the pandemic.



# Outsourcing Sector

A blurred office scene showing several people working at desks with multiple computer monitors. The focus is on a woman in the foreground, seen from behind, wearing a white top with a dark polka-dot pattern. The background shows other employees in business attire, some looking at their screens. The overall atmosphere is professional and busy.



# Outsourcing Sector: Capitalising On The New Realities



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With a contribution of 5.8% to the GDP, 27 000 employees and 850 companies operating within the sector, the outsourcing industry is undoubtedly one of the fastest growing clusters within the services sector and a key driver of our economy today.

The outsourcing sector in Mauritius has witnessed significant transformations since early 2000. The industry went through labour arbitrage (almost entirely cost-oriented to a sector), process arbitrage

(doing things better, faster and cheaper), knowledge arbitrage (borrow concepts from an unrelated industry taking customer experience at heart of everything) and innovation arbitrage (create added value through innovation, technology product development, modern business services and solutions).

## Enter Covid-19 and the rush to digitalisation

From employee safety to work-at-home data security, business continuity, and financial resilience, companies within the outsourcing sector have been greatly affected by COVID-19, however as recovery begins; the bounce-back will be fast and the outsourcing sector will need to re-invent itself to address its relevance and more importantly seize the various opportunities that the challenges of COVID 19 have created.

The main challenges presented by COVID-19:

- When exceptions turn to normality: Outsourcing service providers, like their counterparts in all sectors, are dealing with travel restrictions for their staffs and outsourcing partners, empty offices and many Small Medium Enterprises providing outsourcing services to companies may not have the equipment, infrastructure or management tools to let their staff work from home and coaching/ training to embrace live video conferencing.
- White swan: With so much uncertainty resulting into a reduced pipeline, or work being taken back from their outsourcers, companies are reviewing their positions and relationships towards outsourcing partners, which means that some of them might decide to stop outsourcing work altogether or put on hold any new projects.

- Financial challenges leading to human tragedy: Whilst COVID-19 has been damaging to the bottom line of number of organisations it is first and foremost a human tragedy and focus should be around transparency in communication around business, taking care of employees, staying healthy while doing their jobs effectively under stressful and difficult conditions.
  - Security, compliance with GDPR, risk and compliant ready for resilience: The impact of COVID-19 has forced many organisations to respond by making sudden changes, such as rapidly shifting to remote work, pivoting production or emphasising digital revenue streams. The ability to achieve such changes is a key facet of business resilience just as the capacity to repel cyber-threats. While emerging technologies have helped streamline and optimise many different processes, they also expose businesses to significant risk related to data privacy with an amount of data to harness and insulate as never seen before. Because of the grave consequences, data privacy and security risks should be top of mind for executives.
  - People and workforce dilemma: Chief Information Officers are shifting towards new operating model and working with outsourcing providers to accelerate their digital transformation agenda by injecting intelligence and automation into operational processing, achieving greater value, performance, and true cost efficiencies with AI, machine learning, bots, and cognitive solutions. Mundane back-office work with low value added have and will continue to be present by end of Q4 2021.
- There is an acute need to accelerate competence and capability building at the expense of having a workforce which is increasingly becoming irrelevant.
- Human quotient: The quest towards productivity and automation gains has already put a big strain on the managerial layer around the need to perform effective virtual training together with new sets of attributes which are needed to ensure same level of team collaboration, without employee burnout whilst ensuring productivity, output and overall customer experience being unmatched.
  - Cultural and paradigm shift: Whilst the sector has been resilient to provide continuity of service for a temporary amount of time (maximum of a week) and employees being back into office, there is a need for C-Level suite to re-imagine how to encourage and get employees engaged to work in the work-from-home model.

## Outsourcing Sector: Capitalising On The New Realities

### Way Forward and Opportunities

Despite all the challenges, the outsourcing industry remains vibrant and resilient. But to continue growing and attracting the right set of talents and partners in Mauritius, we ought to reposition the entire sector with a strong focus on innovation, business excellence, value-added services, and cutting-edge technology.

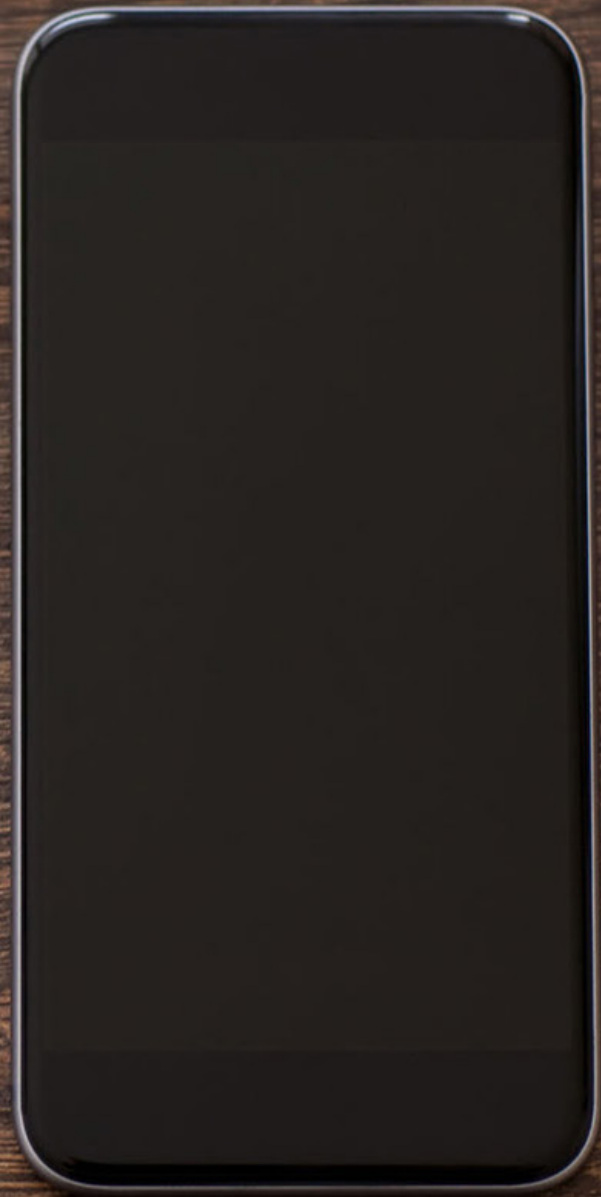
The Covid-19 has prompted organisations around the world to review their processes and adapt to what is now commonly accepted as the new paradigm. In previous industrial revolutions, new tools increased productivity, but today's digital tools also affect design, development, collaboration, and innovation. Going forward, the outsourcing sector will require an in-depth multi-dimensional rethinking encompassing a review of the workplace, relearning human skills, investment in re-skilling, harnessing innovation and most of all, creating a system that encourages compassion and kindness for employees. (See recommendation section).







# Recommendations



# Recommendations

The sectoral examinations undertaken in this edition highlight the need to move towards the implementation of the different strategic plans commissioned by the government which contain all the key measures to revamp our key sectors. The present economic situation requires a holistic, participatory and most of all, a bold approach to bring our economy out of its current gloom towards a brighter future focused on innovation, creativity and resilience. This can only be achieved if a solid partnership between the government and all the key stakeholders take place.

Herewith some topics of reflections and measures that can be undertaken to bring the Mauritian economy to its next level of development:

## Manufacturing Sector

- Implementation of the Industrial Policy and Strategic Plan for Mauritius 2020-2025 with regards to its proposed industry policy framework focused around 5 focus areas
  - Repairing the country's industrial foundations in terms of skills, labour, value addition and infrastructure.
  - Securing upgrading within established Mauritian Value Chains product diversification & process upgrading/ capital investment/ R&D.
  - Optimizing local production for the domestic market.
  - Expanding Regional and Global Exports.
  - Creating an Industry 4.0 ecosystem through increasing digital and green innovations.

## Hospitality Industry

- Better matching the market realities to the post covid world.
- Market and customer diversification to depart from the euro-centric business model.
- Talent and resource retention with regards to cruise ship competition.
- A coordinated approach towards sustainability and climate change.

## Outsourcing and ICT

- Long term tax exemption for the purchase of equipment to facilitate remote work and reduce costs for companies.
- Bridging gaps amongst the key stakeholders, i.e academia, government and industry is essential to ensure the relevance of workforce within the industry stay whilst ensuring hindsight on reinforcing the capability building roadmap of the emerging areas that will fuel the double promised digit growth within the outsourcing sector.

- Research and Development (R&D) tax credits incentives with a focus on AI and machine learning, IoT, Big Data, Blockchain technologies, Digital currencies and augmented reality should be fueled to reward outsourcing organizations for innovative products, processes or services.

## Financial Services

- Implementing the strategies and measures identified the blueprint for the Mauritian International Financial Center.
- A closer industry-government collaboration on policy changes and challenges faced by the sector with a proactive rather than reactive approach.
- Increasing global vigilance and cooperation to avoid on the grey list and black list.

## Agribusiness

- A sustainable agricultural programme (foodcrop and farming) that take into consideration local market needs and producers capacity together with enhanced processing opportunities. This can include grants to develop mega farms to cater for local food production including vegetables, fruits and flowers.
- Further initiatives, schemes and support measures to promote sustainable farming and tackle climate change risks.
- Sustain the Sugarcane sector by maintaining sugar exports volumes and diversifying destinations as well as reduce production costs through innovation. Market diversification can also apply to production of special sugars geared towards Asia.





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