

BIOGRAPHY



DIRISH K. NOONARAM, PHD

Dirish co-founded VERDE Frontier to raise the profile of market intelligence services by using the Mauritian platform. He today provides multi-disciplinary research services to clients within Mauritius, and also to local and foreign clients looking to find opportunities in the Frontier markets of Africa. Dirish established an advisory board consisting of people and partner firms operating on-the-ground, across 9 countries in Africa. He has been assisting companies on sector research, competitor analyses, market surveys, financial modeling, macro-economic research and in implementing strategic initiatives across the region. In 2016, VERDE Frontier partnered with Sisense, a US headquartered Business Intelligence technology provider, to provide data analytics solutions across Mauritius and the sub Saharan region.

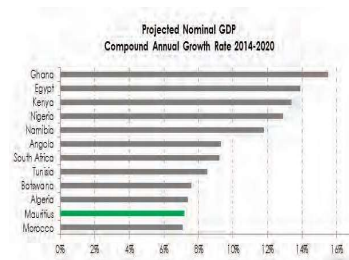
MAURITIUS

The gateway to Africa or a gateway to Africa?

Mauritius has been labeled the gateway to Africa by many eminent speakers over the past 10 years. The four pillars to spearhead this label have often been cited as being (1) foreign direct investments due to our strong offshore financial centre and favourable taxation, (2) merchandise hub, using the port to link with markets in Asia, (3) textile manufacturing being relocated to Africa and (4), sugar production investment in the continent.

The investment platform has been evolving with the setting up of a new Ministry in the form of Financial Services, Good Governance and Institutional Reforms, a Financial Services Promotion Agency (segregated from the role of the Board of Investment) and the Mauritius International Financial Centre. At this stage it cannot be determined how well these new institutions will perform. The maritime hub and the free port are still being explored. For its part, the relocation (or partial relocation) of textile companies to the continent is not being recommended, given the worrying unemployment rate. Finally, some of the sugar and its by-product producing companies have already embarked on initiatives to shift their operations into Africa. Yet, those measures do not seem to be having much impact on nominal growth and the positioning of Mauritius as THE gateway to Africa.

While we have recently obtained very optimistic estimates for the nominal GDP (to reach 5.3% by June of this year!), IMF projects an economic growth which will remain sub-par to other African countries which are today categorized as being 'Frontier'.



So what is really this 'Frontier' categorization? A Frontier country (also dubbed a pre-emerging country) is a type of developing country which is more developed than the least developing countries, but too small to be generally considered an emerging market.

Where do we stand in the 'Frontier'

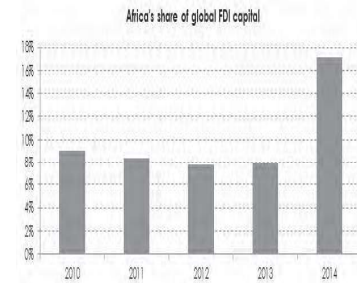
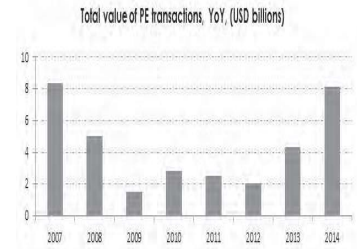
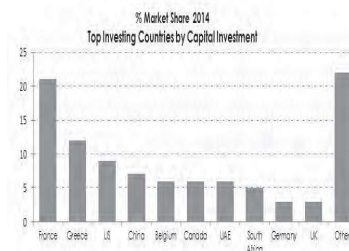
story? Frontier economies are expected to experience high levels of growth over the medium term. The criteria that reflect growth in the so-called Frontier Markets are mainly (1) growing working age demographics, (2) rising capital investment, (3) substantial commodity base and (4) strong macro-economic policies.

Given that, from a geographical standpoint, Africa is most associated with Frontier economies/markets, I therefore conducted an analysis of the Frontier criteria between Mauritius and African countries deemed Frontier (Nigeria, Morocco, Tunisia, Kenya, Botswana and Ghana).

I used secondary data from the CIA World Factbook, the World Bank, FDI Markets and the IMF to gather information. The data clearly demonstrates that, in the medium term, many other African countries are likely to surpass Mauritius and enter the Frontier category. The main reasons for that are:

- (1) We do not have a demographic dividend as compared to other African countries. We actually have an ageing population. The medial age of our population in the year 2000 was close to 29 years. In 2015, we were closer to 35 years.
- (2) We do not have a commodity base.
- (3) Capital investments into Mauritius have not reached the required level of 25% of GDP, contrary to other African countries cited above.
- (4) As for the last criterion, we have boasted stronger macro-economic policies which have proven to be efficient and resilient.

However, according to the latest IMF Article IV consultation published on 17 March 2016, it was noted that there are today macro-financial risks from a potential slowdown in offshore activities and vulnerabilities in the banking sector in Mauritius. At this stage, the authorities have been encouraged to continue to strengthen macro-economic policies and ensure financial sector resilience by pursuing structural reforms to raise productivity and growth.



Over the years, many have also said that the future is Africa. And it is. The African Frontier Story remains very attractive to investors from emerging and developed countries. Some of the data and figures to confirm that are provided below.

The continent more than doubled its share of global FDI flows, from 7.8% in 2013 to 17.1% in 2014. How then should Mauritius capitalize on the attractiveness of the African continent? One very important finding was that the Services sector accounted for more than 48% of total FDI's into Africa in 2014. This very finding should be at the core of the platform that so many have labeled before. The future is in Africa and Mauritius should develop a 'Services Platform' to Africa. Existing policies including the regulatory and legal system need to be strengthened and monitored to provide a services driven platform.

We also have to bear in mind that there are also today several countries which are now being called gateways to Africa, or looking to become gateways to Africa. These countries include South Africa, Egypt, Kenya and Nigeria amongst others, which today present no less of an opportunity. It is only their strategy in the medium to long term that will determine their growth and eventual positioning. For us, it is thus crucial to focus on economic growth and to lever on sectors/opportunities that will keep Mauritius in the Frontier space and differentiate the country as The Services Gateway to Africa.