

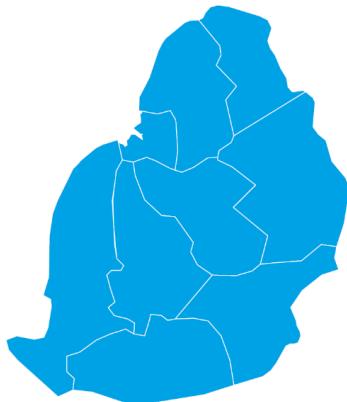
Transparency International Anti-Corruption Helpdesk Answer

Mauritius

Overview of corruption and anti-corruption

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Mauritius often serves as the model for other African nations when it comes to development, democracy and human rights protection. Although the country has made strides in becoming a financial centre, recent scandals have tarnished its reputation internationally. Corruption and impunity are viewed as problems, with nepotism causing dissatisfaction among the general populace. The country must also tighten as well as implement regulations on money laundering and illicit financial flows. With the upcoming general elections in late 2019, it remains to be seen which direction the country chooses for itself.

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Query

Provide an overview of corruption and anti-corruption in Mauritius.

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Background

The island state of Mauritius, located off the southeast coast of Africa, is a stable and prosperous country, boasting one of Africa's highest per capita incomes (World Bank 2018; BBC News 2019). After its independence from the British in 1968, the country has made great strides and is now an upper middle-income economy with a robust outsourcing and financial services sector, as well as a significant tourism industry (World Bank 2018; BBC News 2019).

Gross domestic product (GDP) growth reached 4 per cent in 2017, and the central bank's core inflation measure, excluding more volatile items (such as food), remained under control at 2.9 per cent in January 2018 (World Bank 2018).

Economic conditions are projected to remain positive on the back of favourable external conditions, especially conditions in Europe, China and the United States, which remain the country's major trading partners, and the pick-up in public investment (World Bank 2018; The Economist Intelligence Unit 2019).

Main points

- The country does fairly well to control corruption compared to other countries in the region.
- However, corruption and impunity are issues – especially with regard to nepotism and cronyism.
- The robust set of anti-corruption laws need more efficient implementation.
- Regulatory bodies may at times need more “teeth” to counter corruption.
- The government needs to crack down on illicit financial flows and money laundering.

Moreover, economic growth is projected to remain in the 3.5–4.0 per cent range, largely consistent with the expected pace of potential growth in output (World Bank 2018). However, economic growth is expected to decline in 2019, and tensions between the opposition and the ruling coalition are set to increase in the run-up to the next general election in December 2019 (The Economist Intelligence Unit 2019).

Although Mauritius has overcome extreme poverty, a key development challenge is the rapidly increasing income-based inequality, particularly income from labour. Thus, the most immediate need is to promote more inclusive growth and boost shared prosperity if the government's goal of becoming a high-income economy by the 2020s is to be achieved (World Bank 2018).

Economists note that strengthening the role of, and opportunities for, women in the country may significantly help the economy as, despite comparatively strong female educational attainment, the degree of female participation in the labour market is low (32 per cent lower than men in 2015) (World Bank 2018). Moreover, addressing the gender wage gap, which is about 30 per cent in the private sector, will go a long way to boosting the Mauritian economy (World Bank 2018).

While the country houses mature institutions and an open multi-party democratic system that allows for the consistent handover of power between parties through free and fair elections, political control remains in the hands of a few families (Bertelsmann Stiftung 2018; Freedom House 2018).

The president is the head of state, occupying a mostly ceremonial position, and executive powers are vested in the prime minister who heads the government (Bertelsmann Stiftung 2018; US Department of State 2018). Alliance Lepep, a coalition comprising of the Militant Socialist Movement (MSM), the Mauritian Social Democrat Party (PMSD) and the Liberation Movement won

the legislative elections held in December 2014, and Sir Anerood Jugnauth, founder of the MSM, became prime minister (he has held the office for a total of 16 years) (Bertelsmann Stiftung 2018).

However, in January 2017, he resigned and named his son Pravind Jugnauth the new prime minister. The move, although legal, was viewed by many as "immoral", and it prompted protests from the opposition (Bertelsmann Stiftung 2018; Freedom House 2018). Either way, it showcases the dynastic arrangement that affects Mauritian democracy (Bertelsmann Stiftung 2018).

Corruption and impunity are viewed as problems, with government corruption seen as a major human rights issue (Freedom House 2018; US Department of State 2018).

Apart from corruption, other challenges faced by the island state include a narrow domestic skills' base, an aging population and the threat of climate change (World Bank 2018).

Extent of corruption

Mauritius ranks 56 out of 180 countries in Transparency International's 2018 Corruption Perceptions Index (CPI) with a score of 51/100 (Transparency International 2019a).

The Worldwide Governance Indicators (WGI) by the World Bank (2019a) accord the following scores in percentile rank¹ to the island state:

¹ Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank (World Bank 2019a).

Indicator	2016 percentile rank	2017 percentile rank
Control of corruption	63.0	62.0
Government effectiveness	78.4	78.4
Political stability and absence of violence/terrorism	86.2	81.9
Regulatory quality	82.2	80.3
Rule of law	76.0	76.0
Voice and accountability	72.4	73.4

The 2018 TRACE Bribery Risk Matrix places Mauritius in the medium risk category, ranking it 60 out of 200 surveyed countries with a risk score of 44 (TRACE International 2019). Similarly, the country's Doing Business rank for 2019 is 20/190 with an Ease of Doing Business score² of 79.58, which is much better than the regional average of sub-Saharan Africa, which is 51.61 (The World Bank 2019b).

Mauritius's economic freedom score is 73.0, making its economy the 25th freest in the 2019 Index of Economic Freedom (The Heritage Foundation

2019). Its overall score has decreased by 2.1 points, with explicit declines in government integrity, judicial effectiveness and labour freedom on one hand and remarkable improvements in scores for business freedom and the tax burden on the other. Mauritius is ranked first among 47 countries in sub-Saharan Africa, and its overall score is above the regional and world averages (The Heritage Foundation 2019).

Bertelsmann Stiftung's Transformation Index (BTI) 2018 ranks the country 13 out of 129 countries with a transformation score of 8.25 (on a 1-10 scale). The report also states that, although initiatives have been set up, more efforts need to be made to counter corruption (Bertelsmann Stiftung 2018).

Freedom House, in its 2019 Freedom in the World report, on the other hand, accords the status of free to Mauritius, with an Aggregate Freedom score of 89/100. According to the 2018 Ibrahim Index of African Governance (IIAG), Mauritius ranks 1 out of 54 with a 2017 score of 79.5 out of 100 in Overall Governance (Mo Ibrahim Foundation 2018).

Africa Integrity Indicators scores Mauritius a moderate 67/100 under transparency and accountability in 2019 (Global Integrity 2019a). The percentage of Mauritians who paid a bribe when they came into contact with a public service in the last 12 months before the survey period is 5 per cent, according to Transparency International's Global Corruption Barometer Africa 2019 survey – the same bribery rate was found in the previous round of the survey published in 2015 (Transparency International, 2019).

² The Ease of Doing Business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the Doing Business sample since 2005 (World Bank 2019b). An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. The Ease of Doing Business ranking ranges from 1 to 190 (World Bank 2019b).

Findings from the latest GCB survey show that 23 per cent of citizens think that most or all members of parliament are involved in corruption, followed closely by the president/prime minister's office, with 22 per cent of citizens reporting that most or all working in these institutions are engaged in corruption. On the other hand, fewer citizens think that religious leaders or NGOs are engaged in corruption (8 per cent and 12 per cent respectively).

Institution ³	GCB 2015	GCB 2019
President/prime minister	16%	22%
Members of parliament	19%	23%
Government officials	16%	14%
Local government officials	15%	18%
Police	22%	19%
Judges and magistrates	9%	13%
Religious leaders	11%	8%
Business executives	22%	18%
NGOs	-	12%

Worryingly, Mauritians seem to be getting more pessimistic about their ability to have an impact on corruption, with less than half (47 per cent) of respondents agreeing with the statement that ordinary citizens can make a difference in countering against corruption. This represents a sharp decrease from the last survey, which found that 56 per cent of citizens thought they could make a difference.

Finally, Tax Justice scores the island state 72.35 in the Financial Secrecy Index 2018, reflecting the nation's on-going contribution to illicit financial flows (Tax Justice Network 2018).

Nature of corruption challenges

Nepotism and cronyism

A BTI report from 2018 states that, although corruption in Mauritius is low by regional standards, nepotism and cronyism remain of grave concern and constitute a source of public frustration (Bertelsmann Stiftung 2018).

There seems to be an expanding schism between governments and the people as politics in the country is often “about pandering to the interests of the few at the expense of the multitude” (Roy 2019).

However, the impacts of rampant nepotism and cronyism go well beyond simply hurting the sentiments of Mauritian citizenry; it affects the economy and often hinders the smooth functioning of government machinery as “bad apples” are often appointed to fulfil unsuitable roles (Roy 2017; Sowkhee 2018).

³ The list of institutions cover only those which were surveyed in GCB rounds 9 and 10.

The appointment of favourites to key jobs of the state instead of filling these positions strictly on merit, and distributing benefits to the party faithful at the expense of public funds is widely decried by the people (Roy 2017). In fact, there is a general perception that some civil servants are transferred or removed when a new government takes power (Global Integrity 2019b). Although the incumbent government has made commitments to uphold good governance and replace cronies, this culture is espoused by all who are a part of the political elite (Roy 2017).

A few examples showcasing this culture of corruption are as follows:

- At the top of list is the passing of the office of the prime minister from father Sir Anerood Jugnauth to son Pravind Jugnauth, without it being a part of the manifesto of l'Alliance Lepep (Sowkhee 2018). Moreover, several government positions are occupied by relatives of the prime minister and other ministers (Sowkhee 2018).
- There are several cases where “appel d'offres” for public works/supplies and contracts have been awarded to those who form part of the inner circle of politicians, and state land has been given to the family members of state officials (Sowkhee 2018).
- The board of the listed company Air Mauritius is mostly made up of government appointees with little or no experience in the specialised and sophisticated decision making required to successfully run a national airline (Roy 2017).

This culture, which has systematically stunted economic growth and hampered the improvement

in the standard of living of the population, may be changed when a system of management rigorously based on merit, talent and competence is ushered into practice (Roy 2017; Roy 2019).

Political corruption

Although there are legal provisions to tackle corruption by officials, including criminal penalties, the government does not implement these laws efficiently, and officials are known to be involved in corrupt practices with impunity (US Department of State 2018; The Heritage Foundation 2019).

There are several cases of corruption involving Mauritian politicians (Bertelsmann Stiftung 2018). In February 2015, the former prime minister, Navin Ramgoolam was arrested on charges of money laundering for having over MRs800m (US\$23.3m) in various currencies stored in his house. A person in Mauritius must declare if they hold more than MRs500,000 (US\$14,500) in cash by law (The Economist Intelligence Unit 2015). The case is yet to be tried.

In 2015, the current prime minister, Pravind Jugnauth, resigned from the post of technology minister after a court found him guilty of conflict of interest in a government procurement contract (Vilbrin 2015). Later in 2016, he won an appeal against his sentence at the supreme court, and he was appointed minister of finance and economic development within a month being acquitted (Bertelsmann Stiftung 2018).

Ironically, the father of the former minister at the head of the Ministry of Good Governance who was also responsible for financial services, was appointed chairperson of the Development Bank of Mauritius. Moreover, the minister's cronies were

given high profile roles in institutions falling under his jurisdiction (Bertelsmann Stiftung 2018).

Most recently, in 2018, President Ameena Gurib-Fakim resigned over the corruption scandal around her personal use of a charity credit card, reportedly spending US\$27,000 on jewellery and clothes (Transparency International 2018). The card belonged to Planet Earth Institute, and it was given to Gurib-Fakim, a board member, to facilitate her board-related travel and to implement related projects in Mauritius (Allison 2018). She paid back the amount to the organisation, claiming an innocuous mix up (Allison 2018).

However, it ought to be noted that this NGO was set up by Angolan businessperson Alvaro Sobrinho, who is the subject of corruption investigations (including accusations of money laundering and fraud) in other countries (Allison 2018; Transparency International 2018).

Sobrinho acquired a Mauritian investment banking licence in 2016, shortly after banking regulations were changed to make it easier to do so. Gurib-Fakim was already on the Planet Earth Institute board at that point (Allison 2018). A closer look at the situation reveals that Jugnauth, in the role of the former finance minister, had brought about a new legislation which permitted the licensing of investment banks through the financial services commission, bypassing the Bank of Mauritius (Allison 2018). In fact, the Bank of Mauritius had refused Alvaro Sobrinho a banking licence. Lalit, a minor opposition party, cites this situation as a "strange state of affairs" (Allison 2018).

The prime minister has asked the Independent Commission Against Corruption (ICAC) to initiate an investigation into Sobrinho's investments in

Mauritius, and as has set up a new commission of enquiry to investigate the events that led to the resignation of Gurib-Fakim (Transparency International 2018).

It ought to be noted that Gurib-Fakim did indeed resign, which is a sign that the instruments of holding politicians to account in Mauritius do work to an extent, especially when compared other African leaders who have stayed in power irrespective of corruption accusations (Allison 2018).

Political party financing

When it comes to the operations of political parties, the situation seems quite murky. The political finance database by the International Institute for Democracy and Electoral Assistance (IDEA) (2019) states that there are currently negligible regulations surrounding the financing of political parties in Mauritius. For example, there are no bans or limits on political parties or candidates receiving funds under the following circumstances:

- donations from foreign interests
- corporate donations
- donations from trade unions
- anonymous donations
- donations from corporations with government contracts
- donations from corporations with partial government ownership
- donations from any other source
- limit on the amount a donor can contribute to a political party – normally and during elections
- provisions requiring donations to go through the banking system

Moreover, while there are limits on what a candidate can spend⁴, there are no limits on political party expenditure. Vote buying is banned. There are no limits on traditional or online media advertising spending in election campaigns (International IDEA 2019).

Parties are not required to report regularly on their finances; however, returning officers acting as the election agents for the electoral areas are to receive a report on campaign finances by candidates within six weeks of the declaration of election results (International IDEA 2019). These reports are also made publicly available for a period of 10 days from its receipt, however, a notice to access it is published in a daily newspaper with a time and place at which these election returns may be inspected (International IDEA 2019).

Neither parties nor candidates are required to reveal the identity of donors or include itemised income. The aforementioned election returns submitted by candidates are nevertheless required to include itemised expenditure (International IDEA 2019).

There are provisions of conflict of interests for candidates and elected officials in the Prevention of Corruption Act 2002, and elected officials are to declare their assets by law, but there is no available data on whether this takes place

smoothly in practice (Global Integrity 2019b; International IDEA 2019).

The electoral commissioner is responsible for the registration of voters and conduct of elections as prescribed by the Electoral Supervisory Commission (ESC). The commissioner is appointed by the Judicial and Legal Service Commission, and they ought to be a qualified barrister in Mauritius (EISA 2010). While the electoral commissioner is not subject to the direction or control of any person or authority, the ESC does supervise its functions (Bertelsmann Stiftung 2018). It is interesting to note that the ESC's members are only appointed after consultations with the leader of the opposition (Bertelsmann Stiftung 2018).

Electoral reform has been a topic of discussion over the years. Opinions favouring changes in the existing system for greater fairness in representation may be found in reports including, but not limited to, the Sachs report in 2001, the Collendavelloo committee in 2003, the Sithanen report and Carcasonne report in 2011, the Labor Party-MMM White Paper in 2014 and 2016, and an inter-ministerial committee led by the then deputy prime minister Xavier Luc Duval in 2016 (Bertelsmann Stiftung 2018).

Mauritian political parties, however, are yet to agree on the “right formula” for changing the current combination of the first-past-the-post and

⁴ The maximum amount of election expenses in a national assembly election to be incurred for candidature is (International IDEA 2019): where the candidate does not belong to any party, or where no other candidate belongs to the same party at the election in a constituency – 250,000 rupees (US\$7,000); where the candidate is not the only candidate belonging to a party at the election in the constituency – 150,000 rupees (US\$4,100). In a municipal council election – 50,000 rupees (US\$1,300). In a local region election or an Island region election in Rodrigues 100,000 rupees (US\$2,700).

the best loser system in place⁵ (Bertelsmann Stiftung 2018). Thus, electoral reform seems unlikely during this legislature, especially with the general elections due in 2019 (Bertelsmann Stiftung 2018).

Money laundering and illicit financial flows

Mauritius has come a long way from a mono-crop sugar economy to becoming a finance centre. In 2017, financial and insurance activities contributed 12.3 per cent to GDP, and it has been growing at over 5 per cent per annum since 2015 (Fakun 2018; Tax Justice Network 2018).

The 1970s witnessed the setting up of export processing zones with concessions and rewarding terms for foreign investors which still exist (Tax Justice Network 2018). The Banking Act of 1988 was the bedrock for Mauritius's offshore industry, and the country was established as an international financial centre by the 1992 Mauritian Offshore Business Activities Act (Tax Justice Network 2018). Today, over 20,000 global companies are registered in Mauritius, managed by the financial services commission, but most conduct a majority of their business outside the island state. In fact, more than half are merely registered to be able to access tax treaties that the country has signed. (Tax Justice Network 2018).

A general corporate tax rate of 15 per cent, no capital gains tax and no withholding tax on interest and royalties for global business companies are applicable for global businesses in the country.

Further, there are a host of tax incentives, including an eight-year tax holiday for companies with a global headquarters administration licence. The absence of foreign exchange controls, weak capitalisation rules and restrained foreign company legislation all add to the deal offered by the island state (Tax Justice Network 2018).

It comes as little surprise that Mauritius plays a role in the world of offshore secrecy, a fact showcased by revelations in the Paradise Papers wherein more than half-a-million of the 13.4 million secret records from offshore law firm Appleby that were investigated by over 90 media associates came from Appleby's Mauritius office. A plethora of cases of companies and individuals using the network of tax treaties and low tax regime in Mauritius to reduce their tax bill was revealed (Tax Justice Network 2018).

Appleby's Mauritius office helped Swiss-Angolan financier, Jean-Claude Bastos de Morais to incorporate companies in Mauritius and other secrecy jurisdictions to direct some of the public money from Angola's sovereign wealth fund managed by him to investment projects in which he had stakes. Yale University was also directed by Appleby to invest US\$100 million in India via Mauritius without being subject to capital gains tax in either country (Tax Justice Network 2018).

Political interference, lack of responsibility, absence of transparency and incompetent personnel are the key weaknesses making Mauritius susceptible to financial crimes like

⁵ The national assembly is Mauritius's unicameral parliament, which is made up of 70 members, of whom 62 members are elected on a first-past-the-post or rather first-three-past-the-post basis, from 20 constituencies on the Island of Mauritius and two elected members from the Island of Rodrigues. After a general election, the ESC may nominate up to a maximum of eight additional members, known as best losers, in accordance with section 5 of the first schedule of the constitution with a view to correct any imbalance in community representation in parliament and to ensure that ethnic and religious minorities are equitably represented. This system of nominating members is commonly called the best loser system (Oderuth no date.)

money laundering and illicit financial flows (Fakun 2018).

In 2017, the justice minister was required to resign after an investigation by journalists implicated him in a money laundering scandal (Freedom House 2018). As mentioned earlier, even the former prime minister was arrested on money laundering charges.

James Mulvey, an international drug smuggler, was jailed for 32 years in 2018. He had laundered more than US\$9.8 million through the Isle of Man, Monaco and Mauritius (BBC News 2018).

The major sources of laundered funds in Mauritius include crimes involving drug trafficking (mainly heroin and the prescription drug Subutex), as well as theft of goods, conspiracy, forgery, swindling, Ponzi schemes and corruption (KnowYourCountry 2018).

Globally, the country is viewed as one that encourages tax evasion and money laundering, which is tarnishing the reputation it holds as an offshore centre (Bertelsmann Stiftung 2018). While Mauritius reiterates its commitment to counter cross-border financial crimes, many find the endeavours “half hearted” (FSPA 2017; Tax Justice Network 2018).

Sectors affected by corruption

Police

Mauritius does not have an army, and the entire responsibility for security in the country lies with the Mauritius Police Force (MPF) (Bertelsmann Stiftung 2018).

Despite the fact that the independence of office of the commissioner of police is guaranteed by the constitution, there is substantial political interference in police work, which is not appreciated by Mauritian citizens (Bertelsmann Stiftung 2018). For example, there are several cases of police forbidding political demonstrations and intimidating those speaking against those in power. Needless to say, these actions are understood to be politically motivated (Bertelsmann Stiftung 2018). The police are known to carry out arbitrary arrests and detention of citizens on mere statements by ministers (Bertelsmann Stiftung 2018). Mauritian police have also been accused of also allegedly tapping journalists’ mobile telephones and electronic correspondence (US Department of State 2018).

Transparency International’s 2019 GCB survey found that 5 per cent (GCB 2015) and 6 per cent (GCB 2019) of the surveyed respondents had paid a bribe to the police.

The country’s criminal law allows for provisional charging of suspects by the police, who can then hold suspects indefinitely, at times for months on end, until a formal charge is brought (Freedom House 2018). There are several cases of people being held in prison on pretrial detention due to court backlogs. Many wait years for a trial (Freedom House 2018).

There are numerous allegations of police abuse (Freedom House 2018). In 2015, Iqbal Toofany was detained following a routine traffic check, but he died in a hospital the next day, while still in custody (US Department of State 2018). His body had 14 wounds, and the cause of his death was a “pulmonary oedema caused by hypovolemic shock following soft tissue injuries” (Mauritius News 2018).

All five officers involved were charged with torture and manslaughter, and they have pleaded not guilty (Le Defi Media Group 2016; Mauritius News 2018). An update in 2018 stated that their bail conditions had been further relaxed (instead of them having to appear three times a week at their local police station, the court ordered them to come once a week between 6:00 am and 6:00 pm) (Mauritius News 2018). The verdict is pending.

Although a proposal for an independent police complaints commission was passed in 2016, it may have limited power to investigate police misconduct (Freedom House 2018).

Judiciary

Mostly, the judiciary operates independently (Global Integrity 2019b). However, its independence is at times questioned in situations involving politicians (Freedom House 2018).

In cases involving ministers and politicians, the government may apply pressure to the judiciary (Bertelsmann Stiftung 2018).

There is judicial backlog, which delays the delivery of justice (Freedom House 2018). For instance, in the case of former prime minister Navin Ramgoolam, he was arrested in 2016 but a verdict on his trial is still pending (Mauritius News 2019).

Legal framework

International conventions

Mauritius signed the United Nation Convention against Corruption in 2003 and ratified it in 2004 (UNODC 2018).

The African Union Convention on Preventing and Combating Corruption was signed in 2004 and is yet to be ratified (African Union 2018).

The country has also signed the SADC Protocol against Corruption in 2001, and ratified it in 2002 (OHCHR 2013).

Domestic legal framework

Mauritius has a robust anti-corruption framework; however, it is inconsistently upheld (Freedom House 2018).

The Prevention of Corruption Act (PoCA) 2002 is the main anti-corruption law, which defines corruption offences (including but not limited to bribery, conflict of interest and use of office for gratification), and sets up the Independent Commission Against Corruption (ICAC), defining its powers and functions (ICAC 2019a). It also criminalises both public and private corruption (OHCHR 2013).

Other laws with themes of countering corruption include the Bank of Mauritius Act 2004, Banking Act 2004, Declaration of Assets Act 1991, Companies Act 2001, Criminal Code Act 1838 and the Financial Service Act 2007 (ICAC 2019b).

In the past decade, Mauritius has come up with various laws to further the anti-corruption agenda within the country. These include:

- The Asset Recovery Act 2011 lays out the procedure to enable the state to recover assets which are proceeds or instrumentalities of crime or terrorist property, where a person “has been convicted of an offence or where there has been no prosecution but it can be proved on a balance of probability” (DPP 2018).

- The Good Governance and Integrity Reporting Act 2015 is a civil sanction of seizing property and unexplained wealth to be redistributed to the society for tasks such as the alleviation of poverty and general welfare (Mahadew 2017).
- The Declaration of Assets Act 2018 provides for a new legal framework governing the declaration of assets in Mauritius. The act has been proclaimed to come into operation on 01 June 2019 (ICAC 2019c).

There is no freedom of information law; it remains an electoral promise (Bertelsmann Stiftung 2018). However, a national open data portal has been in development from 2017 in an effort to enhance transparency by providing Mauritians with data in numerous categories (Freedom House 2018).

Whistleblowers are not protected by an explicit law. In terms of the culture of whistleblower protection, government bodies like the financial services commission do have an anti-corruption policy wherein there are no reprisals for officials speaking out in “good faith”. However, disciplinary action may be taken against those making false allegations (FSC Mauritius 2017).

The Financing of Political Parties Bill is currently under preparation. Its proposals contain guidelines to be imposed on companies making donations to ensure transparency and accountability (Government of Mauritius 2018). However, it ought to be noted that a clause in the proposed body of the law states that “donations in kind will not be regulated” (PMO 2018).

Tackling money laundering

The Financial Intelligence and Anti-money Laundering Act (FIAMLA) 2002 defines money laundering, and features penalties for such offences. It also sets up the financial intelligence unit (FIU), and delineates its functions and areas of authority (FIU 2018). It also states procedure on reporting and other measures to combat money laundering, as well as provisions for exchange of information in relation to money laundering (FIU 2018).

Mauritius is not the Financial Action Task Force's (FATF) list of countries with strategic anti-money laundering (AML) deficiencies (KnowYourCountry 2018). Although it is one of the first countries in Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) region to develop an anti-money laundering and the combating of terrorist financing (AML/CTF) regime, it has not been up to speed with the developing global AML/CFT environment, and thus, it has numerous weaknesses that negatively affects its effectiveness (ESAAMLG 2018).

ESAAMLG's 2018 Mutual Evaluation Report had a few key findings:

- While financial institutions showed an understanding of money laundering and terrorist financing (ML/TF) risks, a majority of the designated non-financial businesses and professions had little or no understanding of the risks, except management companies.
- The vulnerability of non-profit organisations exposed to TF risks have not been conducted by the authorities.
- Compliance responsibilities for financial institutions lie almost completely on

management companies (except in the case of banks) which results in a significant concentration of risks.

- There is a lack of a risk-based AML/CTF supervisory framework to assess ML/TF risks in individual financial institutions.
- Law enforcement agencies are not conducting parallel financial investigations in a large number of cases, particularly for offences such as drug trafficking, which is a high-risk offence in Mauritius.
- The country does not have a comprehensive legal framework which covers all requirements for the identification of beneficial owners and disclosure of such information.

The incumbent government in the 2015 economic mission statement and the 2015–2019 government programme have stressed the objective to improve fiscal transparency by abolishing special funds and boosting sustainability with the creation of a legacy sovereign fund (Bertelsmann Stiftung 2018).

Moreover, the republic has made significant alterations to laws related to anti-money laundering following the publishing of ESAAMLG's 2018 report. It has broadened the scope of preventive measures to be consistent with FATF standards (Jeehoo and Mahata 2019).

Also, the 2003 FIAMLA regulations have been replaced with the Financial Intelligence and Anti-Money Laundering Regulations 2018, which came into force on 1 October 2018 (Jeehoo and Mahata 2019). Providing definitions of beneficial owners, politically exposed persons (PEPs), limiting transactions with shell banks and customer due diligence are all part of the new regulations (Jeehoo and Mahata 2019).

Institutional framework

The 2015–2019 government programme states that the government has a mandate for change and countering fraud, corruption and financial crime, and to that effect, a financial crime commission is to be set up to act as an apex body to oversee the ICAC, the FIU, the asset recovery unit, the enforcement units of the FSC, the Financial Reporting Council and the Anti-Fraud Unit (Government of Mauritius 2015). The commission is yet to be set up.

Independent Commission Against Corruption (ICAC)

ICAC is responsible for enforcing the Prevention of Corruption Act 2002 (PoCA) and the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAMLA) (Global Integrity 2019b).

The commission's main activities include education on the dangers of corruption, prevention reviews and investigation into allegations (OHCHR 2013).

The PoCA defines the functions and jurisdiction of the ICAC. It sets out details on investigative procedures, how cases may be referred to it, and provisions for the commission to launch probes on its own (Global Integrity 2019b).

In theory, the commission is to consider all matters that are referred to it for investigation, regardless of the status of the alleged offender (Global Integrity 2019b). However, since around 60 per cent of complaints the commission receives are anonymous, it exercises caution before starting an investigation so as to not cause unnecessary harm or waste government funds (Global Integrity 2019b).

The commission's track record shows that senior-level politicians and civil servants have been investigated, and there are no reported instances of pressure that bias the investigations (Global Integrity 2019b).

Although the commission carries out a relatively high number of investigations into corruption related money laundering, the number of cases taken to court and convictions secured are relatively low. Moreover, the limitation of ICAC's powers to effect arrests is also a concern (ESAAMLG 2018).

In the span of a decade (2005 to 2015), ICAC has conducted 4,000 face-to-face sessions with the public, reaching up to 250,000 people to enable people to recognise acts of corruption and resist, reject and report them (UNODC 2016).

Financial intelligence unit (FIU)

The financial intelligence unit was established by the Financial Intelligence and Anti-Money Laundering Act in 2002. It is the main agency for the "request, receipt, analysis, and dissemination of financial information regarding suspected proceeds of crime and alleged money laundering offences as well as the financing of any activities or transactions related to terrorism to relevant authorities" (FIU 2019)

The body is also tasked with issuing guidelines to banks, financial institutions, cash dealers and relevant working professions on how to identify and report suspicious transactions (FIU 2019). It works closely with the ICAC (UNODC 2016).

Financial services commission (FSC)

The FSC is the consolidated regulator for the non-bank financial services sector and global business

in Mauritius. It was established in 2001, and it is mandated under the Financial Services Act 2007. The Securities Act 2005, the Insurance Act 2005 and the Private Pension Schemes Act 2012 offer it powers to license, regulate, monitor and supervise the conduct of business activities in its decided sectors (FSC Mauritius 2017). It also takes care of consumer protection and education and handles complaints (FSC Mauritius 2017).

National audit office (NAO)

The NAO is the supreme audit institution in Mauritius. NAO's auditors have the autonomy to look into the accounts of the all ministries and government departments without fear or favour (Global Integrity 2019b). There have not been any allegations concerning the autonomy of the NAO. It reports to the parliament on public expenditure. The independence of the office is guaranteed by the constitution of Mauritius (Global Integrity 2019b). It publishes one general audit report on government accounts a year (Global Integrity 2019b).

Other stakeholders

Media

The constitution guarantees freedom of expression and of the press (BBC News 2019). The most popular medium is the television, and state-owned Mauritius Broadcasting Corporation (MBC) radio and TV are usually found to reflect government thinking. MBC is funded by advertising and a TV licence fee (BBC News 2019).

However, daily newspapers and weeklies are often critical of both the government and the opposition parties, offering balanced coverage in several languages (BBC News 2019).

Journalists are known to face legal pressure at times. The three journalists whose investigation implicated justice minister Ravi Yerrigadoo in a money laundering scheme, and ultimately forced his resignation, were arrested in alleged connection with their reporting (Freedom House 2018). Although the journalists were released without having charges pressed against them, they were detained for several hours before being released, and the incident was depicted in the media as an attempt to intimidate them (Freedom House 2018).

Journalists can still be sentenced to prison on a charge of offending public order in Mauritius. Furthermore, amendments to the Information and Communication Technologies Act in 2018 provide for prison sentences for those who post content that could cause “inconvenience, distress or anxiety” (RSF 2019). This provision may be used to intimidate journalists who disseminate uncomfortable truths, especially before the parliamentary elections in late 2019 (RSF 2019). Although the overall milieu for journalism is not hostile, stories involving corruption or the country’s religious radicalisation are difficult to cover (RSF 2019). Thus, the country slid from its rank of 56 in 2018 to 58 in the 2019 World Press Freedom Index (RSF 2019). According to Freedom House’s Freedom of the Press 2017 report, Mauritius’ press is “free”.

Civil society

There exists a “vibrant civil society” in the country with a large number of civil society organisations (CSOs), which operate under the umbrella of the Mauritius Council of Social Service (Bertelsmann Stiftung 2018). The main focus areas of CSOs in the country are human rights, promotion of women’s rights, environmental protection, HIV/AIDS awareness and rights of the lesbian, gay,

bisexual and transgender community (Bertelsmann Stiftung 2018).

Mauritian society is not known to publicly express its support for interest groups, even when they are sympathetic to the cause, thus, while CSO support for such groups, it cannot be said to be the norm (Bertelsmann Stiftung 2018).

CSOs do influence public policy, as the government consults them when preparing the national budget and recognises their role in countering social inequality and poverty (Bertelsmann Stiftung 2018).

Civil society groups operate freely, but many are reliant upon government funding that could compromise their independence (Freedom House 2018).

One of the prominent NGOs countering corruption is Transparency Mauritius, which is affiliated to Transparency International. It was officially incorporated in 1998 (Transparency Mauritius 2019). Over the years it has made a significant effort on research, awareness building and advocacy (Transparency Mauritius 2019). A few of its projects include:

- Advocacy and legal advice centres allow citizens to seek advice, propose solutions and report corruption relating to both private and public institutions.
- It has produced a manual on investigative journalism, a code of conduct for elections, and an ethics guide for police officers.
- It has made strides in getting youth participation in the anti-corruption cause via youth forums and a youth parliament magazine.

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MAURITIUS



BRIBERY RATES*

* Based on people who used these public services in the previous 12 months.

	2015	2019
Overall bribery rate	1%	5%
Public schools	0%	1%
Public clinics and health centers	0%	2%
IDs	0%	2%
Utilities	2%	3%
Police	5%	5%



HAS CORRUPTION LEVEL CHANGED IN THE PREVIOUS 12 MONTHS?

	2015	2019
Increased	69%	61%
Decreased	7%	11%
Stayed the same	21%	23%
Don't know	3%	6%
Refused to answer	0%	0%



CAN ORDINARY PEOPLE MAKE A DIFFERENCE IN THE FIGHT AGAINST CORRUPTION?

	2015	2019
Yes	56%	47%
No	34%	31%
Neither yes nor no	7%	14%
Don't know / refused to answer	3%	8%

61%

Think corruption increased in the previous 12 months

5%

Of public service users paid a bribe in the previous 12 months

62%

Think their government is doing a bad job of tackling corruption

47%

Think that ordinary citizens can make a difference in the fight against corruption



CORRUPTION BY INSTITUTION*

* Percentage who think that most or all people in these institutions are corrupt.

INSTITUTION	2015	2019
President / Prime Minister	16%	22%
Members of Parliament	19%	23%
Government officials	16%	14%
Local government officials	15%	18%
Police	22%	19%
Judges and Magistrates	9%	13%
Religious leaders	11%	8%
NGOs	-	12%
Business Executives	22%	18%
Traditional leaders	0%	0%



IS THE GOVERNMENT DOING A GOOD OR BAD JOB OF FIGHTING CORRUPTION?

	2015	2019
Good	25%	32%
Bad	71%	62%
Don't know	4%	5%
Refused to answer	0%	0%

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