

AFRICA RISK CONSULTING

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Mauritius is embroiled in another financial scandal. United States (US)-based short-seller Hindenburg Research accuses the Adani Group, owned by Indian billionaire Gautam Adani, of using a series of shell companies, with 38 of these registered in Mauritius, to manipulate stock prices. The African Development Bank (AfDB) publishes its assessment report on 15 February of Mauritius' public procurement system, concluding that substantial progress has been made, but several areas still require improvement. US-headquartered human rights group Human Rights Watch releases a report on 15 February accusing the US and United Kingdom governments of crimes against humanity when establishing a US military base on Diego Garcia Island, which forms part of the disputed Chagos archipelago.

Mauritius embroiled in yet another financial scandal

Mauritius has been embroiled in another financial scandal. **United States (US)** short-seller **Hindenburg Research** has accused the **Adani Group**, owned by **Indian** billionaire **Gautam Adani**, of using a series of shell companies, with 38 of these registered in **Mauritius**, to manipulate stock prices.¹ The scandal has attracted negative media coverage for the island and its financial services. Good governance minister **Mahen Kumar Seeruttun** was forced to address the allegations in an interview on 11 February, stating that the financial services regulator, **Financial Services Commission (FSC)**, had reviewed the allegations and found no breach of local regulations.

The FSC began the process of checking compliance on the 38 entities and 10 funds registered in Mauritius between 1996 and 2012 shortly after the scandal broke on 24 January. The FSC confirmed that it carried out normal inspections on funds linked to the Adani Group between 2020 and 2021 and that the conglomerate was compliant.²

Seeruttun travelled to India on 6 February for a week-long mission to attract additional investment to Mauritius and confirmed that Mauritius would cooperate with India on the matter, noting that the FSC has been providing information to the **Securities and Exchange Board of India**. Seeruttun, who was questioned regarding the scandal several times during the visit, maintained that Mauritius is not a tax haven, does not have shell companies, and that it adheres to financial regulations set out by **France**-headquartered **Financial Action Task Force (FATF)**, the global intergovernmental **Organisation for Economic Co-operation and Development (OECD)**, and the **European Commission**.³

The FATF grey-listed Mauritius in February 2020 and the country has also been mentioned in financial scandals involving **Isabel dos Santos**, daughter of former **Angolan** president **José Eduardo dos Santo** (1979-2017), as well as the **Pandora Papers** and a platinum card scandal that saw former president **Ameenah Gurib-Fakim** (2015-2018) resign. Mauritius has worked hard to be removed from the list, which it achieved in January 2022, and to improve its reputation in the global financial sector.⁴ The latest scandal will be a setback for its reputation and will require additional efforts to offset the negative media. The case is also a test for the FSC, which observers believe had regulations

¹ Bloomberg, 11 Feb 2023

² Defimedia.info, 1 Feb 2023

³ Bloomberg, 11 Feb 2023

⁴ Defimedia.info, 5 Feb 2023

and practices in the past that led to Mauritius initially being placed on the grey list, and the changes it has made in recent years to clean up the financial sector.⁵

Public procurement system under study

The **African Development Bank (AfDB)** published its assessment report on 15 February of Mauritius' public procurement system, conducted in partnership with the **Public Procurement Office (PPO)**, using the universal evaluation standard –Methodology for the Evaluation of Procurement Systems (MAPS).⁶ The report concluded that Mauritius has made considerable progress in its public procurement system, but that several areas could be improved, especially in e-procurement and capacity building of procurement professionals. Specifically, the report notes that the compulsory participation of local companies could limit the possibility of foreign bidders, and that the decision appeal mechanism is not integrated into the e-procurement system. In addition, the contract selection and award process can be slow.⁷

On the positive side, the report found that Mauritius has a well-established legal and regulatory framework for public procurement and has strict ethical measures in place to help fight corruption. Furthermore, the report notes that the government has shown a strong political will to improve the e-procurement system.

The AfDB provided several recommendations for Mauritius to implement. PPO and assessment team member **Bhagwansingh Dabeesing** said the cabinet of ministers is reviewing the recommendations.⁸ Dabeesing said that should the cabinet approve the recommendations, the government will develop an action plan for the short, medium and long term. The government implemented a recommendation in November, financially supported by the AfDB, by engaging a legal expert for a review of the public procurement legal framework and aligning this with the e-procurement system.

The OECD also provided an assessment of the public procurement system on 14 February to the PPO. The OECD's assessment was less positive than the AfDB's assessment, noting a lack of credibility in bidding procedures and the service delivery level.⁹ The OECD assessment further highlighted that bidding documents are not in line with the existing legal framework, which could create confusion and a lack of accountability. In addition, the OECD reports that several private sector stakeholders and civil society organisations have raised concerns over a lack of transparency and a lack of confidence in the public procurement system.¹⁰ This may result in participants believing the system has been tailored to work against them and discourage them from taking part in the bidding process. However, despite the OECD's assessment, Mauritius has shown it is willing to work on the system and accept the criticism from these organisations and implement necessary changes.

US and UK highlighted in human rights abuse case on disputed Chagos archipelago

US-headquartered human rights group **Human Rights Watch** released a report on 15 February accusing the US and **United Kingdom** governments of crimes against humanity when establishing a US military base on **Diego Garcia Island**, which forms part of the disputed **Chagos** archipelago.¹¹ The UK and Mauritius are in the process of negotiating a settlement over the archipelago after the UK lost two international court cases concerning the legality of its claim to occupy the archipelago (*see ARC Briefing Mauritius Nov 2022*).

The report cites the forced expulsion of residents of the Chagos in the 1960s and 1970s to make place for the military base and their prevention from returning as human rights violations, and described

⁵ Defimedia.info, 5 Feb 2023

⁶ African Development Bank, 21 Feb 2023

⁷ African Development Bank, 21 Feb 2023

⁸ Agence Ecofin, 21 Feb 2023

⁹ Defimedia.info, 16 Feb 2023

¹⁰ Defimedia.info, 16 Feb 2023

¹¹ Human Rights Watch, 15 Feb 2023

the UK's "*racial persecutions*" with US support as a "*colonial crime*".¹² The report is based on interviews with international experts, Chagossians who now reside in Mauritius, **Seychelles** and the UK, and official documents and court records that HRW accessed. The report has urged the two governments to provide reparations, allow for the return of Chagossians to the archipelago, including to Diego Garcia Island, and ensure the rehabilitation of the islands for their rightful residents.¹³

The day before the report was released, UK prime minister **Rishi Sunak** (2022-present) spoke with Mauritius' prime minister, **Pravind Jugnauth**, to discuss bilateral relations and the ongoing negotiations on the sovereignty of the Chagos.¹⁴ Initial negotiations between the two had resulted in an agreement that the military base could continue operating on Diego Garcia; however, following the publication of the report, calls have increased for the base to end operations and for residents of Chagos to be able to return to all of the islands that form the archipelago, including Diego Garcia.¹⁵

Groupe Réfugiés Chagos (Chagos refugee group) leader **Olivier Bancoult** has stated that Chagossians only want to be able to return to the island and do not mind if the base continues operations.¹⁶ The HRW report recommends that Chagossians be encouraged to work on the military base and that their families can live there.

The HRW report adds to political and legal pressure facing the UK amid negotiations to decolonise the archipelago. The UK could attract negative attention if it further delays negotiations or fails to meet the demands of the Mauritian government. Mauritius has offered the US a 99-year lease on Diego Garcia, which may also encourage the US to support Mauritius' wish for negotiations to be completed swiftly.¹⁷

¹² Human Rights Watch, 15 Feb 2023

¹³ Human Rights Watch, 15 Feb 2023

¹⁴ www.gov.uk, 14 Feb 2023

¹⁵ VOA Afrique, 17 Feb 2023

¹⁶ Lemauricien.com, 16 Feb 2023

¹⁷ Nikkei Asia, 6 Feb 2023

Planner

TBC (Mauritius) Municipal elections

2024 (Mauritius) General election

Chronology

23 Feb 2023 **Port Louis (Mauritius)** *Lemauricien.com*. Minor opposition **Reform Party** leader **Roshi Bhadain** announces at a press conference that he has obtained information indicating that a minister accepted a bribe from a private sector company and has passed the information onto prime minister **Pravind Jugnauth**;

23 Feb 2023 **Port Louis (Mauritius)** *Business World*. Housing minister **Louis Steven Obeegadoo** meets his **Indian** counterpart, **Hardeep Singh Puri**, to discuss cooperation in urban development following the inauguration of an India-assisted social housing unit project in Mauritius;

21 Feb 2023 **Port Louis (Mauritius)** *Agence Ecofin*. Government announces that exports from Mauritian companies increased by 14.7% between January and December 2022, exporting \$1.07 billion worth of goods;

21 Feb 2023 **Port Louis (Mauritius)** *Iol.co.za*. **Mauritius Meteorological Services** lifts its cyclone warning bulletin and implements a heavy rain watch as tropical cyclone **Freddy** moves away from the island and winds subside;

20 Feb 2023 **Port Louis (Mauritius)** *Reuters*. **Air Mauritius** halts flights and the **Stock Exchange of Mauritius** closes as Mauritius readies for tropical cyclone **Freddy** to pass through;

18 Feb 2023 **Port Louis (Mauritius)** *Defimedia.info*. Textile operators say they are targeting the **United States** as a market after decreased demand from the traditional **European** and **South African** markets;

16 Feb 2023 **Port Louis (Mauritius)** *Lemauricien.com*. The trade deficit reached Rs 19.2 billion (\$419.24m) in December, 9.6% higher than in November and 20.7% higher than in December 2021;

16 Feb 2023 **Port Louis (Mauritius)** *Defimedia.info*. Major opposition party **Rassemblement Mauricien**'s party leader **Nando Bodha** calls on trade unions and businesses to find a solution to unequal pay for men and women;

13 Feb 2023 **Port Louis (Mauritius)** *NDTV.com*. Financial services and good governance minister **Mahen Kumar Seeruttun** says it is unfair to call Mauritius a tax haven as the country continues to work to change its reputation in the international financial world;

10 Feb 2023 **Port Louis (Mauritius)** *Axis.mu*. **United Kingdom**-headquartered research group **Economist Intelligence Unit (EIU)** Democracy Report 2022 ranks Mauritius 21 out of 167 countries globally and first in **Africa**;

6 Feb 2023 **Port Louis (Mauritius)** *Lemauricien.com*. Political movement **Linion Pep Morisien** announces it will hold a peaceful demonstration in **Cathedral Square** against the recently implemented increase in electricity on 11 February, before postponing it to 23 February;

2 Feb 2023 **Port Louis (Mauritius)** *Defimedia.info*. **International Monetary Fund (IMF)** forecasts that Mauritius' annual inflation will decline to 6.1% and economic growth will reach 5.4% in 2023;

1 Feb 2023 **Port Louis (Mauritius)** *Lexpress.mu*. Mauritius hosts a workshop on tax good governance and anti-money laundering practices, attended by the ministers of the **Organisation of African, Caribbean and Pacific (OACP)** states and the **European Union** commissioner;

31 Jan 2023 **Port Louis (Mauritius)** *Lemauricien.com*. **Transparency International**'s 2022 Corruption Perceptions Index (CPI) ranks Mauritius 57th out of 180 countries, a four-place drop;

31 Jan 2023 **Port Louis (Mauritius)** *Le Mauricien*. Energy and public services minister **Joe Lesjongard** says electricity bills will increase between 19% and 29.5% based on monthly consumption, but customers consuming less than 300 units per month will be exempt from the increases;

31 Jan 2023 **Port Louis (Mauritius)** *Government of Mauritius*. **Central Electricity Board (CEB)** launches the **Carbon Neutral Industrial Sector Renewable Energy Scheme** intending to provide an option for industrial companies to invest in renewable energy power generation for their consumption;

About Africa Risk Consulting:

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