

MAURITIUS AT A CROSSROADS



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DEFYING predictions that it would implode as an economic disaster, Mauritius in 56 years since Independence has progressed from a sugar-based monoculture to a diversified economy that includes tourism, financial services, manufacturing, textiles and, if current plans bear fruit, advanced technology. In the last decade, Mauritius has posted a growth rate of 5%. However, a new era of economic and social shocks may hamper the growth trajectory of Mauritius in many ways. And these shocks frequency and severity have increased dramatically, and they are coming from all directions viz climate chaos, pandemic, war, the weaponization of investment and trade, demographic declines, and labour shortages, just to name a few. At the heart of today's crisis are broken approaches to growth, economic management, and governance. Is Mauritius ready to only survive or to thrive in a world of ever-increasing disruption? Clearly, the value at risk from inaction and incompetence highly exceeds the cost of action with a direct impact on our Gross Domestic Product (GDP).

The die is cast. As per Statista and Statistics Mauritius, the country currently has more than 225,000 people over the age of 60. As of December 2022, 6.3% of the population was between the ages of 60-64, whereas 13.1% of the population was over the age of 65. The population age structure is shifting from wide base to shrinking base and thickening body, showing an ageing population. Ageing reduces the labour supply and produces other imbalances and stresses. A

reduction in the growth of the working age population limits the supply potential of the economy, while also producing imbalances in pension and social security systems. In the face of this challenge, only sweetening the palate of the elderly will not suffice. In the United States (US), a 10% increase in the fraction of the population ages 60+ decreases the growth rate of GDP per capita by 5.5%.

Ageing isn't an asset for our growth and development; it's a liability. This is alarming for Mauritius. Ageing is causing labour shortages in huge employment sectors like education, health-care, retail, and hospitality. As per the latest market survey of 2023, employers are struggling to fill open positions. Youth unemployment stood at 17.8% as of September 2023. The decline of the working age population and a rising dependency ratio will increase pressure on social protection system and the fiscal outlook in coming years and may pose huge challenges to growth.

The horror, on January 24, brought by torrential rains and flooding is a reminder that we are at the mercy of severe environmental risks. The International Federation of Red Cross Africa said that more than 1,000 people were evacuated, and about 8,400 people in Mauritius were damaged or abandoned by their owners as a result of the flood that hit the capital, Port Louis.

It's a fact that the impacts of climate change in Mauritius are likely to become worse in the short and medium term, and over the long term



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quite possibly threaten human life as we know it. An emergency preparedness program, with associated funding shall be put in place to mitigate disaster. The aim of this program shall be geared to increase national resilience to climate disasters, enhance capability and capacity building, provide genuine technical assistance, and support disadvantaged communities. According to the World Risk Report 2021, Mauritius was classified as the 51st most exposed country to natural hazard. The UN report *SIDS in Numbers 2017* projects that Mauritius will become a water-stressed country by 2025, barely one year from now. Through the years, it seemed that a complacency syndrome has gripped Mauritius. Policymakers are warned. ‘It’s time to repair the roof while the sun is still shining’. Undoubtedly, we are living through an unprecedented increase in severe weather events. In order to meet this moment, we need to break away from the rinse and repeat of disaster response and recovery. It is only through intentional, smart planning and investments that we will create communities resilient in the face of the extreme weather events of today and the future.

It’s no wonder that a country’s economic record and economic future is de-

termined by the strength of its institutions and strong government. Singapore has achieved great levels of wealth and human development through strong government and better institutional set-up. Though in Mauritius, strong government means having the highest number of elected Members of Parliament (MP’s), in contrast to the Mauritian reality, strong government is one that provides an effective and fair administration through clean, motivated and competent administrators who can deliver good governance. In addition, government actions are constrained by a high code of moral, righteous behaviour, and democratic accountability.

The people of this country have the right to know the affairs of the government. Past elections are testimony that we did not choose a particular class/ideology, rather it was more than a protest vote against the previous regime. A sense of economic despair hangs in the air these days. Politicians are well advised to remember that there is an impending limit to how much they can harbour their personal ambitions rather than acting as a true patriot and work towards the economic benefits of one and all.

The pandemic, global trade disruptions, spurring growth and surging inflation should serve as a wake-up call to an outdated economic model. Mauritius desperately needs a consistent agenda that is not dictated by the whims of the chair, but the need of a broader group. Uncertainty

and complexity about one’s professional and economic prospects have increased exponentially in the last few years. The upward mobility that earlier generations enjoyed no longer seems likely. The time to act is now, and government needs to move from “talking the talk” to “walking the walk”. The need of the hour is ‘structural reforms’. As per The Economist, structural reforms mean changes to the way government works. Commitment to structural reforms is key to increase the economic prosperity of Mauritius. Politicians know that structural reforms are the way forward. It enhances competition, foster innovation, and drive institutional change. However, structural reforms do not come without pain and immediate gains may take months and years to materialise. This pain shies away politicians as they are more interested in getting re-elected or staying in power forever. The beauty of structural reforms is, the fruit will take time to come, but it’s flower renders possibilities, prosperity and promises.

If we do not move quickly, inaction will condemn us to low growth, low productivity, and a greater bleak future. The promise of high inclusive growth will give way to the horrid combination of high inflation, financial instability and worsening secular problems like climate change and demographic decline. Inevitably, this will take social and political tensions from bad to worse. Trust in institutions will prove harder to restore. Unsustainable solutions will become more elusive, leaving us with an uncomfortable risk of collateral damage and unintended consequences.

“There comes a time in the life of every nation when it stands at the crossroads of history and must choose which way to go.” - Late Lal Bahadur Shastri, India Prime Minister (1964-1966).

