

AFRICA RISK CONSULTING

Mauritius Monthly Briefing April 2025

Mauritius Summary 25 April 2025

Mauritius continues to face political turmoil as former finance minister Renganaden Padayachy is arrested for a second time on 10 April on charges of embezzlement. Although it is unclear if he is guilty, the use of the judiciary against former political opponents is becoming a trend in the country. The International Monetary Fund (IMF) releases its 2025 Article IV Consultation, which gives a moderate outlook on the country's economy. However, the report overlooks critical aspects of the economy such as structural corruption and recent reputational damage. The Chagos Islands deal inches towards a close. Mauritius denies that the runway on Agaléga is militarily orientated, maintaining that foreign countries cannot use its territory for military purposes.

Political turmoil with former finance minister continues

Former finance minister **Renganaden Padayachy** and former **Bank of Mauritius (BoM)** (central bank) governor **Harvesh Seegolam** were arrested and charged for the second time on 10 April over alleged embezzlement and theft from state company **Mauritius Investment Corporation (MIC)**.¹ Both Padayachy and Seegolam strongly deny any wrongdoing regarding the alleged Rs 300m (\$6.70m) embezzlement from the MIC, which was set up to help companies deal with the impact of the **Covid-19** pandemic. The arrests of Padayachy and Seegolam are related to accusations by prime minister **Navinchandra Ramgoolam** (1995-2000; 2005-2014; 2024-present) that the previous administration falsified **Mauritius'** financial and economic data (see *ARC Briefing Mauritius Nov 2024*).²

Padayachy's party, the **Mouvement Socialiste Militant (MSM)**, has strongly criticised his arrest, saying that the new government, led by opposition party **Parti Travalliste (Ptr)**, is using the judiciary to neutralise opposition parties.³ The MSM accused the new government of having a vendetta against the former prime minister, MSM leader **Pravind Jugnauth** (2017-2024). Although the MSM's concerns about the new government attacking opposition parties appear to be valid, there is insufficient evidence to back up its claim.

The prosecution of a previous prime minister is becoming a trend in Mauritian politics. Ramgoolam was prosecuted in 2015, after his term ended in 2014, for alleged money laundering and obstruction of justice.⁴ Regardless of the validity of the allegations, this points to a medium- to long-term political risk in Mauritius, whereby the two political dynasties, the Ramgoolams and Jugnauths, are in opposition and creating political volatility through their rivalry.

Padayachy was also arrested on 15 February on allegations of money laundering (see *ARC Briefing Mauritius Jan; Feb 2025*). While these arrests are highly unlikely to cause political instability, they affect Mauritius' ratings on **Transparency International's Corruption Perceptions Index**.

Some foreign investors have also expressed concern over how the escalating accusations of corruption could affect Mauritius' reputation as a safe investment and banking destination.⁵ To

¹ Reuters, 10 Apr 2025

² Reuters, 14 Apr 2025

³ Times of India, 22 Apr 2025

⁴ Africa Briefing, 22 Apr 2025

⁵ Times of India, 22 Apr 2025

support this, former financial services and good governance minister **Roshi Bhadain** has warned that banking and investment are important sectors for Mauritius to grow, because its economy cannot continue to rely on agriculture and tourism.⁶ With financial and insurance activities contributing the most gross value added (GVA) to gross domestic product (GDP), at 13% for 2024, it is important for Mauritius to maintain this high level of GVA from financial services.⁷ As Bhadain notes, this is one of the few tertiary sector services that not only contributes significantly to the economy but also to Mauritius' reputation as a high-level economy.

While Mauritius suffers only reputational damages due to the corruption scandals in the short term, it faces deeper challenges in the medium to long term with political volatility.

IMF downgrades economic growth rate

The **International Monetary Fund (IMF)** hosted a mission to Mauritius from 31 March to 11 April to conduct its 2025 **Article IV Consultation**, which produced a moderate account of the country's economy but decreased the economic growth rate in 2025 to 3.0% from 4.7% in 2024.⁸ The lower projected economic growth is largely attributed to easing tourism activities and the severe drought, supporting Roshi Bhadain's argument (see above) that Mauritius cannot continue to heavily rely on tourism to support the economy.⁹

IMF mission head **Mariana Colacelli** noted that the IMF expects Mauritius' fiscal deficit to further widen in 2025 to 6.6% of gross domestic product (GDP) from 4.5% in 2024.¹⁰ Colacelli notes that to open up fiscal space, the government needs to consider implementing a medium-term growth-friendly fiscal consolidation plan, to reduce current spending, boost tax revenue and strengthen fiscal governance.

The Article IV Consultation also warned against the government's intended plan to add expenditure of Rs21 billion (\$472m) for the 2025/26 fiscal year, as part of the 2024/25 budget which also allocated Rs290 billion (\$6.3 billion) for expenditure in 2024/25.¹¹ The additional spending in the budget will primarily go towards social spending, such as education and pensions. While the government needs to prioritise education and pensions, it also needs to tighten fiscal spending so as not to further increase debt, especially in light of global conditions, including higher uncertainty in trade and financial markets, uncontrollable factors that are highly likely to dampen economic growth.

Although fiscal consolidation is important, it may not be feasible for the government to drastically decrease fiscal expenditure. The new **Alliance du Changement** government strongly campaigned on relieving the cost of living crisis for Mauritians. In the build-up to the 2024 elections, Mauritians expressed concern over the increased cost of living, leading the Alliance du Changement to promise to reduce living costs, to increase pensions and fuel subsidies, and to introduce free transport and internet services.¹² The coalition government needs to reduce spending but also deliver on the promises it made to the electorate.

While the Article IV Consultation places strong emphasis on the need for Mauritius to expand its financial sector, the report fails to mention reputational damage to its political stability and financial integrity with recent corruption scandals and the redomiciliation of companies (see *ARC Briefing Mauritius Mar 2025*). It gives a broadly positive overview of Mauritius' economic situation and makes feasible recommendations, considering Mauritius to have full credibility in its financial systems and the execution of financial law because it adheres to all technical requirements. However, the report fails to incorporate measures for practical enforcement and address deeper structural problems.¹³

⁶ Africa Briefing, 22 Apr 2025

⁷ [Statistics Mauritius](#), Dec 2024

⁸ [IME](#), 11 Apr 2025

⁹ Africa Briefing, 22 Apr 2025

¹⁰ Republic of Mauritius, 12 Apr 2025

¹¹ Bloomberg, 12 Apr 2025

¹² VoA, 9 Nov 2024

¹³ Republic of Mauritius, 12 Apr 2025

Is Mauritius becoming a vassal state?

A deal between the **United Kingdom (UK)** and Mauritius over the sovereignty of the **Chagos Islands** is inching closer as **United States (US)** president **Donald Trump** (2025-present) gives his consent to the deal.¹⁴ Trump's approval is needed because the US and UK have a joint military base on the largest island, **Diego Garcia**. Although details of the deal are not yet public knowledge, such as the annual fee the UK will pay to Mauritius, what is known is that Diego Garcia will be leased to the UK under a 99-year lease, with the possibility of extending it for a further 40 years.¹⁵

Mauritius is at the centre of global geopolitical tensions between the US and **China** (see *ARC Briefing Mauritius Mar 2025*). US acceptance of the deal is thus largely motivated by geopolitical considerations. As tensions between the Trump administration and **Iran** escalate, the US reportedly sent six B-2 bombers to Diego Garcia at the beginning of April, to back the US military presence near the **Middle East**. Experts speculate that these aircrafts, which are heavy strategic bombers, are moved to Diego Garcia either to bomb Iran's nuclear facilities or to use as military ammunition against the Iran-backed **Houthi** rebels in **Yemen**, which continue to attacks US vessels in the **Red Sea** (see *ARC Briefing Egypt Apr 2025*).^{16 17} While the US was initially critical of the deal, its geopolitical priorities have shifted in the midst of increasing tensions in the Middle East.

Domestically, critics of the Chagos Islands deal argue that Mauritius is facing the possibility of becoming a vassal state with the US-UK military base on Diego Garcia and the **Indian** base on **Agaléga**.¹⁸ While Mauritius and India deny that the runway built on Agaléga by India is a military base, critics claim that the runway was built to support India's military presence in the **Indian Ocean Region (IOR)**. There are also fears and accusations that once the sovereignty of the Chagos Islands reverts to Mauritius, Mauritius will allow China to build a base on one of the remaining 60 islands. Mauritius' foreign minister, **Dhanajay Ramful**, has denied these accusations, stating that Mauritius is not **Djibouti**, which hosts several military bases for foreign countries.¹⁹

India plays a significant role in Mauritius' military and security. As the Mauritian government argues, giving India a foothold in Agaléga makes sense, given that Mauritius' national security advisor is Indian and its coastguard ships are provided and equipped by India. Additionally, Mauritius will need India's military support in the face of increasing geopolitical tensions in the IOR. Mauritius has not actively demonstrated that its territory is militarily available to foreign countries and is showing no signs of becoming a vassal state.

¹⁴ The Guardian, 1 Apr 2025

¹⁵ BBC, 1 Apr 2025

¹⁶ Middle East Eye, 28 Mar 2025

¹⁷ CNN, 2 Apr 2025

¹⁸ The Economist, 3 Apr 2025

¹⁹ The Economist, 3 Apr 2025

Planner

May 2025 **(Mauritius)** Municipal elections

Chronology

22 Apr 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. The Construction Price Index increases to 144.3 in the first quarter of 2025, a 1.9% increase from the fourth quarter of 2024 where it stood at 141.6;

18 Apr 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. **Comoros** foreign affairs minister **Mbae Mohamed** pays a courtesy call on his Mauritian counterpart, **Dhanajay Ramful**;

17 Apr 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. Junior minister of foreign affairs **Hambyrajen Narsinghen** and trade policy deputy director **Danandjay Luximon** virtually attend the 16th meeting of the **African Continental Free Trade Area (AfCFTA) Council of Ministers of Trade**;

17 Apr 2025 **Mahé (Seychelles)** *Ministry of Foreign Affairs*. Mauritius' minister of foreign affairs, **Dhanajay Ramful**, leads the Mauritian delegation at the 39th session of the **Council of Ministers of the Indian Ocean Commission (IOC)**;

17 Apr 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. Trade statistics for February 2025 reveal a trade deficit of Rs 14.070 billion (\$311m), significantly lower than January's trade deficit of Rs 16.850 billion (\$373m);

14 Apr 2025 **Port Louis (Mauritius)** *Bank of Mauritius*. **Bank of Mauritius (BoM)** (central bank) intervenes on the domestic foreign exchange market and sells \$10m at a rate of Rs45.00/USD;

14 Apr 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. Foreign affairs minister **Dhanajay Ramful** holds bilateral meetings with **European Union (EU)** ambassadors to further collaborate and strengthen bilateral relations;

14 Apr 2025 **Port Louis (Mauritius)** *European External Action Service*. **European Union (EU)** delegation visits **Mauritius** for its first partnership dialogue to promote development cooperation, financial governance and investment, maritime and port security, sustainable fisheries and regional integration;

28 Mar 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. **Statistics Mauritius** announces that unemployment in the fourth quarter of 2024 stood at 565,300, representing 5.8% unemployment, up from the third quarter of 2024 where 560,700 individuals were unemployed with an unemployment rate of 5.9%;

About Africa Risk Consulting:

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