AVCA Member Profile: Intercontinental Trust

While Mauritius is a small island in the Indian Ocean, it has been playing a big role as an investment platform for Africa over the past 20 years. Intercontinental Trust Limited (ITL) was established in Mauritius in 1999 to provide a comprehensive range of financial and fiduciary services to international businesses. ITL has expanded its presence to Kenya, the Seychelles, Singapore, and South Africa, and serves a range of Africa-focused private equity funds, with targeted capital commitments of approximately US$ 5.5 billion.

Ben Lim, ITL's Chief Executive Officer, speaks with us about ITL's commitment to supporting private equity in Africa, and the evolution of the regulatory environments in Mauritius and across the continent which aim to make investing in Africa more efficient, and increasingly more in-line with global best practice.

Q: With your 15-year history in Mauritius, can you provide us with an insight as to how you have built the ITL business, and how Mauritius has evolved to be a critical gateway for investment into Africa?

A: Today we see Mauritius as the key financial centre for Africa, and indeed African private equity, having seen a real shift in the investment flows from other emerging markets to Africa in recent years. To provide some context, in the early 90s, I witnessed the emergence of Asia, particularly China and India, through investments passing through Mauritius, and our business was heavily weighted towards those regions. When the financial crisis emerged in 2008, we saw a significant change in investment flows, and we re-focused our business from Asia to Africa.

Mauritius on the whole seemed to follow this shift. 80% of all investment companies in Mauritius pre-2008 were Asia-bound, and post-2008, 70% of all investment companies in Mauritius are now Africa-bound. It makes sense; although an island, we form part of Africa, we are a member of the African Union, Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), and we are building the skills and intermediary businesses that so many of the businesses in Africa need as they grow.

Our business largely serves the private equity fund managers in South Africa; we have a strong foothold in this market. Interestingly since around 2009, these managers have sought to look for investible opportunities beyond their home market, to other countries in Southern Africa, and even further afield, to countries in sub-Saharan Africa. We see this as an increasing trend, as

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Kenya, Mauritius, Seychelles, South Africa

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Ben Lim
Chief Executive Officer
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well as a general pick-up in the number of fund managers and activity in some of the larger economies of Africa, such as Kenya. East Africa, we believe, is a real private equity growth region of the future.

Q: AVCA's Legal & Regulatory Country Guides were developed to equip investors with the need-to-know legislation and regulatory requirements of different jurisdictions in Africa. From your persective, how have the regulatory environments in Africa evolved to be more conducive to private equity funds and their ever-increasing pool of global investors?

A: If we look at East Africa specifically, I think there are still a number of tax systems that can be inefficient for international investors investing directly in those countries. For example, in Tanzania, the tax system lifts the corporate veil and taxes the beneficial holder, which can result in double taxation exposure for a non-domestic investor. Mauritius is in the process of negotiating a Double Tax Agreement (DTA) with Tanzania to alleviate investors in funds domiciled in Mauritius of this double exposure, as well as other nations, including Algeria, Lesotho, Malawi and Togo.

The Government of Kenya is about to introduce capital gains tax, which had previously been absent from the tax system, and which can be a significant return drain for private equity investors. While this tax is on the horizon, Mauritius has ratified a DTA with Kenya which is awaiting enforcement. Once enforced, this will significantly benefit Mauritius-domiciled funds investing in Kenya.

One country which has structurally morphed into an attractive region for private sector investment is Rwanda. The Government has put in place a number of structural enhancements to consolidate the socio-economic recovery and to generate sustainable and equitable growth and poverty reduction. Further, the Government has signed a DTA with Mauritius which is awaiting ratification. Rwanda recently ranked second of all African countries in the World Bank Group's Ease of Doing Business Index, behind Mauritius which ranks number one and ahead of South Africa in third position.

Overall, Mauritius has worked very hard towards increasing efficiency and reducing risk for those investing in Africa, on a relative basis. The below table provides a snapshot of how investing in Africa via Mauritius can benefit investors.

Investing directly	Investing through Mauritius
No protection against nationalisation or confiscation of assets	Protection of investments under Investment Promotion and Protection Agreements ("IPPAs") with a number of African countries
High witholding/ capital gains taxes in African countries	Double Taxation Treaties ("DTA") network No/low withholding taxes No capital gains tax
No or limited preferential access to markets	Preferential access to markets through membership in major African regional blocs
Possible exchange controls	No exchange controls

Finally, Investor Promotion and Protection Agreements (IPPAs), mentioned in the table can provide comfort to investors who are investing in countries where there are risks of nationalisation or expropriation. The IPPAs encourage and protect investments by virtue of measures to minimize any deprivation of investments, and in the worst case scenario, any deprivation of investments will have to be justly compensated. IPPAs with Mauritius exist with Burundi, Madagascar, Mozambique, Senegal, South Africa, and Tanzania, with a further 14 IPPAs awaiting ratification, including Kenya and Rwanda.

Q: Any final words?

Given the current trends, it is likely that Africa will finally emerge from its history to position itself as one the most affluent and developed regions of the world, developing at a much faster rate than one would have predicted only a couple of decades ago. We are confident that Mauritius will remain the preferred hub as a gateway for investments in African private equity and venture capital markets.

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