

## AFRICA RISK CONSULTING

### Mauritius Monthly Briefing May 2025

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#### Mauritius Summary 27 May 2025

*The alleged unlawful employment and termination of 1,463 workers by the Local Government Service Commission (LGSC) sparks controversy about Mauritian employment and electoral law, with some individuals alleging that the employment of these individuals was an attempt by the previous government to secure votes. Mauritius' real estate industry attracts significant foreign direct investment (FDI) in 2024, highlighting its strategy of trying to attract high net worth individuals. Mauritius and the United Kingdom (UK) finalise and sign a deal on the Chagos Islands. While the closure of the deal is celebrated, Chagossians try launch a last minute legal case, reporting they were left out of the negotiation process.*

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#### Employment of individuals before elections sparks controversy

In the week of 12 May, the **Local Government Service Commission (LGSC)** terminated 1,463 employees that the former administration had employed shortly before the national general elections in November 2024, raising suspicions over the timing of their employment and whether these employment opportunities were an empty election campaign promise by the former administration. The media has further questioned if these employment opportunities were a way for the former administration to try and indirectly 'buy' votes, especially considering that employment and the cost of living were big voter issues in the election.<sup>1</sup> As a consequence, the media and terminated individuals are seeking to understand what the electoral law stipulates about such drastic actions being taken shortly before elections and if their dismissal now is legal.

In addition, while the LGSC claims that it did legally adhere to all requirements before hiring the individuals, the former employees and the media have asked why a government institution would hire individuals without a clear employment timeline shortly before national elections. This development has taken place against the background of the former administration's now very public corruption scandals which has given impetus to the argument that the former administration was seeking to buy votes.

Another area of concern raised is if employment law was correctly followed during the hiring and termination processes.<sup>2</sup> To hire an individual, the LGSC must first publish the vacant position before pursuing the recruitment process with potential employees, which includes an interview. However, some individuals have reported that they did not apply to any vacant positions as posted on the LGSC website or did not follow the complete interview process.<sup>3</sup>

Some lawyers have defended the LGSC, noting that employment law is a highly complex field with various regulations and statutes, while other political figures such as opposition **Parti Réformiste** leader **Rosho Bhadain**, urging the dismissed individuals to seek redress from the supreme court, arguing that their employment and termination is unlawful.<sup>4</sup>

These individuals' allegations against the government for unlawful employment shortly before the election points to serious flaws in the Mauritian electoral process. The non-governmental organisation, **Democracy in Africa**, noted worrying trends in its study of the 2019 general elections,

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<sup>1</sup> Mauritius Times, 23 May 2025

<sup>2</sup> Mauritius Times, 23 May 2025

<sup>3</sup> Mauritius Times, 23 May 2025

<sup>4</sup> Mauritius Times, 23 May 2025

reporting that unlawful payments were distributed to secure votes.<sup>5</sup> This ties in with **Afrobarometer**'s studies which found increasing public distrust in the electoral commission and the free press.<sup>6,7</sup>

Although no court case has yet ruled whether the hiring and firing of the individuals was lawful, these incidents form part of a long term trend of dishonesty and bribery in Mauritian elections, which poses a serious risk to political stability over the longer term and reinforces concerns over public distrust.

### Real estate industry sees 13% growth in 2024

**Bank of Mauritius (BoM)** (central bank) released its preliminary gross direct investment flows report on 29 April, highlighting that real estate was the major recipient of gross direct investment inflows in 2024, increasing 13% from \$461m in 2023 to \$530m in 2024. Mauritius has worked hard to shed its reputation as a tax haven while also diversifying the economy beyond tourism, as the government desperately needs to do. One way in which the government has tried to do this, is by attracting high net worth individuals to Mauritius, making the country one of the world's fastest-growing wealth markets.<sup>8</sup>

Historically, Mauritius has been strongly associated with the financial services sector and earned a reputation as a tax haven due to its tax friendly policies. As a consequence, the island has become known for hosting an array of shell companies, bolstering this reputation as a tax haven.<sup>9</sup> Although the country has come a long way to change this reputation, global perceptions still exist as 2.3% of global tax haven flows passed through Mauritius in 2024 and it is still one of the most competitive tax jurisdictions in the world, with top personal income tax at 20%, no capital gains or inheritance taxes, and a flat 15% corporate tax rate.<sup>10 11</sup>

One of the country's initiatives to attract high net worth individuals was to provide golden visas which grants residency to foreigners who purchase a property of at least \$375,000 in a designated development area and invest a minimum of \$50,000 in a business.<sup>12</sup> As a consequence, demand for Mauritius' luxury properties continues to soar. In 2024, acquisitions of properties totalled Rs18.6 billion (\$398m), a significant increase from Rs13.9 billion (\$297m) in 2023.<sup>13</sup> The acquisitions of properties contributed significantly to foreign direct investment (FDI), leading to the 13% increase in the real estate industry's FDI in 2024.

However, the attraction of high net worth individuals and their business has also received criticism, with concern that the strategy could further exacerbate existing social divisions – the attraction of millionaires, development of luxury real estate and holiday resorts does not necessarily equate to evenly developed infrastructure across the country and in many parts of the country, especially non-tourists areas, infrastructure such as roads remains underdeveloped.<sup>14</sup> It is also unclear if this strategy will generate enough high income jobs for local Mauritians. Highly educated Mauritians have increasingly started to leave the island in search of better job opportunities abroad which leaves the government needing to attract manual labour from abroad, especially to work in the hotel industries.<sup>15</sup> This has led to the country facing a serious risk of 'brain drain'.

Apart from the potential drawbacks of this strategy, other risks to the success of the strategy include the wariness around the island's financial regulations and its ability to enforce these regulations,

<sup>5</sup> Democracy in Africa, 2024

<sup>6</sup> Afrobarometer, 9 Oct 2024

<sup>7</sup> Afrobarometer, 4 Oct 2024

<sup>8</sup> Bloomberg, 20 May 2025

<sup>9</sup> Bloomberg, 9 Mar 2023

<sup>10</sup> Tax Justice Network, 2025

<sup>11</sup> Bloomberg, 20 May 2025

<sup>12</sup> Bloomberg, 20 May 2025

<sup>13</sup> Bloomberg, 30 Apr 2025

<sup>14</sup> Bloomberg, 20 May 2025

<sup>15</sup> Afrobarometer, 4 Dec 2024

especially in light of the financial scandals involving former prime minister **Pravind Jugnauth** (2017-2024) and former finance minister, **Renganaden Padayachy**.<sup>16</sup>

### The Chagos Islands deal is finalised and signed

The **United Kingdom (UK)** and Mauritius finalised and signed an agreement for the **Chagos Islands** on 22 May after nearly three years of negotiations and a change of leadership in both the UK and Mauritius.<sup>17</sup> These islands are strategically important to both the UK and **United States (US)** due to its close location to **India**, east **Africa** and the **Middle East**. The deal includes annual payments from the UK to Mauritius for the 99 year lease of **Diego Garcia**, the biggest island which hosts the joint UK-US military base, as well as a surrounding buffer zone where no infrastructure can be built without the consent of the UK.<sup>18</sup>

The UK is mandated to pay Mauritius \$136m annually with the net cost of the lease adding up to \$4.6 billion, adjusted for inflation.<sup>19</sup> The UK's opposition has criticised UK prime minister **Keir Starmer** (2024-present) for the deal, calling the leased price too expensive amid the UK's cost of living crisis.<sup>20</sup> However, Starmer has argued that there are no alternative and it is a small price to pay to enforce national security.

However, others have argued that Mauritius might be walking away with less in the deal than portrayed. Mauritius' GDP is roughly \$15 billion, making the annual price of the deal less than 1%.<sup>21</sup> The islands are worth more considering the significance of the base to both the UK and US as well as its geopolitical importance, an analysis that is further supported by the timing of the deal - UK defence secretary **John Healey** noted that without the deal, the military base would have become inoperable within a few years due to the legal challenges over the sovereignty of the island.<sup>22</sup>

Chagossians have also been critical of the deal, arguing that they had no voice in the negotiations. In fact, a group of Chagossians brought forth a legal case in the early hours of 22 May, hours before the deal was due to be signed, arguing that they were not properly consulted during the negotiations.<sup>23</sup> A judge dismissed the case citing that the public interest and interests of the UK would be prejudiced by the case. Although in support of Chagossians, Healey said the UK will finance a \$54m trust fund for Mauritius to support the relocation of Chagossians. The lease agreement stipulates that Chagossians are allowed to relocate to the islands but are not permitted to settle on Diego Garcia.

US secretary of state **Marco Rubio** publicly approved the deal after it was concluded by congratulating the UK and Mauritius for their leadership and vision to ensure Diego Garcia remains fully operational. Similarly, prime minister **Navin Ramgoolam** (2024-present), welcomed the deal by saying the finalised deal symbolised the completion of the decolonisation process by recognising the sovereignty of the Chagos Islands.<sup>24</sup>

### Planner

Jun 2025 (**Mauritius**) Budget

### Chronology

23 May 2025 **Port Louis (Mauritius) NDTV World. India** congratulates **Mauritius** on its successful deal with the **United Kingdom** over the **Chagos Islands**;

<sup>16</sup> Bloomberg, 22 May 2025

<sup>17</sup> Bloomberg, 22 May 2025

<sup>18</sup> Bloomberg, 22 May 2025

<sup>19</sup> Business Insider Africa, 22 May 2025

<sup>20</sup> The Guardian, 22 May 2025

<sup>21</sup> ARC source, businessman, London

<sup>22</sup> AP News, 23 May 2025

<sup>23</sup> The Guardian, 22 May 2025

<sup>24</sup> Al Jazeera, 22 May 2025

22 May 2025 **Port Louis (Mauritius)** *Travel and Tour World*. **Emirates** and **Air Mauritius** renew their partnership which includes an enhanced reciprocal codeshare agreement, joint frequent flyer program benefits and coordinated cargo handling services;

22 May 2025 **Port Louis (Mauritius)** *Government Information Services*. A **Namibian** delegation led by Namibia's deputy finance minister, **Justus Mwafongwe**, visits the **Independent Review Panel** to explore the best practices of Mauritius's public procurement institutions;

21 May 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. Foreign affairs minister **Dhananjay Ramful** leads the Mauritian delegation at the 24<sup>th</sup> Meeting of the **Indian Ocean Rim Association (IORA) Council of Ministers**;

19 May 2025 **Port Louis (Mauritius)** *Le Mauricien*. **Financial Crimes Commission** questions former **Local Government Service Commission** chairman **Bhanoodutt Beeharee** as part of an ongoing investigation into alleged irregularities in recruitment practices within various district councils;

13 May 2025 **Port Louis (Mauritius)** *Le Mauricien*. Government announces it will present the 2025/2026 budget on 5 June in the national assembly, the first budget under the new **Alliance du Changement** administration;

13 May 2025 **Port Louis (Mauritius)** *US Embassy Mauritius*. **United States (US) Department of State's Bureau of African Affairs** senior official **Troy Fitrell** meets with financial services and economic planning minister **Jyoti Jeetun**, to discuss how to bolster the Mauritian economy through financial services and US investment;

12-13 May 2025 **Vienna (Austria)** *Ministry of Foreign Affairs*. Foreign affairs minister **Dhananjay Ramful** attends the **Small Island Developing States (SIDS) Summit** of the **Organisation of the Petroleum Exporting Countries (OPEC) Fund**;

30 April 2025 **Port Louis (Mauritius)** *Bloomberg*. Mauritius declares 30 April a Bank holiday and the stock exchange suspends trading because meteorological services warns of torrential rainfall;

28 Apr 2025 **Port Louis (Mauritius)** *Le Mauricien*. The **Financial Crimes Commission** is questioning **Mercantile and Maritime Group** director **Kareena Neisius** in an investigation into the awarding of a contract by the **State Trading Corporation** for the supply of petroleum products to Mauritius from August 2023 to July 2024.

### About Africa Risk Consulting:

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