Executive Summary

1. Introduction

The island of Mauritius, because of its past industrial experience, has a large SME sector relative to its size of population. Our estimates suggest that there are about 25,761 SMEs and micro-enterprises (1997) in non-primary sector activities (of which 5,731 are in the manufacturing sector). SMEs and micro-enterprises account for 32.1% of total manufacturing employment, which is comparable to employment shares in advanced industrial countries (such as the UK, France and Korea) and well ahead of industrialising economies in Africa.

This study of the competitiveness of SMEs in the Mauritian manufacturing sector occurs at a time of the Asian currency crisis and great uncertainty in the international economy. The full impact of the Asian crisis upon Mauritian industry and its exports is not yet known. Before the onset of the crisis, it seemed that Mauritian industry would confront several economic threats in the early 21st Century: a severe deterioration in the international economic environment, falling world demand, volatile private capital flows, reduced foreign aid, rapid technological progress, and intense competition from low labour cost economies. The crisis will greatly add to these pressures as Asian firms restructure, become more efficient and globalise their production. The intense competition underlying this state of affairs suggests that to survive, more of Mauritian business has to match the productivity and technological capabilities of the best in the world.

The Government of Mauritius recognises this challenge and has developed a new export strategy, which was announced in the 1998 National Budget. This strategy emphasises new competitive advantages in manufacturing and services (e.g. high value added textiles, printing, offshore financial services, and information technology) and new policies and institutions for success. The 1998 Budget also mentions some useful initiatives for small firms (particularly, grants for technological upgrading) but a coherent approach to fostering SME competitiveness involving a mix of liberalisation and supply-side support has yet to be formulated. A dynamic, internationally competitive SME sector can contribute to economic growth, generate exports, foster diversification and increase employment. The addition of a coherent approach to SMEs competitiveness in the new export strategy would thus help to sustain future export dynamism in Mauritius.

This study assesses the export record of SMEs in Mauritius and provides suggestions on how to improve future SME competitiveness. The study represents a first attempt to synthesise what is known about the state of SME competitiveness during two weeks of fieldwork by a two-person Commonwealth team. It aims to do five things:

I. Examine the magnitude of the SME population in the manufacturing sector and its export performance, in overall terms and at an industry-level.

II. Use an enterprise survey, to highlight the marketing, technological, human capital and strategic strengths and weaknesses of SMEs in selected industrial and service sectors (e.g. textiles, printing and publishing and IT).

III. Analyse the influence of the outward-oriented, market-friendly policy regime on incentives for SME growth and competitiveness.

IV. Examine the role and adequacy of the support provided by public institutions for SME competitiveness.

V. Make suggestions for future SME competitiveness drawing on best practices in Commonwealth and non-Commonwealth economies.

At the request of SMIDO, the empirical part of this study defines SMEs as enterprises with 10-49 employees and micro-enterprises as those with less than 10 employees. Future work on small firms could usefully contemplate the application of of alternative definitions of firm size.

The study is based on a simple enterprise-level theory of comparative advantage. According to this theory, competitiveness arises at the level of individual firms with national competitiveness being the sum of the efficiency and dynamism of component firms in a given developing economy. The creation of enterprise (and hence national competitiveness) occurs through a risky and uncertain process of acquiring technological and other industrial capabilities in a system of imperfect factor markets (like finance, skills, information and technology). Government actions can enhance this process by removing economic distortions to enterprise growth and exporting as well as augmenting the workings of factor markets. This approach emphasises a combination of liberalisation/deregulation policies and structural policies (aimed at increasing education and training, technological activity and the supply of industrial finance) to enhance SME competitiveness. The private sector can also contribute to the design and implementation of national competitiveness strategies.

2. Small Firms in International Markets

As in other developing economies, time series information on the size structure of manufacturing activity and exports is difficult to ascertain in Mauritius. The study attempted to use available local data sources (from the Central Statistical Office and the Ministry of Industry and Commerce), supplemented by forecasting techniques, to develop a recent picture on the magnitude and competitiveness of small firms in the country. The most significant findings from our examination of the size and dynamism of the Mauritian SME sector are as follows:

- The industrial structure of the Mauritian manufacturing sector has a distinct dualistic pattern made up of many small firms and a few large firms. Our estimates suggest that of the 5,320 manufacturing establishments in 1997, 84.7% were micro-enterprises, 8.1% were SMEs and 7.2% were large firms. The relatively few large firms account for the bulk of manufacturing employment.

- After many years of expansion, it appears that the annual average growth rate of the number of large firms (-2.3%) and SMEs (-0.8%) has declined in 1992-1997 while the growth of micro-enterprises (4.3%) has increased. These trends should be viewed with caution because the figures for large firms and SMEs use actual data while those for micro-enterprises are unadjusted forecasts.
- In 1997, there were 467 SMEs, which collectively made a useful contribution to the Mauritian foreign exchange earnings by generating a total of $23.5 million worth of manufactured exports.
- However, as a group EPZ SMEs have been much more efficient in generating exports than non-EPZ SMEs. The value of manufactured exports from EPZ SMEs ($20.4 million) is over six times that of non-EPZ SMEs ($3.1 million) in 1997.
- EPZ SMEs (1.9%) made a negligible contribution to total EPZ exports in 1997 compared with large EPZ firms (98.1%). The aggregate figure masks the fact that SMEs seem to produce all the EPZ's flower exports and useful shares of EPZ exports of wood/paper products, other manufactured exports and watches and clocks.
- Total EPZ SME manufactured exports had a negative growth rate (-1.5% p.a.) in 1995-1997 compared with a low but positive growth rate for EPZ large firms (0.7%).
- The weak performance of EPZ SME exports is due to negative growth in several core activities (other manufactured products, food, flowers and textile yarn), the total decline of toys, and slow positive growth in wood/paper products. Three other items (jewellery, watches and clocks and electric and electronic products) had high positive growth. But, as these were from a small base, they had little influence on the overall export growth rate of SMEs.
- Interestingly, clothing (the single largest SME export) had respectable positive export growth.
- EPZ SMEs had lower ratios of exports per employee than large firms in most industrial branches in 1997. This simple and crude measure of labour productivity suggests that productivity in SMEs lags behind large firms in the EPZ.

- Survey estimates suggest that most non-EPZ SMEs produced entirely for the domestic market. Out of a total of 314 non-EPZ SMEs, about 26 only were engaged in exports in 1997. These firms exported very small shares of the country's exports of textiles, footwear and furniture.
- No data is available on the manufactured export performance of micro-enterprises but they were believed to be nearly all domestic market-oriented.

3. Evaluation of SME Capabilities

An enterprise survey was used to assess the export capabilities of SMEs in three industrial sectors (textiles, printing and publishing, and IT). This study broadly defines enterprise-level export capabilities in terms of: a) functional competences (i.e., the efficient use of marketing, design, technology and human resources); b) the ability to make informed strategic decisions about target markets and competitive positioning; and c) the managerial characteristics that influence export success (proxied by the commitment, orientation and attitude towards exporting of the head of the enterprise).

Marketing capabilities are evaluated in relation to the four principal elements of the marketing mix: product, price, promotion and distribution. In the textile industry, few SMEs appear to have a clear understanding of the concept of a target market or how branding can add value. These companies are making what they know how to make, rather than responding to customer demands. Consequently, most are producing far too broad a range of low quality, undifferentiated garments that are forced to compete heavily on price. The very small amount spent on promotion is channelled into expensive personal selling and virtually no use is made of more cost-effective promotional tools such as direct marketing. Few SMEs in the textile sector have developed ongoing arrangements with marketing intermediaries such as agents or distributors, and as such, business development initiatives tend to be largely reactive.

The less homogeneous sample of firms operating in the printing and publishing sector included jobbing printers (producing a broad range of relatively low quality, low-priced print mainly for the domestic market); specialist and higher quality printers (with a more clearly defined and value-added proposition targeting overseas markets or specific domestic market segments); and a number of companies operating in the pre-press or electronic media sector. At the lower end of this spectrum, price competition is fierce, little promotion is undertaken and only limited use is made of marketing intermediaries. At the higher end, established relationships with groups of target customers enables firms to deliver value at a profit.

The IT sector is even more diverse with firms engaged in selling computer hardware, software and consumables, as well as offering a variety of IT-based services. Once again, it is evident that companies which have a clearly defined proposition targeted at a distinct group of customers, with established channels to market, are best able to add value to their offer and maximise the effectiveness of their promotional spend. Overall, the IT sector appears to have better marketing strategies in place than the other two sectors.

The key to marketing competence is the development and implementation of a sound competitive marketing strategy, which in turn determines the nature, and specifies the tools, of the marketing mix. In the majority of instances, SMEs lack the necessary understanding of the role of, as well as the skills to develop, an effective marketing strategy. As such, their ability to compete in export markets is severely limited.

Design can add value to a company's proposition through its product (fashion design in textiles, and graphic design in printing and publishing), and through its branding and promotion (graphic design). The majority of SMEs in the textile and printing and publishing sectors are using some form of design resource. However, for design to be effective, it needs to be fully integrated into the strategy and processes of the company. Our observations suggest that design is under-utilised and that companies lack skills in setting design briefs and managing design projects.

In our sample, the majority of the SMEs in the textile industry use outdated production technologies. Investment in new plant and equipment is very low, little computerisation has been implemented in terms of CAD/CAM or sewing/stitching, processes tend to be still largely non-automated, and few management information or production control systems are in place. Quality control is mostly ad hoc and dependent on visual checking. Minimal use is made of technical consultants. Particular weaknesses are evident in production management and materials handling.

At the lower end of the printing and publishing sector, some machinery is so antiquated that it offers no chance at all of achieving any degree of export competitiveness. Here too, quality control is generally poor and the results of this are visually evident in print output. At the higher end, firms are using newer and more up-to-date machinery, and have in place better quality control systems. Across the board, technology for pre-press is good, or at least, adequate.

Unsurprisingly, technology in the IT sector is fit-for-purpose. Here, the major limitation is the cost and capability of the telecommunications infrastructure.

Of all the competences, human resources management seems weakest. A lack of HR skills is most apparent in the textile industry, marginally less so in printing and publishing, whilst the IT sector seems to be more progressive. However, it should be noted that, universally, the SME sector lags behind larger organisations in implementing state-of-the-art human resource management. Investment in training, as an indicator of management's commitment to its workforce, is very low across all three industry sectors. Absenteeism and staff turnover, as measures of employee commitment, are significant problems in the textile sector, moderate problems in printing and publishing, yet are substantially less problematic in IT. Similarly, as pointers to productivity, wage rates and levels of employee education are lowest in textiles and highest in IT. Organisational cultures tend to be more repressive in the textile industry, paternalistic in printing and publishing and more progressive in IT.

The table below summarises our assessment of SME competences.

Summary of competences

	Textiles
Marketing	
• Product	Product quality generally low Products lack differentiation Ranges too broad Limited use of branding
• Price	No use made of strategic pricing
• Promotion	Very low spend on promotion Overemphasis on peesonal selling Virtually no use made of direct marketing
• Distribution	Few arrangements with agents or distributors Underdevelopment of marketing channels
Design	Generally, design under-utilised Designers not integrated into business processes Lack of skills in setting design briefs and managing design projects
Technology	Outdated production technologies Weak in production management and materials handling Few management information systems Little use of technical consultants
Human resource	Investment in training low Major lack of employee skills Absenteeism a significant problem Staff turnover very high Low wage rates Low levels of employee education Culture sometimes repressive

Strategic capabilities are evaluated in terms of the ability to identify and select target markets, and to create and implement competitive advantage. The majority of firms in the sample lack skills in gathering market information and have no formal systems for ongoing market research. They make minimal use of the information services available. Additionally, there is very little evidence that SMEs can evaluate the potential of

Printing and publishing	IT
Jobbing printers: quality generally low; non-specialised Specialists: quality moderate to high Pre-press: high quality, clearly defined proposition	Products and services offered too diverse to comment on product or service range, quality, etc
Heavy price competition where value-add is low	No information on pricing
Low spend on promotion Limited use of the total range of promotional tools	More varied use of promotional tools, particularly electronic media
Limited use of marketing intermediaries	More varied use of marketing channels
Limited use of design resource	
Antiquated machinery, particularly in the smaller companies Quality control generally poor Pre-press capabilities adequate Little use of technical consultants	Level of technology consistent with business objectives
Investment in training low Major lack of employee skills Absenteeism a moderate problem Staff turnover moderate Moderate wage rates Low levels of employee education	Investment in training very low Major lack of employee skills Absenteeism manageable Staff turnover is not a problem Attractive wage rates Moderate levels of education

future or current markets or can assess the strategic fit between their own capabilities and the requirements of the market. In particular, it is doubtful that most SMEs have sufficient understanding of cost or management accounting to evaluate the potential financial returns of specific strategic choices.

The principal sources of competitive advantage for SMEs are widely cited as the development of a niche strategy, offering meaningful and differentiated propositions to a limited number of markets, and developing good relations with overseas distributors and agents. SMEs, particularly in the textile sector but also in printing and publishing, generally fail to tap into these sources of advantage. Nor do they utilise new digital technologies, which can help the small business sector in developed economies to overcome its inherent disadvantages of size, scale and location in order to compete effectively in the global market.

As with the marketing strategy, the SME sector lacks the ability to develop effective corporate strategies. There is little evidence of high-quality strategic thinking or forward business planning. Few companies appear to prepare a three- or five-year business plan, the principle framework for formulating strategy. Without this strategic perspective, SMEs are poorly placed to develop export competitiveness.

Increasingly, debate on SME competitiveness focuses on managerial characteristics, specifically the commitment of the owner-manager to growth and exporting; the export orientation of the owner-manager in terms of perception of risk and willingness to commit resources; and the personal mindset of the owner-manager in terms of his/her global perspective. The survey of SMEs indicates weak managerial skills in owner-managers. This is because the owner-manager resists relinquishing maximum control and/or owing to lack of resources, professional management from outside is never implemented. As a result growth is limited and export opportunities are missed. It is clear from the sample that where owner-managers rate exporting as a priority and are willing to take risk and commit resources, the company becomes a more successful exporter. However, most SMEs see exporting as "nice to have", rather than their principal strategic thrust. An additional factor that is apparent in the survey is that owner-managers who have a global or international mindset, usually developed during long periods of abroad, are significantly more able to develop and capitalise on export potential. Those who are limited in their personal horizons have more difficulty in adopting an export orientation.

4. Policy and Procedural Regime for SMEs

The influence of the trade, industrial and macroeconomic regime on SME competitiveness has been assessed using macroeconomic data and the enterprise survey. The overall conclusion is that the present policy environment is more favourable to small firms than it has been previously due to two decades of gradual liberalisation and deregulation of government controls. The country is fortunate to have escaped a strong or pronged inward-orientation, which hampered many developing countries since the 1960s and 1970s. The Mauritian policy environment is more open and small business-friendly than those of many competitors in Africa and the Indian Sub-Continent. Economic policy is generally well managed and more predictable than most. The private sector is also consulted before major policy initiatives are implemented and their views often shape policy.

Major areas of policy success include switching from quantitative restrictions to tariffs (and cuts in tariffs), the lack of public procurement and local content rules, maintaining a depreciated real exchange rate, removal of exchange controls, maintaining a liberal and market-oriented banking system, the introduction of VAT, and streamlining some administrative procedures. This is an impressive record and makes Mauritian enterprises more poised than others to reap future gains from globalisation of trade and investment.

Inspite of past successes in policy reform, however, there is still room for improvement, which could benefit small firms as well as the rest of the Mauritian private sector.

- Although the average tariff for manufacturing is about 30% (1994), tariff reform is far from complete and the existing protective structure discriminates against small firms particularly those in the non-EPZ sector. Some sectors with a large population of SMEs (including food products, footwear and furniture) are very highly protected while the remainder receives negligible protection. The economic rationale for this protective structure and the future agenda on tariff reform are unclear.

- Small firms lack ready access to duty-free imported inputs to offset an anti-export bias in the trade regime. This seems to be linked to processing delays in the instruments to access such inputs and the lack of coherent guidelines for raw material wastage provision.

- Until fairly recently, there was little effective overseas marketing support for small firms. MEDIA has improved service delivery in this regard (and is working with SMIDO to identify SME exporters) but the take-up rate among small firms has been quite low. This raises questions about the quantity and quality of the services provided.

- There are several problems connected with the supply of industrial finance for SMEs. Small firms face higher real interest rates (ranging between 11-20%), more restrictive terms for bank loans, and less access to commercial bank finance than large firms. These problems are classic symptoms of imperfections in capital markets, which give rise to a "large firm bias" in the allocation of bank finance.

- There is an absence of effective policies to develop linkages and industrial clusters among small firms. SUBEX-M – the only scheme which provides information about potential intra-firm production linkages – started very recently but has run into trouble following the phasing out of technical assistance from an international donor. It is also focussed on high skill engineering industries in which Mauritius has no obvious short or medium-term comparative advantage viz-a-vis world markets. Low skill industries in which the country has an existing/medium-term comparative advantage (such as textiles and clothing, leather products and footwear, and food products) are excluded.

- Serious administrative barriers to small firm start-up raise transactions costs to SMEs above those of competitor economies. The sample shows a wide variation in bureaucratic processing times for small firm start-up – in the best case, all start-up procedures can be completed in 0-3 months but the worst can be in excess of 10 months. The worst case results are a particular concern. Long processing delays arise from a multi-stage approval process involving enterprise contact with 11 different public agencies. Start-up procedures have raised operating costs above optimum levels, wasted scarce management time, employment of additional staff to deal with redundant paperwork, acted as an obstacle to efforts to adopt quick response practices, and provided incentives for rent-seeking behaviour by public officials.
- On the whole, Mauritian SMEs do not seem to view infrastructural impediments as a major obstacle to exporting. Some aspects of infrastructure are considered quite efficient by small firms (e.g. water supply and sewage, airport facilities and telecommunications reliability). The cost and availability of air freight are a problem to small and large firms alike. This is closely followed by weaknesses in electricity supply (both voltage fluctuations and breakdowns). Customs clearance is also regarded as a problem by some small firms.

5. The Institutional Support System for SMEs

The institutional support system for SMEs is examined from two perspectives: (a) how effective is it as a complete framework to meet the needs of SMEs and help them to improve their competitiveness? (b) how do SMEs themselves perceive the adequacy of service delivery by SME institutions?

For the size of the country and its stage of development, Mauritius has a particularly wide range of support services for the SME sector. The system of business development services involves several agencies mostly under the umbrella of the Ministry of Industry and Commerce. These include: SMIDO, directly mandated with providing support to small and medium manufacturing enterprises; EPZDA, concerned with supporting firms in the Export Processing Zone; MEDIA, whose triple roles involve export promotion, attracting FDI and the management of industrial estates; IVTB, providing educational or training courses geared predominantly to the SME sector; and DBM, offering finance to SMEs at preferential rates. In addition, other public-sector organisations, such as MSB, TDS, SUBEX-M and NCB, provide services that SMEs can draw on. The private sector also contains some trade and industry associations but only one, SSEAM, is directly concerned with supporting SMEs.

The institutional support system for SME as a whole has many strengths. SMEs are offered a very wide choice of support (including training, consultancy, market research, help with start-up, technical and information services, preferential access to trade fairs, contact promotion programmes, and financial assistance in the form of both loans and grants). In addition, individual SME institutions demonstrate a high degree of motivation, enthusiasm and commitment to the development of the SME sector.

However, the export performance of SMEs, as detailed in Chapter 2, indicates that the investment in SME support is not delivering the growth required or expected at the enterprise level. This failure in the effectiveness of the institutional support system is partly due to a lack of co-ordination and coherence within the diversity of supporting organisations. The historical emergence of individual entities, without a clear guiding vision for the complete framework, has created gaps in support and duplication of service offers.

In particular, we suggest that the following issues need the most urgent attention. If improved, these areas could deliver the most significant benefits:

- Developing a strategic perspective of the SME sector as a whole and its role within the spectrum of Mauritian commercial activity.
- Enhancing co-ordination between the different institutions so as to ensure comprehensiveness whilst avoiding duplication.
- Incorporating more commercial accountability in order to improve and monitor effectiveness.
- Targeting SMEs on an industry basis in order to more closely tailor services to needs.
- Adopting a more proactive stance in directing SMEs to the help they need, rather than allowing them simply to choose from a menu of options.
- Exploiting more innovative approaches to SME support.
- Enhancing the levels of managerial skill and expertise within individual institutions.
- Developing and utilising the potential of the private sector in supporting SMEs.

The survey results on small enterprise perceptions of SME institutions were interesting. There is evidence of a respectable level of awareness of the services offered by individual institutions (between 65% to 73% of the sample SMEs have heard of given services provided by different institutions). In contrast, usage of the services is low (only between 14% to 23% of the sample SMEs have actually used given services provided by different institutions). Those small firms that do take advantage of the services on offer evaluated their usefulness (on a scale of 1 to 5, where 5 is the most useful) and find such services to vary in usefulness (between 3.8 to 4.7 depending on the service).

Given the small size of Mauritius and the intensity of support, the level of awareness suggests some room for improvement. This is also true of users' perceptions of usefulness. However, the extremely low level of take-up should concern all the institutions and the reasons for this should be more closely examined. These findings also suggest that the SME support system, as a total entity, should be redesigned in order to deliver enhanced benefits.

6. Proposals to Promote SME Competitiveness

Drawing on Chapters 1-5, the mission was been able to develop a menu of proposals to promote SME competitiveness in Mauritius. In the light of the analytical framework discussed above, the report adopts a market-friendly approach to SME competitiveness as distinct from a bureaucratic-led strategy. It adopts a holistic approach emphasising the removal of economic distortions and the correction of market imperfections in skills, technology and finance. It also accords strong roles for both the government and the private sector in implementation of the proposals and recognises that a staged approach is conducive to success.

It is hoped that the proposals would achieve the following objectives:

(a) removal of policy and institutional impediments to direct SME exporting;

(b) reduction of policy and institutional obstacles to indirect exporting from SMEs (i.e., sub-contracting/supplier relations between SMEs and large export firms).

These proposals cover several areas: macroeconomic management, trade policy, bureaucratic procedures, finance, technological support, clusters and linkages, human capital, private sector initiatives and data collection and monitoring of SME's performance. The attached table contains the detailed suggestions arranged by strategic thrust, implementing agency and time frame. Further work needs to be done to refine and translate these proposals into concrete actions.

SME Competitiveness Strategy for Mauritius: Strategic Thrust, Actions and Time Frame

ISSUES	STRATEGIC THRUST	POSSIBLE IMPLEMENTING AGENCY
Macroeconimic Management	Maintain a stable, macroeconomic climate to induce SME and private investment	Ministry of Finance, Bank of Mauritius
Trade Policy	Achieve a low, uniform effective rate of protection of 15% within 4 years to encourage SME upgrading	Ministry of Finance with an international economic consultancy firm
	Provide duty-free access to imported inputs to all SMEs exporters	Ministry of Finance
	Offset anti-export bias of trade regime for SMEs via export promotion	MEDIA with Business Associations
Bureaucratic Procedures	Streamline procedures for new firm start-up	Ministry of Industry and Commerce, SMIDO
	Streamline approval procedures for FDI and joint ventures with SMEs	Ministry of Finance/Ministry of Industry and Commerce
	Investigate all residual procedures affecting SMEs	Ministry of Industry and Commerce with Business Associations and SMDIO
Finance	Improve access to finance for SME	Ministry of Finance MEDIA, DBM, SME Associations
	Reduce real interest rates for SME lending	
Technological Support	Provide co-ordinated support framework for SMEs	Ministry of Industry and Commerce, SMIDO
	Enhance design skills in SMEs	Mauritius Productivity and Competitiveness Council, EPZDA
	Create a dedicated support institution for the textile sector	Ministry of Industry and Commerce, EPZDA

SHORT-TERM 1999	MEDIUM-TERM 2000-2002
• Develop a plan to reduce the budget deficit by 25% within 3 years. • Persist with a competitive real exchange rate • Restore low, stable real interest rates	• Implement budget deficit plan through civil service and public enterprise reform • Maintain competitive real exchange and interest rates
• Re-activate programme of import liberalisation. • Create a tariff reform committee to manage the import reforms	• Implement tariff reforms and monitor results
• Streamline EPZ certificate and duty drawback schemes. • Develop raw material wastage provision for all potential exports	• Continue to achieve greater efficiency in processing times and update wastage provisions
• Consolidate export promotion activities into a major event "Mauritius Week" • Establish a dedicated web site for SME exporters	• Create Trade Promotion Offices in key markets (USA, Europe and Africa) as joint ventures between government and business associations • Establish a network of shops for tourists as joint ventures between government and business associations
• Reform local government permits • Reform work/residence permits	• Monitor processing times for new firm start-up
• Implement the Board of Investment	• Monitor processing times for BOI approvals
• Commission a comprehensive "red tape analysis" for all procedures affecting SMEs	• Implement the results of the red tape analysis • Set clear, uniform guidelines for all SME procedures and monitor standards.
• Create an Export Development Fund for SMEs from privatisation of MEDIA/DBM industrial estates • Foster Credit Unions in SME associations	• Commercialise the DBM • Implement the Venture Capital Fund;
• Implement the Mutual Guarantee Fund	• Publicise and support Mutual Guarantee Fund
• Undertake feasibility study for a Business Link for SMEs along UK lines	• Establish Business Link by subsuming SMIDO and other relevant business services
• Actively seek out top designers for short-term consultancies	• Undertake a feasibility study for a Design House and implement results
• Undertake a feasibility study for transforming EPZDA into a textile council	• Implement results of feasibility study

SME Competitiveness Strategy for Mauritius: Strategic Thrust, Actions and Time Frame *continued*

ISSUES	STRATEGIC THRUST	POSSIBLE IMPLEMENTING AGENCY
Clusters & Linkages	Promote industrial clusters for textiles and clothing and food products	Ministry of Industry and Commerce, SMIDO
	Foster development of clusters and networks	Mauritius Competitiveness and Productivity Council
Human Capital	Reduce skill gaps in potential areas of comparative advantage	Ministry of Education; Ministry of Industry and Commerce; Business Associations
	Increase certification and tailor made skills for industry	IVTB
	Reduce Absenteeism rates in industry	Ministry of Industry and Commerce
Private Sector Initiatives	Strengthen SME associations	Small firms with support from government
	Actively seek SME members in existing business associations	Existing business associations
	Actively support service delivery by Business Link	Business associations, consultancy firms, enterprises
	Deepen commercial banks links with SMEs	Commercial banks
	Reduce skill gaps in potential areas of comparative advantage	Business associations and enterprises
Data Collection & Monitoring of SMEs Performance	Develop a consistent definition of SMEs	Ministry of Industry & Commerce, SMIDO
	Create a database on SME performance	CSO, SMIDO

SHORT-TERM 1999	MEDIUM-TERM 2000-2002
• Absorb SUBEX within SMIDO • Remove procedural obstacles to indirect exporting	• Develop and implement a programme to upgrade suppliers
• Commission research by consultancy firms on industry/market-specific opportunities	• Attract FDI and large firm into clusters • Implement results of research
• Develop more sandwich courses at university for gaining industrial skills • Introduce a programme to attract back Mauritian professionals from overseas	• Provide more scholarships for overseas studies in relevant skills
• Re-focus on core business of designing and delivering academically validated vocational education and training courses	• Pass involvement in short-courses to the private sector • IVTB should monitor quality of private sector training
• Introduce a "Don't Miss Monday Campaign"	• Monitor results of "Don't Miss Monday Campaign" and repeat if necessary
• Re-position Small Scale Entrepreneur Association of Mauritius as a federation of individual SME associations • New Federation to advocate SME case & deliver services • Set up an information/resource centre for SMEs	• Establish industrial associations for key SME sectors
• Publicise services & benefits of membership • Develop SME services • JEC membership for SME associations	
• Provide consultants • Advise on industrial problems & future services	• Provide feedback on services • Develop export houses and export consultancies
• Appoint specialist small business advisors • Undertake staff training to better understand SME needs	• Undertake relevant research on SMEs • Feedback sector-specific information to government & SME Federation
• Provide more short in-plant placements for university students	• Launch training centres/schemes for training of middle management, production management and design skills
• Universal adoption of new definition of SMEs	• Consistently apply definition of SMEs
• Develop key SME performance indicators • Develop an annual survey of SME perceptions of the policy environment & institutions	• Continue with annual survey of SME performance and perceptions • Use SME survey to inform future policy making