

AFRICA RISK CONSULTING

Mauritius Monthly Briefing December 2024

Mauritius Summary 13 December 2024

The State of the Economy report reveals that the previous administration's reported economic figures were inflated to create a perception of better performance. Prime minister Navinchandra Ramgoolam (2024-present) discusses a series of electoral and constitutional reforms to strengthen Mauritius' democracy. The new Alliance du Changement (ADC) government raises concerns the deal the previous government made with the United Kingdom (UK) regarding the Chagos Islands.

Mauritian economy in a precarious state

Following the landslide victory of the **Alliance du Changement (ADC)** coalition in the November election, prime minister **Navinchandra Ramgoolam** (2024-present) ordered an audit of the finance ministry's data after arguing that the previous administration managed to manipulate figures and influence the **Bank of Mauritius** (central bank) by undermining the country's democratic institutions.¹ The audit, published in the **State of the Economy** report, revealed that the previous government led by **Pravind Jugnauth** (2017-2024) manipulated economic figures to make it seem better than it actually is.²

Public debt reached alarming levels and in June 2024 was actually estimated to be Rs 559.1 billion (\$11.74 billion) or 83.4% of GDP versus reported levels of 77% of GDP under the previous administration. Some of the reasons public debt reached this record number is a decline in tax revenue, poorly planned spending, and injections of public funds to support struggling public companies, including the **State Trading Corporation, Wastewater Management Authority, Central Electricity Board, and Mauritius Post Ltd.**³

Furthermore, the actual 2023/2024 budget deficit was 5.7% of GDP and not 3.9% as reported. This has impacted the forecasts for the current financial year, with a revised budget deficit forecast of 6.7% of GDP versus an initial forecast of 3.4%. The report also states that GDP growth was overstated as 7% for 2023 but was actually 5.6%.⁴

The State of the Economy report also details the previous administration's monetary policy as another key reason for the economy's deterioration. The previous administration pursued a monetary policy whereby they prioritised economic growth over currency stability (*see ARC Briefing Mauritius Nov 2024*). The previous government artificially devalued the rupee to increase export competitiveness and fiscal revenue through Value Added Tax (VAT). However, this policy had the opposite effect with the devalued rupee increasing inflation and creating artificial income.

This is a blow to the trust in Mauritius' economy considering how these inaccurate figures reflect poor management and a lack of transparency. The stability of Mauritius' economy has led to the success of the country's financial sector, and more specifically their offshore financial services. Mauritius has increasingly marketed itself as an ideal financial destination to conduct business on the African continent. Ramgoolam has said that the new government will do everything in its power to strengthen and improve the economy.

¹ Le Mauricien, 11 Dec 2024

² Bloomberg, 7 Dec 2024

³ Le Mauricien, 10 Dec 2024

⁴ State of the Economy report, 10 Dec 2024

Checks and balances

Ramgoolam's audit of the economy and subsequent revelations that the economy is indeed in a worse off position due to the previous administration's manipulation of figures has also promoted him to announce constitutional and electoral reforms to further consolidate democracy in Mauritius.

Ramgoolam has proposed the establishment of an **Electoral College** through which the president would be elected.⁵ Currently, as is custom in Mauritian politics, the president resigns when a new government is elected which subsequently appoints the new president. Accordingly, the seventh president of Mauritius **Prithvirajsing Roopun** (2019-2024) was replaced by **Dharam Gokhool** (2024-present) upon the nomination of the **National Assembly**.

Ramgoolam's suggestion is part of his broader initiatives to modernise the Mauritian political system and introduce more accountability. Mauritius' president has no executive authority or autonomy to make political decisions, making it a primarily ceremonial role. Therefore, the president is supposed to be a neutral person above party politics, which represents the country. As such, under the current system, the presidential candidate is largely dependent on what party has the most seats. For example, following the ADC's overwhelming win in parliament, the newly elected president was at its discretion and ultimately not elected through a neutral democratic process. Ramgoolam's suggestion of introducing an Electoral College system to elect the president attempts to make the position more inclusive and ensure a more neutral candidate who fairly reflects Mauritians.

Although this might seem like an unnecessary change to a position which holds no real power, it reflects Mauritius' maturing democracy. The introduction of such checks and balances enables a more resilient democracy and holds the potential to increase public trust in governance. Additionally, it adds merit to Ramgoolam's broader political discourse of introducing change into the Mauritian political system and rebuilding the public trust – especially after the recent audit.

However, during the parliamentary session where this was discussed, Ramgoolam made it clear that this electoral reform suggestion still needs to be reviewed by the National Assembly. He also confirmed that the current president was elected through the National Assembly and the position will not be re-elected through an Electoral College later.

Criticisms against the Chagos Islands deal

Ramgoolam has also been casting doubt over the deal brokered with the **United Kingdom (UK)** over the **Chagos Islands**. On 29 November, it was revealed that Ramgoolam have asked for an independent review of the deal with the UK over the Chagos Islands.⁶ In November 2022, then UK home secretary **James Cleverly** announced that the UK had agreed to open negotiations with Mauritius - under Jugnauth's leadership - regarding a handover of the Chagos Islands, over which the UK has maintained control since Mauritian independence in 1968.

During the 1960s and 1970s, Chagos Islands residents were subject to forcible displacement by the UK government. A portion of the islands – **Diego Garcia** – is leased to the **United States (US)** and hosts a military base. In 2019, the **United Nations International Court of Justice** ruled that the UK's ongoing occupation of the Chagos Islands is illegal and that the islands rightfully form part of Mauritius. Cleverly made clear in his November 2022 announcement that the aim was to reach a settlement that would return Chagossians to the islands and keep the Diego Garcia base open.

During Ramgoolam's election campaign, he criticised Jugnauth's approach to the negotiations and called the historic deal a "*sell-out*" motivated by Jugnauth trying to get ahead in the election.⁷ The newly appointed agro-industry minister and former leader of the opposition **Arvin Boolell** further criticised Jugnauth's decision, alleging the lease period of the main island **Diego Garcia** is actually 200 years and not 99 years as initially published.

⁵ Le Mauricien, 11 Dec 2024

⁶ BBC, 29 Nov 2024

⁷ BBC, 29 Nov 2024

Ramgoolam and Boolell are also not the only ones who have criticised the deal. **United States (US)** president-elect **Donald Trump**'s (2017-2021) nominee for secretary of state **Marco Rubio** has said the deal between the UK and Mauritius is a serious threat to US national security as Mauritius is too closely aligned to **China**.⁸

Contrastingly, the UK foreign secretary **David Lammy** has rejected this criticism from the incoming Trump administration by saying that the Labour government is confident about the deal and that the new Mauritian government will also see it in the same way. Lammy further expressed his concern by saying the deal has become politicized even though the Labour government believes the deal is in the best interest of their national security. Additionally, the deal has also been criticised by Chagossians who report they are being excluded from the negotiation process.

The deal between Mauritius and the UK has not yet been signed and the deal is still subject to the finalisation of the treaty, meaning details of the deal have not been finalised and are still in the negotiation process. The deal is expected to be finalised only after the UK parliament has scrutinised it in early 2025.⁹

A look to 2025

The fourth term of Ramgoolam thus far seems to be more of the same. The only area which can expect significant change is the finance ministry and central bank as Ramgoolam has expressed serious concern over the state of the Mauritian economy. The ADC nominated **Jyoti Jeetun** as financial services and economic planning minister, but that the finance ministry will remain in the presidency for the time being so he can closely monitor the economy.¹⁰

The new central bank governor **Rama Krishna Sithanen** also has a different take on how the BoM should be managed and has proposed gradually stabilising the rupee by avoiding policies that artificially boosts consumption by introducing structural reforms which fosters export competitiveness and improving the balance of payments. Notably, Sithanen has also been appointed chairman of the **Financial Services Commission**, giving him greater influence.

These measures are also geared at reducing the cost of living, which was one of the most prominent reasons for the MSM's loss and is an important issue the new ADC government going into 2025.

Planner

2025 (**Mauritius**) Municipal elections

Chronology

11 Dec 2024 **Port Louis (Mauritius) Bank of Mauritius**. **Bank of Mauritius** (central bank) data indicates Gross Official International Reserved (GOIR) at end November stood at Rs 392.8 bn (\$8.25 billion);

7 Dec 2024 **Port Louis (Mauritius) Le Mauricien**. **Dharam Gokhool** is invested as the eight president of Mauritius;

7 Dec 2024 **Port Louis (Mauritius) Reuters**. Prime minister **Navin Ramgoolam** says that the economy is in a far worse state than anticipated as an audit he launched nears completion;

6 Dec 2024 **Port Louis (Mauritius) Bank of Mauritius**. The **Bank of Mauritius** (central bank) reports gross tourism earning for October 2024 reached Rs 8.39m (\$176,242);

3 Dec 2024 **Port Louis (Mauritius) Ministry of Foreign Affairs**. Foreign affairs minister **Ritish Ramful** meets with the ambassador of **South Korea, Park Ji Hyun**;

⁸ BBC, 28 Nov 2024

⁹ BBC, 29 Nov 2024

¹⁰ Bloomberg, 22 Nov 2024

3 Dec 2024 **Port Louis (Mauritius) Ministry of Foreign Affairs.** Foreign affairs minister **Ritish Ramful** meets with the **French** ambassador **Frédéric Bontems** for a courtesy call;

3 Dec 2024 **Port Louis (Mauritius) Ministry of Foreign Affairs.** Foreign affairs minister **Ritish Ramful** met with the **Australian** high commissioner **Kate Chamley** for a courtesy call;

30 Nov 2024 **Port Louis (Mauritius) Africanews.** Prime minister **Navin Ramgoolam** orders an independent review of an agreement with the **United Kingdom (UK)** over the return of the **Chagos Islands**;

27 Nov 2024 **Port Louis (Mauritius) Financial Times.** The new Mauritian government has reportedly raised concerns over the **United Kingdom's** plans to cede sovereignty of the **Chagos Islands**;

22 Nov 2024 **Port Louis (Mauritius) Bank of Mauritius.** **Bank of Mauritius** (central bank) issues a 4.18% three-year Government of Mauritius Treasury Notes which will mature on 22 November 2027 for an amount of Rs 2.9m (\$60, 910);

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