

## How to optimize Engineering Opportunities for Development in Africa by Mr. Raj Makoond



*Mr Raj Makoond is currently the Programs Director at Eclosia Group in Mauritius.*

*He has been Chief Executive Officer of Business Mauritius until 2015.*

*Executive Director, Joint Economic Council (JEC) since 1993*

*The JEC was the coordinating body of the Mauritius private sector till December 2015 when it merged with the Mauritius Employers Federation to form Business Mauritius.*

*Deputy Secretary General Mauritius Chamber of Commerce & Industry between 1990-1993*

*Economist and Senior Economist at the Ministry of Economic Planning & Development from 1976-1990*

*Mr Makoond studied Economics at the University of Mumbai, India.*

I will share with you a perspective, which I first presented, at the Institution of Engineers of Mauritius (IEM) conference in November 2018. It was an idea, which we thought, was worth it. Since then, I'm aware that there has been some follow up by the IEM and the University of Mauritius to join the Washington Accord<sup>i</sup>.

Today I've been invited to share again that perspective. How do we optimize engineering opportunities for development in Africa?

I would start from the premise that the international economic architecture is changing, that there are major changes taking place within the Indian Ocean and Africa is emerging as a continent of economic expansion. But more importantly, also, there are some very major changes taking place in the Mauritian Economic architecture. Mauritius is also focusing its economic strategy within the region, namely the Indian Ocean countries, Asia Pacific and Africa. What would be the role engineers in the strategy?

I'm going to first talk about Mauritius as an integrated business platform, and subsequently explain the rapprochement between Asia Pacific, Indian Ocean and Africa. Europe, through the Lomé Convention already has been in our economic landscape.

We will see what is happening in the new international economic landscape and growing interest in Africa. Given the need for major infrastructure within Africa, we will establish beyond doubt that they are in fact, major opportunities for engineers

### • Mauritius – An integrated business platform

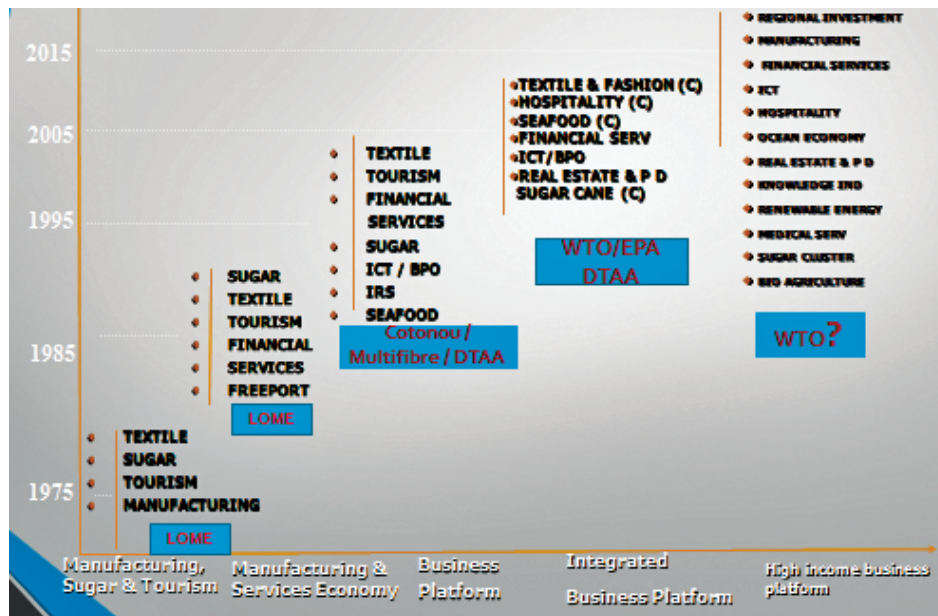
Mauritius moved from what was essentially a mono crop economy by the time of its independence (1968) with some diversification in textile, tourism and manufacturing. Very Europe-centric because of the Lomé Convention<sup>ii</sup>, Mauritius was one of the very few successful members of the ACP<sup>iii</sup> (African, Caribbean and Pacific Group of States) to have market access and to be able to use them in an optimal manner. We continued the diversification of the economy and new sectors were added such as Global Business Financial services and Freeport activities

“

***The premise that the international economic architecture is changing, that there are major changes taking place within the Indian Ocean and Africa is emerging as a continent of economic expansion***

”

*Mauritius: Evolution to High Income Integrated Business Platform*



Though Mauritius signed the Double Taxation Avoidance Agreement (DTAA) only in 1983, we were able to start using the DTAA in 1991 when major financial flows started to move towards India as to open its economy in 1991 under Prime Minister Narasimha Rao and his Minister of Finance Manmohan Singh. The 1992 Euromoney conference in Mauritius was real trigger for the global business.

Around 2005, because of the dismantling of the multi fiber agreement, as a result of the WTO agreement, we were losing our textile base because new competitors were coming in the EU market. The multi fiber agreement, which gave us two levels of protection (one which prevented China, India and non-ACP to enter the EU market and the second was our duty free access to the EU market).

In 1998, we changed the laws of ICT in Mauritius in order to have a more independent ICT environment. In 2001 there was a new law which was passed, and we started to develop the ICT BPO sector in Mauritius. We tied up with a major agency in India the STPI (Software Technology Parks of India). We visited the different parks in India: namely in Chennai and in Hyderabad. And this was how the Ebene Cyber City was constructed.

The IRS, an integrated development of high quality of residential real estate for non-Mauritian was introduced in late 1990's.

Now, by 2007, we had the pressure on the sugar sector and a major adjustment program (MAAS) was introduced. We had to really revisit the way we were structured in our sugar cane sector.

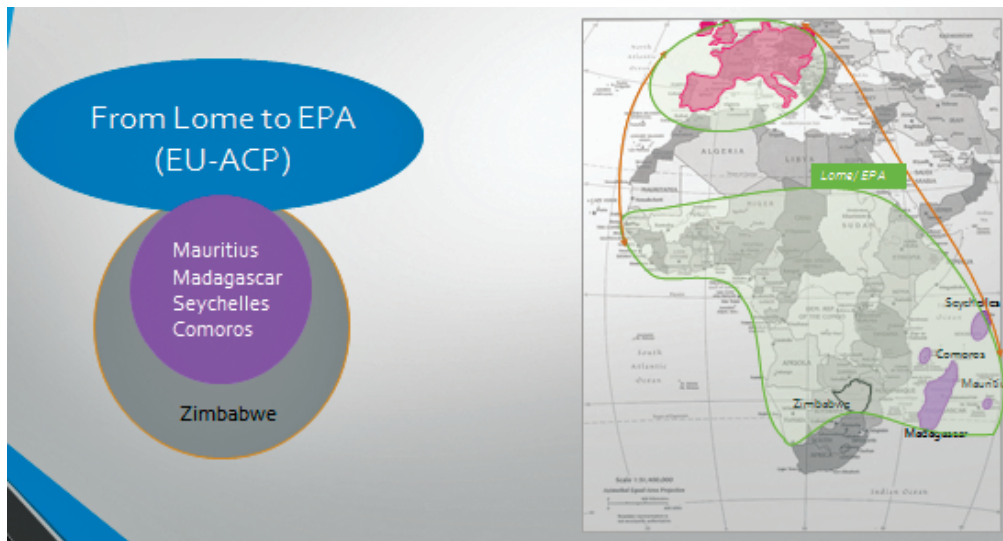
All those changes were happening in the context of the new international trade arrangements and local reforms to become a diversified business platform. By 2007, there was a major work done on the 'ease of doing business in Mauritius' because we wanted Mauritius to be a jurisdiction where we could do business quite easily. And in spite of constraints, today, Mauritius ranks 20th in the World Bank Ease of Doing Business Report. And we are First in Africa.

Over and above improving on the 'ease of doing business', it was pertinent for Mauritius, to have a strong and independent judiciary. Given that the ultimate Court of Appeal in Mauritius is the Privy Council, Mauritius is recognized as an international integrated business platform, with transparent and robust regulatory environment.

Between 2006 to 2010, Mauritius carried out a wide range of economic reforms, (15% uniform corporate tax, 15% uniform income tax, labour reforms) And today, we can say we have a very diversified economy. Global Business is about 6 % of GDP. ICT is about 6.5% of GDP. Tourism is about 8.5% of GDP. And therefore, when critics say that Mauritius is a country which is a tax haven, this is far from the truth because we are an extremely diversified economy, well-structured and with good macroeconomic fundamentals to transform the economy in the integrated business platform.

Now, having stated where we are in terms of our economic vision, let's look also at Mauritius in the region.

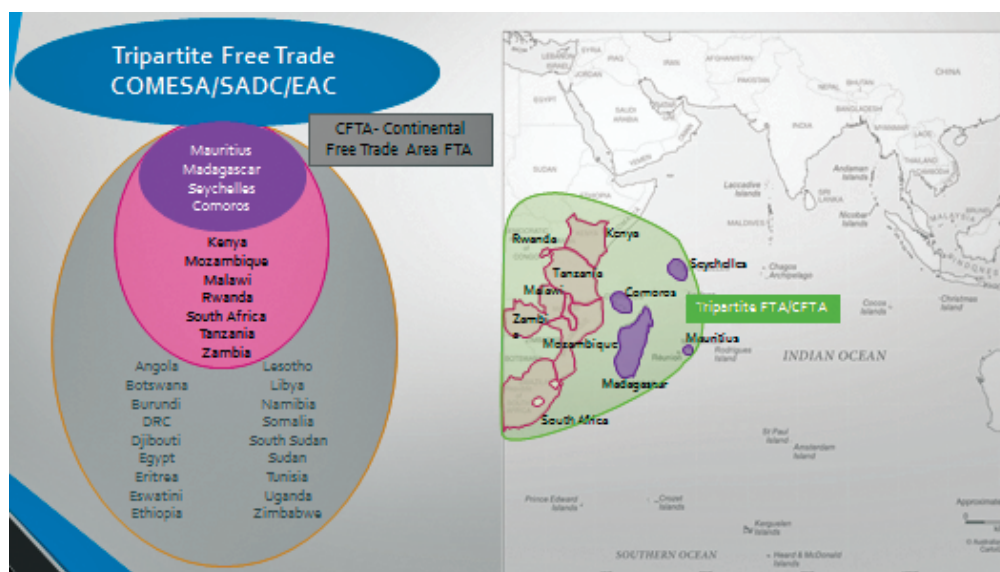
## Defining the contours of the Indian Ocean Region &amp; connecting Asia and Africa- Lomé/EPA



I mention earlier that because we were a member of Lomé Convention, and we work very closely with Africa. Most of the sub-Saharan countries in Africa were members of Lomé. They have now joined the Economic Partnership

Agreement<sup>iv</sup> (EPA) with EU. And the core group within the Indian Ocean are Mauritius, Madagascar, Seychelles and the Comoros. And therefore, within the Indian Ocean, we have very good connection with EU for the Lomé Convention.

## Defining the contours of the Indian Ocean Region &amp; connecting Asia and Africa- COMESA/SADC/EAC



Our engagement with Africa dates back to 1968 when Mauritius became independent. By August 1968, we were already a member of the OAU, the Organization of African Union.

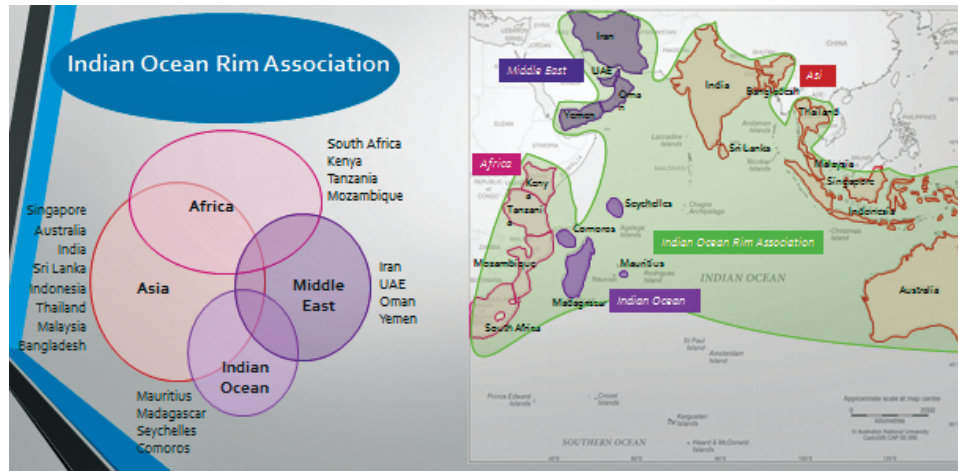
By 1981 we had become a member of the then PTA<sup>v</sup>, which eventually became the COMESA<sup>vi</sup>. And in 1995, as SADC<sup>vii</sup> became open to non-South Africa frontier countries and, we became a member of SADC. We have been very active at the level of SADC, COMESA. We've also partner of the Continental Free Trade Area<sup>viii</sup>, which was signed last year in 2018. We are also active at the level of the tripartite FTA with East Africa also on board. So, we are very active in the Africa region

and regrettably there have been a number of criticisms saying that Mauritius is using Africa only as a platform for tax purposes.

For the last say 15 to 20 years, our imports from Africa have increased from about Rs3.3 Billion to today, about Rs27Billion. Our exports to Africa, which was about Rs9Billion, today is about Rs18 Billion. We have about 27% of our exports going to Africa and 14% of our imports coming from Africa. We have a very strong connection with Africa in terms of depth and width. This is what I wanted to share with you because it's important to understand our connection with Africa.



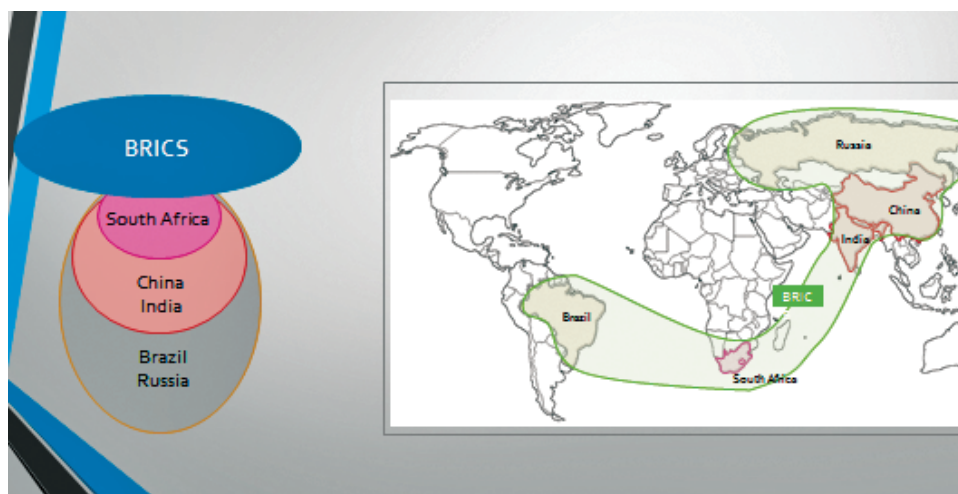
*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- IORA*



Mauritius is a member of the Indian Ocean Rim Association<sup>ix</sup>. South Africa, Kenya, Mozambique and Tanzania are also members of the Indian Ocean Rim Association and also, of course, India and Australia, are within the platform. We therefore have some very good connection within the

Asian context. The Indian Ocean Rim offers a platform also to connect with Asia, Asia & Africa and Asia & Middle East. And we shouldn't forget that there are some countries of the Middle East which are also members of the Indian Ocean Rim Association.

*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- BRICS*

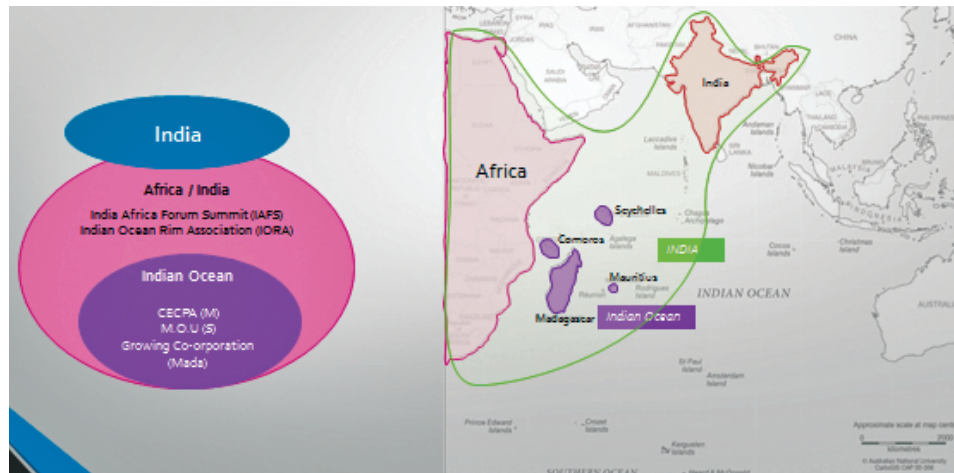


Also within BRICS<sup>x</sup>, we see South Africa, China, India, within that region.

“  
We have a very strong connection with Africa in terms of depth and width.  
”

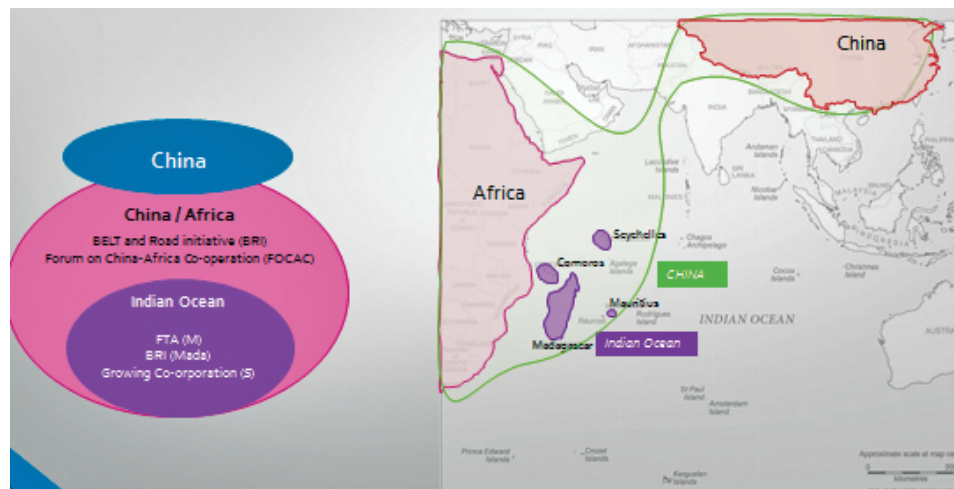
Now, on a bilateral level, if we look at what is happening with the three major players in Asia, China, India and Japan, we see the relationship is deepening.



*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- India*

India has an Africa Agenda clearly. The India Africa Forum summit is organised on a regular basis. Indian Ocean Rim Association, we mentioned. But bilaterally with Mauritius sector, with Seychelles there are a number of MOUs and

also there's a growing cooperation between India and Madagascar. So, there is also a strong presence of some of the major players of Asia within the Indian Ocean.

*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- China*

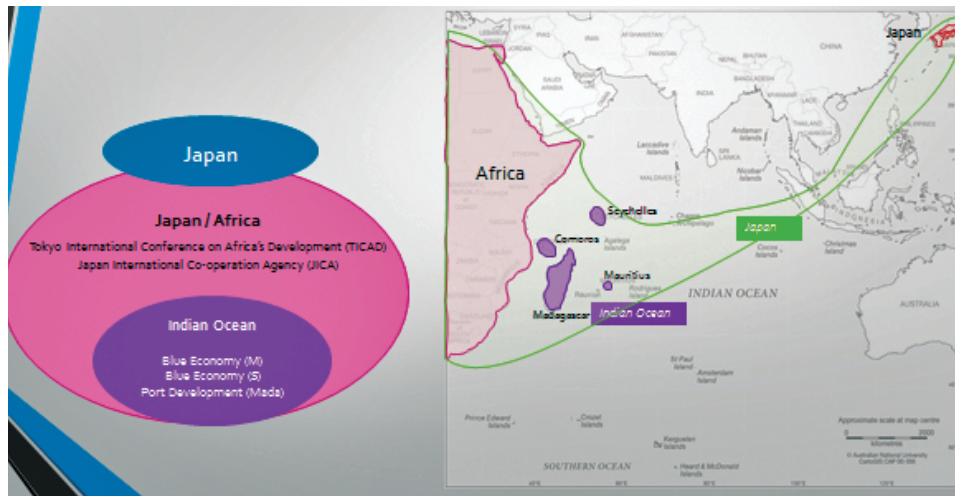
China is very active in the region through the Belt and Road Initiative<sup>xi</sup>, especially with Madagascar, and Seychelles. And also it has its own forum on China. The Forum for China Africa Cooperation (FOCAC)<sup>xii</sup> being held regularly. Within

the Indian Ocean there is an FTA between Mauritius and China. There is the connection on the BRI with Madagascar and there is a growing cooperation with Seychelles. So very present within that region.

“ We had the right business platform (appropriate policy and right legal and regulatory in the country. ”



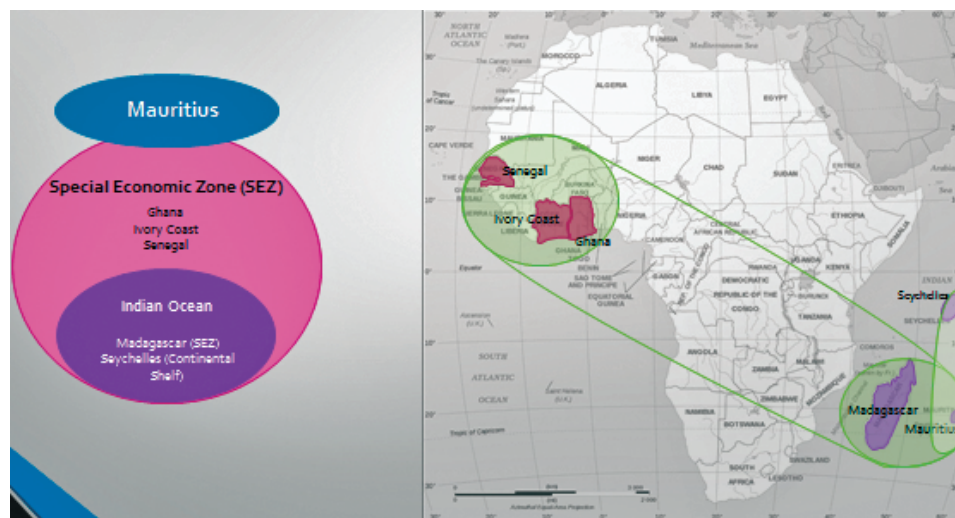
*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- Japan*



Japan also is increasing its presence in the Indian Ocean. Of course, in about two weeks, there will be another TICAD<sup>xiii</sup> meeting in Japan and also very active in the blue

economy. Now, why I'm saying that to show that within the region there is appetite for the big players to be present.

*Defining the contours of the Indian Ocean Region & connecting Asia and Africa- SEZ*



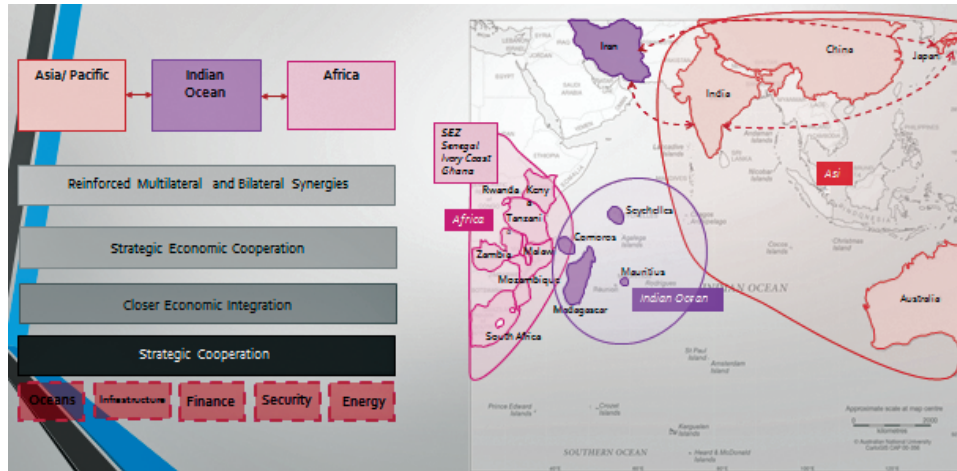
Mauritius is having more clarity in terms of its cooperation with Africa. But also we have some special economic zones be it in Ivory Coast be it in Senegal, be it also in Madagascar. And we said Seychelles on the continental shelf sharing that large chunk of the ocean.

different components players there are clearly some areas on which there will be work together, be it on energy, be it on security be it on finance be it on infrastructure. And this is the bit left on which I propose to focus because of the infrastructure component going to be quite important.

Now what this means. This rapprochement between the





*Rapprochement between Asia/Pacific, Indian Ocean Region and Africa*


Now, I've mentioned in my remarks that there is a **Changing landscape in the financial services sector**. Today we are looking clearly at a model in Mauritius where we can offer a whole range of integrated services. You would see that in the business models, a number of important European players connecting with our Management Companies (MCs). We have very good examples such as IQEQ, Octorian and IFS. New business models are emerging, and we are building a quality ecosystem to provide a wide range of services. There is the wrong perception that everything happens because of DTAA's. That's not correct as about 40 percent of the Capital movement was done to Africa going through Mauritius went to countries with DTAA's.

What I also want to share with you is the massive appetite for infrastructure in Africa. Figures vary, that's why I wouldn't put a figure. AFD (Agence Francaise de Developement) will mention the figure of 135 billion USD. African Development Bank mentioned 140 billion USD.

The needs for infrastructure within Africa would require major the financial engineering which could well be done from Mauritius. However, there will also be massive needs for project design, project management, and project implementation.

And it was very interesting when I was listening to the debate during the Q&A, there were questions about accreditation, questions about Washington Accord etc. And I know that work has started with the University of Mauritius with collaboration with IEM and a budget approved to move towards Washington Accord to finance this program.

*Why in financial Services Mauritius was successful? There were three reasons:*

1. We had quality people, all of them being Chartered Accountants or ACCA.
2. We had the right business platform (appropriate policy and right legal and regulatory in the country).
3. The same time India offered major opportunities for movement of Capital and investors preferred to choose a jurisdiction, which had the proper ecosystem.

Today for infrastructure in Africa, we have the same opportunities. The need would be huge. But I haven't seen much of the presence or appetite of engineers to connect with the finance people and to say, we can offer the services in the supply chain around project design, project management, project monitoring. All these are essentially the strength of engineers and therefore they must work together with other partners to make Mauritius known as a supplier of these services. I have not seen it happening yet.

It would take some time. I remember very well in 1992 when we had the first Euromoney Conference, when accountants were sitting together with legal people trying to explore opportunities.

Now, how will it happen? This is probably the difficult question, and we have to move out of our silos. How do we do that?

**Strategic Alliances.** It is difficult to get engineers talking to finance people. Operating in silos is a major constraint. I suggest that engineer and MCs develop a joint strategy to unlock these opportunities. I think these are challenges, which are within our reach.

At the same time, we have to do our homework. We must set a timetable to join the Washington Accord for our



engineering institutions to be recognized. When we have the right accreditation that will help us to move forward.

The Indian Ocean Countries and Africa are becoming important today for Mauritian Companies. All the top hundred companies in Mauritius are exploring opportunities in Africa. Be it in banking, be it in tourism, be it in sugar, be it in insurance, be it in leasing, they are very much present. And our growth

will be to a large extent dependent on how we are structured.

Recently, some of you must have read that Moodys raised the rating of the MCB because of its strength in the region. It will change the way we will raise finance. It will change the way we do business. And we are convinced that in infrastructure, clearly there is a major scope to connect the financial engineering with the engineering work. And that's the challenge that probably all of you will have to take.

### End Notes

<sup>i</sup> The **Washington Accord** is an international accreditation agreement for undergraduate professional engineering academic degrees between the bodies responsible for accreditation in its signatory countries and regions. Established in 1989, the full signatories as of 2018 are Australia, Canada, China, Hong Kong, India, Ireland, Japan, Korea, Malaysia, New Zealand, Pakistan, Peru, Philippines, Russia, Singapore, South Africa, Sri Lanka, Taiwan, Turkey, the United Kingdom and the United States [i]<sup>z</sup>

<sup>ii</sup> The **Lomé Convention** is a commercial cooperation agreement signed on 28 February 1975 between the EEC and 46 African, Caribbean and Pacific countries (so - called ACP countries), and renewed in 1979 (Lomé II, 57 countries), 1984 (Lomé III, 66 countries), 1990 (Lomé IV, 70 countries) and in 1995 (Lomé IVbis, 70 countries). In 2000, the Lomé Convention is replaced by the Cotonou Agreement.

Although it originally had only 18 Member States, it now has 79, which is proof of its attractiveness. This cooperation was intended to promote the adaptation of ACP countries to the market economy.

<sup>iii</sup> The **African, Caribbean and Pacific Group of States (ACP)** is a group of countries in Africa, the Caribbean, and the Pacific that was created by the Georgetown Agreement in 1975. The group's main objectives are sustainable development and poverty reduction within its member states, as well as their greater integration into the world's economy. All of the member states, except Cuba, are signatories to the Cotonou Agreement with the European Union.

The Cotonou Agreement (signed in Cotonou, Benin in June 2000) is the successor to the Lomé Conventions. One of the major differences from the Lomé Convention is that the partnership is extended to new actors such as civil society, private sector, trade unions and local authorities. These will be involved in consultations and planning of national development strategies, provided with access to financial resources and involved in the implementation of programmes.

Many small island developing states are ACP states; the fourth Lomé Convention was revised in 1995 in Mauritius and gives special attention to island countries in this agreement.

<sup>iv</sup> Economic Partnership Agreements (EPAs) are trade and de-

velopment agreements negotiated between the EU and African, Caribbean and Pacific (ACP) partners engaged in regional economic integration processes.

<sup>v</sup> The Treaty establishing the Preferential Trade Area for Eastern and Southern Africa was signed in December 1981, as a first step towards higher forms of regional economic cooperation and integration to bring about sustainable growth and development of Member States.

<sup>vi</sup> The Common Market for Eastern and Southern Africa (**COMESA**) is a free trade area with twenty-one member states stretching from Tunisia to Eswatini. **COMESA** was formed in December 1994, replacing a Preferential Trade Area which had existed since 1981.

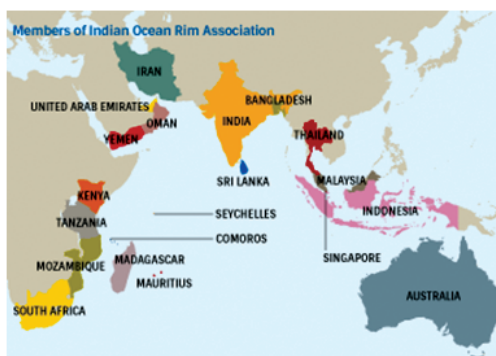


<sup>vii</sup> The **Southern African Development Community (SADC)** is an inter-governmental organization headquartered in Gaborone, Botswana. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 16 southern African countries <sup>1</sup>

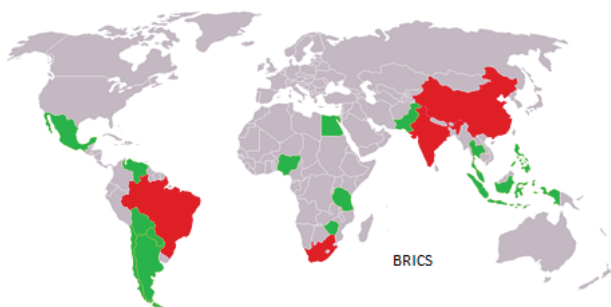


viii **The African Continental Free Trade Area (AfCFTA)**[1] is a free trade area, outlined in the African Continental Free Trade Agreement among 54 of the 55 African Union nations.[2] The free-trade area is the largest in the world in terms of participating countries since the formation of the World Trade Organization

ix **The Indian Ocean Rim Association (IORA)** is a dynamic inter-governmental organisation aimed at strengthening regional cooperation and sustainable development within the Indian Ocean region through its 22 Member States and 9 Dialogue Partners.



x **BRICS** is an acronym for a group of five countries that have been meeting since 2011 in annual summits: Brazil, Russia, India, China and South Africa (in English : B razil, R ussia, I ndia, C hina, S outh Africa )



xi **The Belt and Road Initiative (BRI)** is a global development strategy adopted by the Chinese government involving infrastructure development and investments in 152 countries and international organizations in Asia, Europe, Africa, the Middle East, and the Americas.

The leader of the People's Republic of China, Xi Jinping, originally announced the strategy during official visits to Indonesia and Kazakhstan in 2013. "Belt" refers to the overland routes for road and rail transportation, called "the Silk Road Economic Belt"; whereas "road" refers to the sea routes, or the 21st Century Maritime Silk Road.

It was known as the **One Belt One Road (OBOR)** and the **Silk Road Economic Belt and the 21st-century Maritime Silk Road** until 2016 when the Chinese government considered the emphasis on the word "one" was prone to misinterpretation.

“ **The Indian Ocean Countries and Africa are becoming important today for Mauritian Companies. All the top hundred companies in Mauritius are exploring opportunities in Africa. Be it in banking, be it in tourism, be it in sugar, be it in insurance, be it in leasing, they are very much present. And our growth will be to a large extent dependent on how we are structured.** ”

The Chinese government calls the initiative "a bid to enhance regional connectivity and embrace a brighter future". Some observers see it as a push for Chinese dominance in global affairs with a China-centered trading network. The project has a targeted completion date of 2049, which coincides with the 100th anniversary of the People's Republic of China.

xii **The Forum on China–Africa Cooperation (FOCAC)** French: Forum sur la coopération sino-africaine) is an official forum between the People's Republic of China and all states in Africa (with the exception of Eswatini, the last African state with which the PRC currently does not have diplomatic relations, since it recognizes Taiwan). There have been three summits held to date, with the most recent having occurred from September 3–4, 2018 in Beijing, China. The first summit was held November 2006, also in Beijing.

xiii **TICAD** is the acronym for the Tokyo International Conference on African Development (Tokyo International Conference on African Development). Ella was inaugurated in 1993 to promote a high-level political dialogue between African leaders and their partners in the field of development. The meetings are organized under the leadership of Japan and co-organized by the United Nations, the United Nations Development Program (UNDP), the World Bank and the African Union Commission (AUC).