Private Equity: How Mauritius can deepen its status as the gateway to Africa

With the Mauritius International Financial Centre (IFC) having served as a long-standing investment hub for the region, Annabella Cesar of AfricInvest Global Manco explains why it may be high time for the jurisdiction to scale to the next level with stronger branding and clearer messaging to attract global pan-African funds to its shores.

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The Mauritius IFC has been the conduit for investment into Africa for more than two decades. Indeed, institutional investors, development finance institutions and fund managers regard Mauritius as a domicile of choice and repute for structuring cross-border investments into Africa. This is thanks to the country's robust legal and regulatory frameworks which includes a sophisticated banking system, highly skilled, client centric and multi-lingual local professionals, ease of doing business and a strong culture of compliance with international norms and standards.

Mauritius has therefore contributed to boost private investments in many African countries with positive results on job creation, reducing poverty, access to products and services and contributing to increasing tax collections in all the countries where the money of Mauritius incorporated funds has been deployed. In terms of figures, this translates to USD 82 billion of investments from Mauritius, USD 6 billion in terms of tax revenue for governments, and more than 4 million jobs supported for Africans, according to the report by Capital Economics for the Economic Development Board of Mauritius, issued in 2021.

Offering an alternative asset class to Mauritian institutional investors

Following reforms to the global business sector that aim to further enhance Mauritius' reputation as a jurisdiction of economic substance, we have witnessed the localisation of Private Equity (PE) managers.

With a local presence, these international PE firms are contributing to Mauritius' ecosystem.
At AfricInvest, we are proud to have on boarded our first Mauritian institutional investor in two of our funds. Such a move enables the Mauritian Limited Partner (LP) to invest in an alternative asset class - private equity funds in Africa with an African partner having local offices in North Africa, West Africa and East Africa staffed with local skilled professionals on the ground who understand the African environment. Also, by being part of the General Partner (GP) network, the Mauritian LP can take advantage of any potential strategic co-investment opportunities.

Advocacy role of International private equity

International PE funds are good ambassadors of Mauritius to the global business community. They bring renowned investors including leading DFIs to structure their investments via Mauritius; and through their long-standing, strong and close relationships with those DFIs, they proactively promote Mauritius as a jurisdiction of choice.

This was particularly vital when Mauritius was listed on the FATF list of enhanced monitoring and the EU list of high-risk third countries. At that time, European LPs were reluctant to further invest in Mauritius and some existing LPs performed enhanced due diligences on our funds.

For our venture capital (VC) fund, we had to set up another parallel vehicle based in the Netherlands in order to onboard an international European investor which had investment restrictions. This could only be possible thanks to the close collaboration between

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the Mauritius Financial Services Commission and the Dutch Authority for the Financial Markets (AFM). Having a Mauritian GP manage a European fund is a first in Mauritius as far as private equity is concerned. We believe that this model should be rolled out between Mauritius and other jurisdictions to further embed Mauritius within the most visible and reputable financial centers globally.

A best-in-class compliance culture

Mauritius' unflinching commitment towards adhering to global standards in tax matters, in combating money laundering and terrorist financing, other regulatory practices and economic substance is a testimony to the compliance culture embedded across the financial services sector.
At AfricInvest level, we have collaborated fully with the regulators during the onsite inspections and to improve our AML/CFT frameworks; even going the extra mile by internalising our compliance functions.

However, it is important to adopt a risk-based approach to avoid over-compliance which might handicap fund managers in their daily activities.

Strong branding and united front to take Mauritius IFC to next level

For Mauritius to maintain its competitive edge and be able to compete with global IFCs, it is vital that all the stakeholders (operators, regulators and promotional agencies) align their resources and competences to develop a cohesive branding strategy to convey a strong message to the global business community about the soundness, repute, and substance of our jurisdiction. This can be achieved via international conferences, financial road shows, and, most importantly, high level strategic meetings with renowned DFIs and international regulators.

Mauritius should also take advantage of the local presence of many global pan-African funds to promote potential local investments enabling off shore structures to play an on shore role to further contribute to the development of the local economy, create substance and integration with the African continent.