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“MAURITIUS CAN CO

India revised its tax treaty with Singapore in December, bringing it on a level playing field - or so it would seem - with Mauritius. The MD of Cim Global Business Singapore discusses the impact and possibilities of such a situation among other issues.

BUSINESS MAGAZINE. Mauritius is labelled as the next gateway to Africa. How do investors using our jurisdiction benefit from our proximity with the mainland?

Mauritius is certainly the preferred jurisdiction in Africa for setting up of structures. Over the last few years, we have seen a clear trend where more and more African entrepreneurs are setting up their company structures in Mauritius. This is happening for two main reasons. Firstly, Mauritius is widely recognized as a strong jurisdiction with an excellent reputation and acknowledged stability. Secondly, there is an element of risk in many other parts of Africa and, whilst businessmen may be familiar with those markets and their specificities, they generally prefer the jurisdictional comfort of Mauritius for their corporate headquarters and structures. From our own experience in dealing with East Africa, Southern Africa and parts of West Africa, Mauritius is the choice jurisdiction across all these geographies.

Furthermore, as their economies grow and mature further, African entrepreneurs are increasingly taking advantage of private equity funding and stock market listing. Consequently, a significant amount of entrepreneurial wealth is being created and realized for company shareholders in Africa. Such entrepreneurs rely on a stable jurisdiction to operate their company structures and manage their personal wealth, and Mauritius has emerged as the preferred destination to many of them.

BUSINESS MAGAZINE. These recent years, Africa has been enjoying a steady growth. Is it the continent of the future?

I quite agree that Africa is the continent of the future. Already, several countries in Africa have achieved relatively stable democracy and smooth transition of power; and their ranks continue to grow day by day.

“A NUMBER OF MAURITIUS-BASED PRIVATE EQUITY INVESTMENTS ARE FOCUSED ON AFRICA”

Africa has had a fair share of home-grown innovations too. M-Pesa, globally heralded as a pioneer in mobile payments, has its roots in Africa. Mobile lending has also seen exponential growth in markets where it was launched in Africa.

If you take a closer look, you will find good parts of Africa growing at 5% and above. Among them, many countries have substantially large and younger populations with the potential to emerge as strong consumer markets in the future. And all this is happening against the backdrop of a fast-expanding African

middle-class that is expected to create even more vibrant demand for goods and services in the years ahead. In fact, several African economies have already expanded their production capacities for commodities like steel or cement and manufactured goods such as textiles to meet growing domestic demand and exports to neighbouring states.

With the rise of Africa-based private equity funds and international Africa-focused private equity funds, a new class of companies now emerging in Africa with the sole objective of providing exits to such funds. In fact, there is a unique opportunity for Mauritius in structuring and listing these companies and Mauritian government along with the concerned agencies are striving to develop the segment further. This segment is expected to gain in momentum as more and more African companies get structured and listed in Mauritius.

We are also seeing an interesting trend with regards to takeover of Mauritius OMCs by global companies. This is a good story for Mauritius and a reaffirmation of the business scope for the Mauritius jurisdiction. The benefits of such a trend will be manifold, whether in terms of expanding geographies, capacity building for increasingly complex structures to meet the requirements of a sophisticated clientele or attracting talent in order to provide world-class services and match the other leading financial centres.

BUSINESS MAGAZINE. The domestic manufacturing sector is facing difficult times due mainly to the Brexit and fierce competition from Asian countries. Can relocation in Africa be a solution?

It is to be expected that as the local economy continues to mature, there will be a greater structural shift from manufacturing to services industries and Mauritius is already showing clear signs confirming this trend. Concurrently, we see a number of Mauritian-based manufacturing companies setting up their production facilities in other locations to take advantage of labour availability, lower costs and fiscal advantages. This is already happening in the sugar sector and the garment industry.

There is also a growing interest for expansion in tourism and healthcare sectors to other parts of the world (including Africa) on the strength of expertise acquired by the Mauritian operators and in search of new growth opportunities. I am convinced that, in times to come, we will see increasing presence of Mauritian conglomerates across Africa building up value by taking advantage of the larger markets.

BUSINESS MAGAZINE. What are the prospects in Africa for investors channelling their investments through Mauritius?

As mentioned earlier, many Mauritian conglomerates are already investing in various sectors in Africa. In addition, there are a number of Mauritius-based private equity investments, which are focused on Africa and have done



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some interesting deals by enabling the local companies to consolidate and grow by providing capital, operational expertise or both.

**"I DO NOT THINK
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I also see good prospects for investing in agriculture and commodity trade. Africa has abundant land and excellent weather conditions and has the opportunity to increase agricultural output in order to meet its own growing demand and become a major food exporter to the world market. It could even offer a viable solution for Mauritius in setting up its own food security programme!

There is also scope for Mauritius to set up trading companies for trade into Africa. Dubai, for instance, is known as a regional centre for trading companies connecting buyers and sellers from all over the world. Mauritius could actually compete with Dubai for trading into Africa on the basis of its proximity but it needs to develop further on the logistics side.

BUSINESS MAGAZINE. Structured funding remains problematic for those who want to invest in Africa. How can we fill this gap?

I do not think that funding is a problem in Africa today. Investment into Africa is coming from all over the world; mainly from European multilateral institutions, the Chinese government or Chinese and Indian companies.

Funding may be a challenge in specific countries because of broader concerns with regards to political and macro-economic stability in some cases. However, we must also factor in the role of multilateral institutions that provide funding towards infrastructural projects as well as project financing to the private sector with long duration funding. Multilaterals such as Afreximbank, TDB and African Development Bank are all eager to invest in projects that are in line with their mandates.

Furthermore, large African corporates including the likes of Dangote or Ethiopian Airlines attract funding from the best global banks and financial institutions. In fact, multinational banks are quite active across the continent, with the French banks dominating francophone Africa and global players like Standard Chartered, Citi and Barclays operating across Africa. Chinese and Indian banks have also ramped up their presence recently and are playing a much bigger role in Africa.

Mauritian banks can be a party to such investment opportunities too either through syndicated lending or direct partnerships with local banks. I believe that Bank One is strategically positioned to benefit from such opportunities given that its shareholders, the CIEL Group and I&M Holdings, already own sizeable banking operations in Madagascar, Kenya, Rwanda and Tanzania; its companies providing access to those markets with the added advantage of local market insight.