

AFRICA RISK CONSULTING

Mauritius Monthly Briefing March 2025

Mauritius Summary 25 March 2025

India's prime minister Narendra Modi (2014-present) visits Mauritius on 11 and 12 March to celebrate Mauritius' 57th Independence Day but also to bolster India's bilateral ties with Mauritius. Mauritius decides to take a new monetary policy direction by introducing performance-based budgeting for public finances which requires that the amount of public funds allocated to ministries or government programme be dependent on its performance and achievements. African Rainbow Capital Investments announces plans to redomicile to South Africa from Mauritius, potentially impacting Mauritius' ease of doing business reputation.

Walking a tightrope

India's prime minister **Narendra Modi** (2014-present) visited **Mauritius** on 11 and 12 March to celebrate Mauritius' 57th Independence Day and strengthen bilateral ties between India and Mauritius, specifically through strategic engagements and focusing on ties in the **Indian Ocean Region (IOR)**.¹ In terms of strategic engagements, Modi and the prime minister **Navinchandra Ramgoolam** (2024-present) jointly inaugurated several projects funded by India during his visit, including a **Civil Service College** and the **Area Health Centre**.²

Both prime minister also oversaw the signing of memoranda of understanding (MoU) addressing cooperation in trade. Modi's visit to Mauritius also indicated the importance of Mauritius for India in the IOR, with India specifically using its close ties with Mauritius to counter **China's** growing influence in the region.³ India supports Mauritius militarily with an airforce base on **Agaléga Island**, but also signed a technical agreement during Modi's latest visit to share white-shipping information to improve maritime security cooperation between the two countries.⁴

India's military support for Mauritius forms part of India's **Security and Growth for All in the region (SAGAR)** foreign policy strategy, whereby India aims to play a pivotal role as a net security provider in the IOR.⁵ Mauritius plays an important role in India's SAGAR strategy not only to offset China's rising influence in the region, but also because of Mauritius' geopolitical importance of linking trade routes between **Europe**, Africa and **Asia**.⁶ To preserve this strategically important trade route, India and Mauritius agreed to the **Joint Vision for an Enhanced Strategic Partnership** on 12 March which entails increasing maritime cooperation by deploying more ships and aircrafts for joint maritime surveillance to secure Mauritius' exclusive economic zone.⁷

This places Mauritius in a precarious position whereby the country is in the middle of a power play between China, India and the **United States (US)** through the joint **United Kingdom (UK)**-US military base on the **Chagos Islands** which is in the process of being returned to Mauritius. The UK's handover of the Chagos Islands to Mauritius has become a geopolitical power struggle in the IOR with the US not wanting the islands, on which the joint military base is, to belong to a country which is allegedly closely aligned to China (*see ARC Briefing Mauritius Feb 2025*). Although the US is not

¹ The Economic Times, 11 Mar 2025

² The Economic Times, 11 Mar 2025

³ NDTV, 11 Mar 2025

⁴ NDTV, 11 Mar 2025

⁵ The Diplomat, 1 Aug 2024

⁶ The Diplomat, 15 Mar 2025

⁷ The Diplomat, 15 Mar 2025

attempting to tighten its relationship with Mauritius, India and China are increasing its investments and operations with Mauritius to maintain the strategic relationship both countries have with Mauritius in terms of trading routes.⁸

In the short to medium term, Mauritius is likely to play an increasingly important part in the geopolitics of the IOR, especially with the unfinished Chagos Islands deal, but also because of China's rising influence in the region and other countries, such as India, attempt's to counter this influence. Mauritius has to carefully balance its relationships going forward - India and China are important considering the military, economic and investment opportunities it enjoys, but it also needs to balance its relationship with the US and UK to ensure a smooth hand over of the Chagos Islands.

New monetary policy direction

President **Dharambeer Gokhool** (2024-present) submitted an amendment to the **Finance and Audit Act** to parliament on 19 March, aiming to introduce performance based-budgeting (PBB) after a December 2024 audit revealed Mauritius' public finances were in a worse than expected state.⁹ The amendments to the act are expected to increase fiscal accountability and transparency as the new budgeting system will aim to link public funds with the results, meaning that a government department or programme will not automatically receive funding regardless of the project outcome or performance.

This is a significant monetary policy shift for Mauritius. The **Organisation for Economic Co-operation and Development (OECD)** noted that most of its member countries have adopted some form of PBB with it becoming an increasingly popular manner to organise public funds.¹⁰ The OECD's research supports the rationale of the government, in that PBB facilitates systematic oversight by the legislature and civil society because the annual budget automatically contains information about performance targets and the level of achievement.¹¹

Considering the concerning results of the audit in December 2024, which caused the government to decrease its economic growth estimates for 2024 from 6.5% to 5.1% and revealed public sector debt was 4% higher than expected at \$13 billion, this monetary policy adjustment is a step in the right direction. Former prime minister **Pravind Jugnauth** (2017-2014) and the former **Bank of Mauritius** (central bank) governor **Harvesh Kumar Seegolam** have been arrested on allegations of corruption, with the evidence allegedly found in the December 2024 audit results (*see ARC Briefing Mauritius Feb 2025*). The introduction of PBB is a critical mechanism to prevent such alleged wrong-doing in the future. Additionally, such measures are also important to restore Mauritius' reputation on international indexes such as **Transparency International's Corruption Perception Index (CPI)**.

TI CPI Rankings for Mauritius ¹²					
	2024	2023	2022	2021	2019
Ranking	56/180	55/180	57/180	49/180	56/176
Score	51	51	50	54	52

However, initiatives such as these need to be implemented with managed expectations, as the OECD rightly notes that initial PBB implementations disappoint in comparison to initial expectations.¹³ The reason is that each country needs to ensure that the PBB is customised according to its own approaches and experiences. As a consequence, country's that persist with the PBB strategy and

⁸ [Big Take Asia](#), 11 Mar 2025

⁹ [Bloomberg](#), 3 Mar 2025

¹⁰ [OECD](#), 10 May 2019

¹¹ [OECD](#), 10 May 2019

¹² Source: Transparency International's [Corruption Perception Index](#). Countries with a low score, nearer to zero, are calculated to be more corrupt than countries with a high score, nearer to 100

¹³ [OECD](#), 10 May 2019

adjust it according to its own needs are likely to find this approach a success in the medium to long term. Therefore, it is important that the government accepts advice from international bodies such as the OECD on how to successfully implement such strategies, but also to persist with the PBB despite initial results in the short term.

African Rainbow Capital Investments redomicile from Mauritius to South Africa

African Rainbow Capital Investments (ARC Investments) announced on 18 March that it is going to redomicile to **South Africa**, citing that its initial strategy of domiciling in Mauritius to attract offshore investors and facilitate investment outside of South Africa did not materialise as expected.¹⁴ Additionally, ARC Investments noted that the cost to operate in Mauritius has become increasingly expensive.

While one company deciding to redomicile back to South Africa from Mauritius is unlikely to have a significant impact on the Mauritian economy, it could send strong signals to other international investment companies considering that ARC Investments is backed by one of Africa's billionaires, **Patrice Mostepe**.¹⁵ Additionally, ARC Investments announcement comes at a troubling time in Mauritian politics with Juganuth, Seeoglam and former finance minister **Renganaden Padayachy** under investigation by the police for alleged money laundering and tampering with public finances.¹⁶ Instances such as these are particularly damaging for Mauritius' reputation as a business-friendly environment but also for the economy which is dependent on offshore investments.

While ARC Investments cite the cost of business in Mauritius as increasing overtime, Mauritius has historically had a reputation for being an easier and more affordable country to start a business – the **World Bank's Doing Business Index** in 2020 cited Mauritius as the more affordable destination to start a business with fewer regulations than South Africa.¹⁷ Mauritius was ranked 13th of 190 countries with a score of 81.5 out of 100, with 100 hundred representing ease of doing business and zero difficulty of doing business, while South Africa was ranked 84th with a score of 67.¹⁸

Yet, ARC Investment's decision to redomicile is an action the Mauritian government must take seriously. If the alleged money laundering cases against senior public officials and the consequences on the economy are not managed carefully, it is likely to affect businesses' trust in the government in the medium to long term. However, Mauritius seems to be on the right track with the immediate arrest of the senior public officials and the introduction of the performance-based budgeting, but the government would need to continue with such efforts and follow through with newly introduced initiatives.

Planner

May 2025 (**Mauritius**) Municipal elections

Chronology

24 Mar 2025 **Port Louis (Mauritius)** *Le Mauricien*. The ruling **Alliance du Changement** is preparing for upcoming municipal elections in May 2025, by starting to divide the parties and representatives according to districts and cities;

24 Mar 2025 **Port Louis (Mauritius)** *Bank of Mauritius*. The **Bank of Mauritius (BoM)** (central bank) intervenes in the domestic market by selling \$15m at a rate of Rs45.60/USD;

21 Mar 2025 **Port Louis (Mauritius)** *Statistics Mauritius*. The **Quarterly Index of Industrial Production** of Q4 2024 reveals that the industrial sector grew with 14.1 percentage points from 102.4 in Q3 2024 to 116.7;

¹⁴ News24, 18 Mar 2025

¹⁵ News24, 18 Mar 2025

¹⁶ BBC, 17 Feb 2025

¹⁷ World Bank [Doing Business](#), 2025

¹⁸ World Bank [Doing Business](#), 2025

13 Mar **Port Louis (Mauritius)** *Bank of Mauritius*. The **Bank of Mauritius (BoM)** (central bank) and **Reserve Bank of India** signs a memorandum of understanding (MOU) for the establishment of a framework to promote the use of Mauritian and Indian currencies for cross-border transactions;

10 Mar 2025 **Port Louis (Mauritius)** *Reuters*. **India's** prime minister **Narendra Modi** expresses his support for Mauritius' sovereignty over the **Chagos Islands**;

2 Mar 2025 **Port Louis (Mauritius)** *Le Mauricien*. **Financial Crimes Commission (FCC)** launches an investigation into the **Mauritius Tourism Promotion Agency (MTPA)** for the misuse of a public body's resources;

28 Feb 2025 **Port Louis (Mauritius)** *Reuters*. Mauritius re-opens **Sir Seewoosagur Ramgoolam International Airport** after two days of being closed due to the **Cyclone Garance**;

27 Feb 2025 **Washington (United States)** *Reuters*. President **Donald Trump** comments that he is likely to accept the **Chagos Island** deal between the **United Kingdom (UK)** and **Mauritius**;

26 Feb 2025 **Port Louis (Mauritius)** *News24*. National carrier **Air Mauritius** says **Sir Seewoosagur Ramgoolam International Airport** has been shut down following a class 3 cyclone alert;

About Africa Risk Consulting:

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