What is the contribution of Mauritius to Africa?

As Mauritius seeks to forge a new path as a leading platform for trade and investments, what role is it playing in helping to build economic prosperity and growth on the continent?

While Mauritius consistently leads Africa on a number of indices, such as the World Bank's Doing Business Report and the Mo Ibrahim Index of Governance, amongst others, its contribution to the continent of Africa is not always well understood. In reality, the Mauritius International Financial Centre (IFC) is emerging as a leading platform to encourage trade, investments and capital raising to generate greater prosperity and growth for the African continent.

Promoting trade and investment ties

The Mauritian Government has a long history of promoting trade and investment ties with the continent as a member of the African Union. Mauritius is also one of the founding members of the Common Market for Eastern and Southern Africa (COMESA) and an early member of the South African Development Community (SADC), and has emphasised its desire to contribute towards the economic development of the African continent through trade.

Most recently, the announcement that the Mauritian Government and the Economic Development Board are spearheading a New Africa Strategy has not gone unnoticed. One of the aims of the new strategy is to establish a sound network of bilateral treaties with other African states, in addition to the existing Investment Promotion and Protection Agreements (IPPAs) and Double Taxation Avoidance Agreements (DTAAs) which are already in place.

Mauritian companies are already identifying opportunities to expand through exploring new avenues in Africa. Mauritian investors are already present in Madagascar, Seychelles, South Africa, Mozambique and Kenya, and Priscilla Balgobin-Bhoyrul, Barrister-at-law Balgobin Chambers adds "we have seen investment on the continent or a keen interest to do so from Mauritian companies operating in the banking, insurance, financial, logistics and Freeport operations sectors. Mauritius has been the flagbearer for the African continent as a model of stability and economic prosperity, good governance, economic freedom, standard of living and democracy, thus flying the African flag high."

In terms of other initiatives, the Mauritian Government set up the Mauritius Africa Fund to encourage domestic enterprises to invest in Africa, and committed to a maximum of MUR 500 million in the Fund over a period of five years. It also participates as an equity partner up to 10% of the seed capital invested by the Mauritian investors in projects targeted towards Africa.

Agreements with Ghana, Senegal and Madagascar, establishing Special Economic Zones (SEZ) in these countries to open up niche markets for Mauritius' export industries, have been approved. East Africa is receiving particular attention. Mauritian firms injected more than US$ 50 million into the Kenyan economy in 2016, through acquisitions and investments in Kenyan companies, indicating tightening economic links between Kenya and Mauritius. So far, 49 Mauritian companies have invested in 14 countries in mainland Africa, in a variety of sectors including agribusiness, banking, ICT and renewable energy.

Promoting an enabling environment for funds

There are reportedly a total of 968 funds with a GBL 1 licence in Mauritius, of which 466 are closed-end funds. An increasing number of funds are impact funds with a focus on Africa. In terms of assessing the long-term attractiveness of those funds towards the continent and being the preferred domiciliation for impact investment funds, Africa is home to a significant portion of the world's resources which are yet to be exploited, which explains why international businesses have elected to focus on Africa with a view to fostering their development initiatives in line with their respective strategies.

"It is no surprise that firms from around the world are increasingly using Mauritius to structure, coordinate and manage their investments into Africa; thus, enhancing our position as a tried, tested and trusted financial centre with substance. With the rise in Africa-based Private Equity funds and international Africa-focused Private Equity funds, we are also witnessing the emergence of a new class of companies with the sole purpose of providing exit to these funds," stated Ravneet Chowdhury, Bank One Chief Executive Officer.

It is understandable that some may have the view

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that abandoning Mauritius' tax advantages will reduce investment into Africa, but the review of the different DTAAs that Mauritius has with other countries needed to be done. "I strongly believe that Mauritius can do the same role to the benefit of African countries. I am struggling to understand that a US$ 13 billion GDP economy is impoverishing a US$ 2.3 trillion economy," adds Mathieu Mandeng.

Furthermore, Mr Chowdhury says, "currently, Mauritius has a network of agreements, comprising 23 signed IPPAs and 20 signed DTAAs with African states. The general view is that Mauritius has the most conducive enabling environment in Africa for Private Equity funds in terms of investment climate, perceived low political risk and availability of financial services providers backed by skilled professionals and enabling legal, regulatory and institutional frameworks."

Trusted partner for DFIs

According to Global Infrastructure Outlook, Africa needs to spend US$6.0 trillion by 2040 to bridge its infrastructure gap, which represents a shortfall of US$1.3 trillion based on current trends. Development Finance Institutions (DFIs), which represent 35% of external financing in infrastructure projects in Africa, can play a critical role in leveraging private funding.

The impact of DFIs is especially decisive in early-stage 'greenfield' projects characterized by a high degree of risk and uncertainty, and in which developers and commercial lenders are reluctant to invest. DFIs can also improve the social output of projects through a sustained emphasis on environmental, social and governance (ESG) criteria. "Projects financed by DFIs span across the underserved sectors of Africa that are not attractive

Ravneet Chowdhury

Ben Lim

to traditional Private Equity vehicles seeking superior returns in high growth and disruptive sectors such as information technology and financial services. For instance, DFIs conducted investments in the areas of agriculture, food security, renewable energy, infrastructure and education. These sectors are effectively the cornerstones towards building a sustainable future for Africa, while promoting inclusive growth," states Richard Arlove, Chief Executive Officer of ABAX.

DFIs, such as the World Bank Group and the AfDB, will continue to represent an important source of finance especially in lower-income countries and underfinanced sectors. "Perhaps, more important than their direct role in financing, DFIs have a unique ability to improve projects' bankability through the mitigation of sovereign risks and the improvement of business environment. If fully realized, this enabling capacity will have a determinant impact on the reduction of the infrastructure gap in Africa," says Ravneet Chowdhury.

DFIs, as agents of their respective government foreign development policy, look for jurisdictions that give them all the required comfort in terms of compliance and good governance, which is often not the case across many African countries. This is precisely where the Mauritius IFC intervenes. The fact that the Mauritius IFC is trusted and used by DFIs is a strong point in explaining the preferred position Mauritius is taking as a platform from where to invest in Africa.

Emerging role in capital raising

Mauritius sits in the nexus between Africa and Asia and the rest of the world and has long been regarded as the ideal platform for routing investments into the burgeoning sectors of countries in Africa. The next challenge for the country is to reinforce its position as a capital raising platform of repute, where the Stock Exchange of Mauritius is well poised to continue on its trend of broadening its product offering in order to meet the demand from investors and foreign companies. The economies of African countries are hungry for capital but at a reasonable cost and what is reasonable will depend on where and how the capital is deployed.

"Mauritius can certainly play the game in this connection but there needs to be a change in mindset regarding the facilitation which is required to attract international capital and expertise, without which the desire of the country to become the hub for capital raising initiatives for Africa-focused ventures will only be seen as a mirage. What we need to attract to our shores are the international players – brokers, fund managers, corporate finance specialists, merchant banks and so on, those who would help to fortify our ecosystem and elevate the profile of our jurisdiction," says Ben Lim, Chief Executive Officer of Intercontinental Trust Limited.

The profile of the jurisdiction for capital raising can also be reinforced in Africa through the promotion of sustainability initiatives according to Mathieu Mandeng. "In Mauritius, the development of the SEM Sustainability Index (SEMSI) which identifies companies listed on the Official Market or the Development & Enterprise Market demonstrating strong sustainability practices showcases the will of the authorities to position Mauritius as a sustainable jurisdiction. Based on the above, African countries would do well to emulate Mauritius by aligning themselves with the practices which take into account the sustainability equation," he comments.

Recognition of home grown opportunities

While the rules of the game have changed with the loss of preferential treatments in several sectors of the Mauritian economy, such as sugar and textiles,

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Priscilla Balgobin-Bhoyrul

"We need to sign economic and cooperation agreements with our African neighbours"

Richard Arlove

and recent changes impacting the global business sector, a number of foreign firms have elected to do business not only through but in Mauritius.

Examples of these are found in numerous sectors including hospitality, real estate, financial services and healthcare, where companies and investors have recognised that business operations in Africa can be smartly managed from a Mauritian base. This is due to a host of factors that have made Mauritius what it is today – political and social stability, independent judiciary – with the possibility to appeal to the Privy Council, efficient tax system, bilateral treaties, bilingual and highly skilled workforce, international standards of best practice in many business sectors and rigorous and yet flexible legal infrastructure.

What does the future hold?

"Mauritius can aspire to be the Jewel of Africa by diversifying from being Euro-centric and India-centric, becoming a maritime and air hub for Africa, shifting from an investment driven approach to an innovation driven approach and becoming an education hub for Africa" says Mathieu Mandeng. He argues that, in the same way that Mauritius leveraged on its Asian DNA and history to connect Asia to Europe and America, Mauritius can now leverage on its African heritage to connect Africa with Asia, Europe and America as "a vector of a shared prosperity".

Ravneet Chowdhury comments that, "Mauritian investments have made a tangible difference to the lives of people in Africa for decades. With the recent establishment of the Mauritius Africa Fund as a vehicle to generate funds for the development of Special Economic Zones in Africa, Mauritian investment on the continent will be fast expanding to new geographies and sectors."

"Mauritius could migrate best practice to other countries considering that it is ranked as the top African country in terms of good governance, business efficiency, infrastructure, regional integration and democracy. All these elements have enabled Mauritius to grow into an economic powerhouse that can help the growth of the African continent", highlights Mathieu Mandeng.

In terms of the road ahead, Richard Arlove believes, "First, to ensure a win-win situation for all parties, we need to sign economic and cooperation agreements with our African neighbours and not merely Double

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Taxation Avoidance Agreements (DTAAs) and Investment Promotion and Protection Agreements (IPPAs). Second, our Government must engage in real economic diplomacy, with people with the right skills on the ground. Third, I think that we should work in tandem with other business hubs on the continent – in the likes of Johannesburg, Nairobi, Abidjan, Accra, Lagos, Casablanca – so that we are seen as a facilitator to building growth on the continent rather than a revenue-grabbing competitor."

The ABAX CEO also highlights that the role that some Mauritian-born companies can play in Africa should not be overlooked, where their experience and skills have ample ground to flourish further. He says, "In my belief, to the exception of some of our bigger Groups, I do not see a lot of Mauritian SMEs looking to venture in Africa. In this respect, I would invite my local fellow entrepreneurs to scout Africa for opportunities because that is where our future lies. At ABAX, we have been doing just that for a number of years now, not only in Eastern and Southern Africa, but also as far as Abidjan, a fast-growing business hub in West Africa where we opened an office in 2017."

Considering that the huge opportunity in Africa is fragmented with many different trading blocs resulting in varying regulations on tax and currency controls, the Mauritius IFC can play a crucial role in allowing investors to access opportunities. Summing up, Mathieu Mandeng concludes: "Mauritius has one of the longest running and thriving banking and financial sectors. With its strong regulatory framework and its historical ties with Asia and Africa, the country offers a unique platform to facilitate trade and investment flows into the continent."