

“**Africa represents a whole set of new opportunities for institutions like SBM**”

Robin Appadoo

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In an exclusive interview with *Investor's Mag*, Robin Appadoo, the Head of Global Business, International Banking Division at SBM Bank (Mauritius) Ltd, shares valuable insights into Africa's enduring appeal for investors. With a keen focus on the sectors generating significant interest, Appadoo highlights the pivotal role played by SBM Bank in facilitating investment flows across the continent. Gain deeper understanding as Appadoo uncovers the key factors driving Africa's investment landscape and how SBM Bank is empowering investors to capitalise on the continent's vast potential.



How has SBM Bank (Mauritius) Ltd strategically positioned itself to take advantage of the African and Asian trade corridor, and what is its role in facilitating trade finance and investment transactions within this corridor?

SBM Bank (Mauritius) Ltd, the mainstay of the SBM Group, is one of the leading universal banks in Mauritius. While the SBM Group provides both banking and non-banking financial services to its clients, SBM Bank (Mauritius) Ltd offers traditional banking services as well as a wide range of innovative solutions ranging from custody services to securities trading, private banking and wealth management, leasing, factoring and project financing, among others. The Bank leverages on the SBM Group's network in Mauritius and in the region to facilitate transactions for its clients. The SBM Group's presence in Kenya, Madagascar and India makes SBM Bank (Mauritius) Ltd an important player to link Africa and Asia.

Asian and African countries have strong trade ties. If we look at the countries where we are present, we note that imports from India to Kenya exceed USD 25 billion while exports from Kenya to India exceed USD 107 million. Mauritius and SBM are thus well positioned to play

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a major role in facilitating trade and investments between these countries not only thanks to our regional presence, but for several other reasons as well. For instance, there is no exchange control in Mauritius and the island remains an ideal location in terms of time zone. Since traders and investors need a bank not only to facilitate trade and investments, but a partner that can reach out to all markets, SBM Bank (Mauritius) Ltd can harness its extensive network of correspondent financial Institutions to facilitate payments and the transmission of trade instruments to all continents and major financial centres.

It goes without saying that Mauritius is strategically located to take full advantage of the Africa-Asia trade corridor. As for SBM Bank (Mauritius) Ltd, thanks to an expert team specialising in trade finance and commodities trading, we play a pivotal role in concluding trade deals by providing customers with the best in terms of advice and support.

I need to point out here that trade transactions are very technical in nature, and using appropriate instruments, traders can mitigate risks. A trade transaction is not limited to the exchange of goods and services against payment. As the market has become more sophisticated, the risk profile has also been increasing. SBM Bank (Mauritius) Ltd, having been a key partner for traders during the last 50 years, serving not only the Mauritian market, but also international ones, has adapted to the continuously changing environment and provides hedging instruments to cater for both currency risks and price volatility.

Meanwhile, the SBM Group, through its capital markets division, provides businesses access to capital and fund-raising opportunities. Moreover, investors have access to all markets via the securities desk, which is open almost 24 hours.

How do you assess the current economic and business landscape in Africa, and what potential growth opportunities do you see emerging on the continent?

Despite the prevailing Russia-Ukraine war and the recent

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pandemic, Africa is undergoing a transformational shift, with the increasing prominence of financial technologies (fintech) and the possibility to forge new business ventures. The economic growth of the African continent is projected to be 4.0% in 2023-24 as per the African Development Bank. African countries are highly export-oriented and commodities account for more than 60% of total merchandise exports in 45 of the 54 countries in Africa according to a 2022 report of the United Nations Conference on Trade and Development (UNCTAD). As a matter of fact, more than 80% of African countries are exporters of commodities worldwide, including mining products, fuel, and agricultural products.

In terms of investment, African countries represent an attractive destination, the UNCTAD having recorded investment flows to the continent exceeding USD 83 billion in 2021, with more than 50% towards Southern Africa. As of June 2021, nearly USD 40 billion in terms of investments directed to Africa were structured through Mauritius according to the Economic Development Board.

The investment attractiveness of African countries is driven by several factors. The size of the consumer market is composed of 1.4 billion people which represent more than

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17% of the world population. With regards to the current banking sector dynamics in Africa, I believe that fintech is an ideal driver to promote financial and social inclusion, the more so that total investment in fintech across Africa reached USD 2 billion in 2021.

The African continent is considered to be a fertile territory and agriculture is one of the most important economic sectors, representing around 23% of the continent's GDP. This sector employs nearly 60% of the active working population. Between USD 35 billion and USD 40 billion of agricultural products are exported yearly, including fruits, vegetables, nuts, cocoa, coffee and tea. This sector can act as a major supplier of food and agricultural products to the world.

The mining sector remains an important contributor to the GDP of the continent and remains one of the key suppliers of resources to the world. Africa is a major producer of important mineral commodities. Reserves of metals and minerals such as gold, diamond, cobalt, iron ore and coal, among others, are key assets of the continent. Thanks to its regional presence, SBM is well positioned to drive new opportunities for companies

operating in these industries through bespoke financing solutions.

A number of other sectors are fast growing such as manufacturing, telecommunications, healthcare and education. These sectors are key to the development of the continent. For instance, the automotive industry is projected to be one of Africa's top sectors to record important growth. These represent a whole set of new opportunities for institutions such as SBM to help businesses on the continent wishing to take advantage of the potential offered by these emerging sectors.

How can international financial centers like Mauritius leverage these factors to attract investment and foster economic partnerships?

The economic growth and development of Africa are based on the size of its consumer market, availability of manpower, the level of socio-political stability and technology. The continent can be viewed as a land of opportunities with significant wealth in terms of resources and minerals. These are some of the reasons why investors are attracted to Africa. Indeed, as I mentioned earlier, the size of the market and the potential in the key sectors are pooling investors. In recent times, more than 2,000 start-ups have attracted venture capitalists while other businesses are being taken over by private equity funds.

The Mauritius International Financial Centre (IFC), with its 30 years of existence and strategic location, is the ideal gateway to Africa. Mauritius has signed 29 Investment Promotion and Protection Agreements (IPPAs) with several countries, including 10 with African countries. Some 13 IPPAs with African counterparts are awaiting ratification and 5 are awaiting signature. The Mauritius IFC is positioned as the preferred route to Africa, while protecting investors under the IPPAs.

Supported by a sound legal framework coupled with a stable financial system, the Mauritius IFC has the necessary infrastructure to assist and accompany investors in their ventures on the African

continent. For instance, Mauritius is the preferred jurisdiction for investors due to its good governance and compliance framework, not to mention our bilingual workforce and the soundness of our legal system, providing investors with the safety of recourse to international courts and arbitration centres.

Moreover, the Mauritius IFC provides the appropriate platform in terms of licences to conduct a number of activities from Mauritius. For instance, as there is no exchange control, cash and treasury management can be handled from Mauritius to avoid exchange risk. Companies present in different African countries may opt for a shared service licence to manage their operations from Mauritius, thus gaining from economies of scale.

How can Mauritius better position itself as a hub for facilitating intra-African trade and investment flows, especially in the context of initiatives like the African Continental Free Trade Area (AfCFTA)?

Mauritius provides a modern port with state-of-the-art infrastructure. Its freeport zone, coupled with preferential access to various markets, allows Mauritius to play a key role in value addition and bulk breaking, offering countless opportunities for companies involved in re-exportation.

Furthermore, investors are using non-traditional instruments to invest, especially when blended with insurance and debt to give more flexibility. Several corporates have selected the Mauritius IFC for fundraising. The country has implemented several reforms to improve the ease of doing business. With a stable economy and a clear tax system, Mauritius is a trusted place for investors within the African continent. Finally, the services sector in Mauritius is a reference in the region and complementary to other jurisdictions within the AfCFTA.