Study on Africa as a jurisdiction for Domiciliation of Investment Vehicles

Momentus

SAMAWATI CAPITAL PARTNERS

STAFFORD LAW LEGAL PRACTITIONERS

MEDA

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List of Acronyms

AfCFTA	African Continental Free Trade Area
ADR	Alternate Dispute Resolution
AIFs	Alternative Investment Funds
AIIR	Association Ivoirienne des Investisseurs en Capital Risque
AIPF	African Infrastructure Plus Fund
AGMVM	Auditoria Geral do Mercado de Valores Mobiliários (The Securities Market General Audit)
AMDIE	Agence Marocaine de Développement des Investissements et des Exportations (The Moroccan Agency for Investment and Export Development)
AMF	Autorité des marchés financier
AMF-UMOA	Autorité des Marchés Financiers de l'Union Monétaire Ouest Africaine
AMIC	Moroccan Private Equity Association
AML	Anti-Money Laundering
AMMC	Moroccan Capital Market Authority
AOFSA	Asset Owners Forum of South Africa
AU	African Union
AUC	African Union Commission
AUM	Assets Under Management
AVCA	African Private Capital Association
BAM	Bank Al-Maghribmm
BCA	Banco Comercial do Atlantico
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)
BCV	Banco de Cabo Verde (Central Bank of Cabo Verde)
BNR	National Bank of Rwanda (National Bank of Rwanda)
BOAD	The Banque Ouest Africaine de Développement (West African Development Bank)
BVRM	Bourse Régionale des Valeurs Mobilières
CACCI	Comprehensive Africa Climate Change Initiative
CCJA	Common Court of Justice and Arbitration
CD	Constitutional Development
CECV	Caixa Económica de Cabo Verde
CFC	Casablanca Finance City
CFTC	Commodity Futures Trading Commission
CFT	Combating the Financing of Terrorism
CGT	Capital Gains Tax
CIS	Collective Investment Schemes
CIT	Corporate Income Tax
CMA	Capital Markets Authority
COMESA	Common Market for Eastern and Southern Africa
COP	United Nations Conference of the Parties
COTAG	Comite Togolais d'Agrément
CTF	Counter-Terrorist Financing

DBG	Development Bank of Ghana
DFIs	Development Financial Institutions
DFS	Digital Financial Services
DIFC	Dubai International Financial Centre
DPI	Development Partners International
DRC	Democratic Republic of Congo
DTIC	Department of Trade, Industry and Competition
DTAA	Double Tax Avoidance Agreements
DTTs	Double Taxation Treaties
EAC	East African Community
EAVCA	East Africa Venture Capital Association
EBID	ECOWAS Bank for Investment and Development
ECA	Export Credit Agency
ECMA	Ethiopian Capital Market Authority
ECOWAS	Economic Community of West African States
EFAMA	European Fund Asset Management Association
EIC	Ethiopian Investment Commission
EKIF	Everstrong Kenya Infrastructure Fund
EMPEA	Emerging Markets Private Equity Association (now Global Private Capital Association)
EPA	Economic Partnership Agreement
ESG	Environmental, Social and Governance
ETI	Ecobank Transnational Inc
EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FDMDT	Fund Domiciliation Maturity Diagnostic Tool
FIC	The Financial Intelligence Centre
FINTECH	Financial Technology
FIRS	Federal Inland Revenue Service
FOF	Fund of Funds
FONSIS	Fonds Souverain d'Investissement Stratégiques de SA
FSC	Financial Services Commission
FSCA	Financial Sector Conduct Authority
FSD Africa	Financial Sector Deepening Africa
FSI	Financial Services Industry
GBL	Global Business Licence
GDEI	Gender, Diversity, Equity, and Inclusion
GFCI	Global Financial Centres Index
GIF	Green Infrastructure Fund
GOR	Government of Rwanda
GPs	General Partners
GVCA	Ghana Venture Capital & Private Equity Association
HAUQE	High Authority for Quality and Environment
HNWI	High Net Worth Individuals
HQ	Headquarters
ICFA	International Climate Finance Accelerator
ICJ	International Court of Justice
ICSID	International Centre for Settlement of Investment Disputes

IFCs	International Financial Centres
IFWG	Intergovernmental FinTech Working Group
IGAD	Intergovernmental Authority on Development
IL	Investment Law
ILO	International Labour Organisation
IMF	International Monetary Fund
IPE	Investment & Pensions Europe
IPPAs	Investment Promotion and Protection Agreements
ISA	Investment and Securities Act
ISSB	International Sustainability Standards Board
IST	Investment and Securities Tribunal
JETRO	Japan External Trade Organisation
JSE	Johannesburg Stock Exchange
KIAC	Kigali International Arbitration Centre
KIFC	Kigali International Financial Centre
KPFIC	Kenyan Pension Funds Investment Consortium
KoJ	Department of Justice and Constitutional Development
KYC	Know Your Customer
LCIA	London Court of International Arbitration
LLCs	Limited Liability Companies
LLP	Limited Liability Partnership
LPAs	Limited Partnership Agreements
LPs	Limited Partners
MENA	Middle East and North Africa
MIAC	Mauritius International Arbitration Centre
M6FI	Mohammed VI Fund for Investment
MOJ	Ministry of Justice
NAPs	National Adaptation Plans
NCIA	Nairobi Centre for International Arbitration
NDCs	Nationally Determined Contributions
NEET	Not in Employment, Education or Training
NIFC	Nairobi International Financial Centre
NIPC	Nigerian Investment Promotion Commission
NIPF	National Investors Protection Fund
NSSF	National Social Security Fund
OAF	Oasis Africa VC Fund
ODA	Overseas Development Assistance
OHADA	Organisation for the Harmonisation of Business Law in Africa
OPCC	Organisations for Collective Investment in Capital
OPCIs	Undertakings for Collective Real Estate Investment
PALOP	Países Africanos de Língua Oficial Portuguesa
PAPSS	Pan African Payment and Settlement System
PCCs	Protected Cell Companies
PCP	Pearl Capital Partners
PE	Private Equity
PEBEC	Presidential Enabling Business Environment Council

PEVC	Private Equity and Venture Capital
PIC	Public Investment Corporation
PPPs	Public-Private Partnerships
PwC	PricewaterhouseCoopers International Limited
QIF	Qualified Investor Fund
RBA	Retirement Benefits Authority
RDB	Rwanda Development Board
REITs	Real Estate Investment Trusts
RFL	Rwanda Finance Limited
RJOIC	Regime Jurídico dos Organismos de Investimento Coletivo
SA	South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank
SAVCA	South African Venture Capital and Private Equity Association
SEC	Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
SIFP	Société d'Investissements en Fonds Propre
SMEs	Small and Medium-sized Enterprises
SRO	Self-Regulatory Organisations
SSA	Sub-Saharan Africa
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
UAE	United Arab Emirates
UCITS	Undertakings for Collective Investment in Transferable Securities
UDB	Uganda Development Bank
UK	United Kingdom
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNFPA	United Nations Population Fund
UNWESP	UN World Economic Situation and Prospects
USA	United States of America
USAID	United States Agency for International Development
VAT	Value Added Tax
VC	Venture Capital
VCC	Variable Capital Company
VCTF	Venture Capital Trust Fund
WAEMU/UEMOA	West African Economic and Monetary Union / Union Économique et Monétaire Ouest-Africaine
WAIC	World Alliance of International Finance Centres
WHT	Withholding Taxes
WTO	World Trade Organisation

Definitions

Domicile

The country in which the investment vehicle/ fund's holding company is legally incorporated and typically where the administration and management of the Investment Vehicle/Fund itself take place.

Domiciliation

The jurisdiction that provides a legal framework within which the fund can operate and market its investment products to investors. Fund managers can take advantage of specific regulatory regimes, tax efficiencies, investor preferences, and market access opportunities by selecting a suitable domicile.

Fund (s)

A fund is a subset of the broader investment vehicle category (See definition below).

Funds are designed with specific investment objectives, strategies, and guidelines.

There are various types of funds, including private equity, venture capital, impact funds, pension funds and mutual funds, each serving specific investor needs, preferences, and risk appetites.

Funds that focus on entrepreneurship are often categorized as venture capital (VC) or private equity (PE) funds. These funds specifically target investments in start-ups, early-stage companies, and micro, small to medium-sized enterprises (MSMEs) with high growth potential. They aim to provide capital, mentorship, and strategic support to help these entrepreneurial ventures succeed. These funds are managed by professional fund managers (See definition below)

Investment Vehicle (s) (IVs)

Investment Vehicles (IVs) are entities that pool capital from investors and deploy it across various financial instruments. IVs may include private capital funds, venture capital funds, pension funds etc.

In the context of this report, the term IV refers to all intermediaries (active in the markets where the report was undertaken) which are involved in providing capital or investment to Micro, Small and Medium Enterprises (MSMEs) using varied instruments such as equity, quasi-equity, and debt or a blend of same. The purpose of the IV in relation to financing SMEs is, therefore, more important in this case than its legal structure, which could take various forms including but not limited to Special Purpose Vehicles, Collective Investment Schemes, Non-Banking Financial Institutions, Limited Liability Company etc. that are either domiciled within or outside of the country of interest.

Investment Vehicle Manager/Fund Manager (IVM/FM)	Responsible for implementing the investment strategy and managing the portfolio towards achieving set objectives. The term "General Partner" is commonly used in private equity and venture capital funds. General Partners are responsible for the overall management and decision-making of the fund and typically play a key role in sourcing, evaluating, and executing investment opportunities

Acknowledgement

This report presents the key findings of a landscape Study on Africa as a jurisdiction for the domiciliation of Investment Vehicles, commissioned by the Mastercard Foundation in partnership with Mennonite Economic Development Associates (MEDA), and conducted by a team of experts from across Africa and the globe, including Momentus Global (formerly International Financial Consulting Ltd.), Samawati Capital Partners, and Stafford Law.

The following individuals contributed to the fieldwork, analysis and presentation of this report: Samuel Ndonga, Eugene Ntananga, Jeff Temba, Paul Mugerwa, Maame Tutua Dadson, Stephen Antwi-Asimeng, Nelson Amo, Aziza Atta, Gwen Abiola-Oloke, Diana Smallridge, Jyoti Maheshwari, Horlane Mbayo, Nzwaki Adonisi, Alison Francis, Velma McColl and Kayla Caesar. In addition, the report team extend special thanks to Mercy Mutua, Susan Forester, Vymala Thuron and Nathalie Akon for their valuable contributions.

Disclaimer: The insights and conclusions presented in this report are based on inputs gathered from stakeholders consulted as part of this Study and may not be representative of all participants and perspectives across the ecosystem. The focus of this Study is on the private capital ecosystem in Africa. The report aims to provide an overview of the current landscape and opportunities based on the information available at the time of writing. The fieldwork for this report was completed in May 2024, with updates added in October 2024 to reflect recent market and ecosystem developments. Readers are advised that the policy and regulatory environment is continuously evolving, and the analysis or recommendations contained herein may need to be updated over time.

Executive Summary

Introduction

Background to the report

This report summary outlines the potential of investment vehicle domiciliation in African jurisdictions to mobilise and diversify investment capital for growth-oriented MSMEs. It presents the findings of a report commissioned by the Mastercard Foundation and conducted by Momentus Global, Stafford Law, and Samawati Capital Partners in response to an observed gap in domiciliation that limits the availability of capital for MSMEs that could drive economic growth and opportunity across Africa.

The Africa Growth Fund,[1]led by the Mennonite Economic Development Associates (MEDA),[2] was established in 2022 to prioritise African Investment Vehicles and catalyse African-based investment capital with a gender lens. The search for African-based Investment Vehicles (IVs) to serve as partners to the Fund revealed the scarcity of African-domiciled Investment Vehicles – and ignited efforts to encourage and increase the diversity of Investment Vehicles on the African continent. The hypothesis behind the Study is that increased domiciliation will attract more international capital to the African continent and catalyse local capital mobilisation, which will grow the investment ecosystem in Africa, promoting economic growth and transformation and bolstering dignified work opportunities for young people who comprise 70% of the population in the continent.

The report examines why and how investors choose fund domiciliation jurisdictions and what Africa needs to do to become a preferred destination. The report includes a landscape assessment of 13 African, and 4 global investment destinations based on literature reviews and extensive stakeholder consultations. The report compares global investment vehicle domiciliation jurisdiction trends with the African context, relying on insights from investors, fund managers, regulators, and other ecosystem enablers and a detailed analysis of 13 African jurisdictions. The report aims to catalyse systemic change in the Investment Vehicles and capital market ecosystem by enhancing Africa's competitiveness and ensuring inclusive growth. It highlights emerging trends, growth drivers, key sectors, and the size of funds in Africa's investment landscape.

This report maps a path toward increasing the domiciliation of IVs in Africa. It presents insights gathered on the drivers of domiciliation decisions and the potential contribution of increased domiciliation in African jurisdictions to MSME growth and job creation. The document details the potential impact of domiciliation and then provides an overview and assessment of African jurisdictions' level of preparedness to attract IVs to domicile in these respective jurisdictions. It subsequently provides further detail on what it takes to increase domiciliation in Africa and provides stakeholder-specific, actionable, recommendations on developing attractive ecosystems for domiciliation. The report underscores Africa's potential as a domiciliation hub but emphasises the need for improvements in regulatory frameworks, operational efficiency, and domestic capital mobilisation. It highlights the urgent need for African jurisdictions to enhance their regulatory environments, oversight, and enforcement to attract more investment. The report emphasises that operational efficiency and an enabling environment are crucial for fund domiciliation, and mobilising domestic capital is essential for the growth of local Investment Vehicles.

[1] The Mastercard Foundation in partnership with MEDA established the Africa Growth Fund (Fund of Funds) in 2022 to catalyse African-based investment capital with a gender lens.
[2] MEDA is a partner in delivering innovative finance solutions that leverage public and private funding for social enterprises, with a focus on women and youth in rural communities in the Global South.

The three-fold purpose of the study is as follows:

Firstly, for the investment vehicle ecosystem, the report contributes to field building and expanding the body of knowledge and evidence on the topic - investment vehicle domiciliation in Africa. The study and its outcomes enhance the existing body of knowledge and analytical tools related to Africa-based Investment Vehicles. This involves illuminating opportunities, identifying the barriers that hinder Africa from becoming an attractive jurisdiction for investment vehicle domiciliation and proposing strategies to improve enabling conditions for Investment Vehicles and facilitate greater domiciliation on the continent. A distinctive feature of the report is the introduction of a new analytical tool - the Fund Domiciliation Maturity Diagnostic Tool (FDMDT), designed to assess the attractiveness of African jurisdictions.

Secondly, the report aims to inspire solutions-oriented dialogue and engagement among relevant investment vehicle stakeholders to enhance investment vehicle conditions, thereby fostering greater domiciliation on the African continent. The study and its outcomes are intended to stimulate dialogue and serve as a crucial input into evidence-based discussions among state and non-state actors within the investment vehicle ecosystem. These dialogues should result in improved understanding and appreciation of the opportunities associated with increased investment vehicle domiciliation and inspire commitment to action towards better-enabling conditions. Ultimately, it aims to collectively develop the necessary conditions to make Africa an attractive destination for international capital and catalyse local capital mobilisation.

Thirdly, the report aims to motivate and guide pertinent investment vehicle ecosystem stakeholders in taking action toward unlocking the potential of African jurisdictions as attractive destinations for investment vehicle domiciliation. The report and its outcomes serve as an actionable tool, providing targeted technical guidance and advice to African state actors, including policymakers and regulators. This guidance is designed to help key stakeholders develop and manage investment vehicle ecosystems that are conducive and capable of attracting Investment Vehicles. As such, individuals and entities seeking to incentivise Investment Vehicles to domicile on the continent and stimulate capital flows will find this report particularly valuable.

Methodology

The literature review of the global domiciliation landscape and extensive consultations held with key ecosystem players as part of the Study highlighted that a mature Fund domiciliation jurisdiction is characterised by several key characteristics, which have been grouped into four main common parameters:

- Regulatory environment, oversight, and enforcement
- Judiciary framework
- Operational efficiency
- Enabling environment

The Fund Domiciliation Maturity Diagnostic Tool (FDMDT) parameters capture key parameters and sub-dimensions that investors and Fund managers use to evaluate a jurisdiction's attractiveness as a Fund domicile. The 16 key dimensions, both individually and together, paint a fuller picture of a mature environment for the domiciliation of Investment Vehicles based on inputs received through our desk research and consultations.

Why it matters for Investment Vehicles to domicile on the African continent

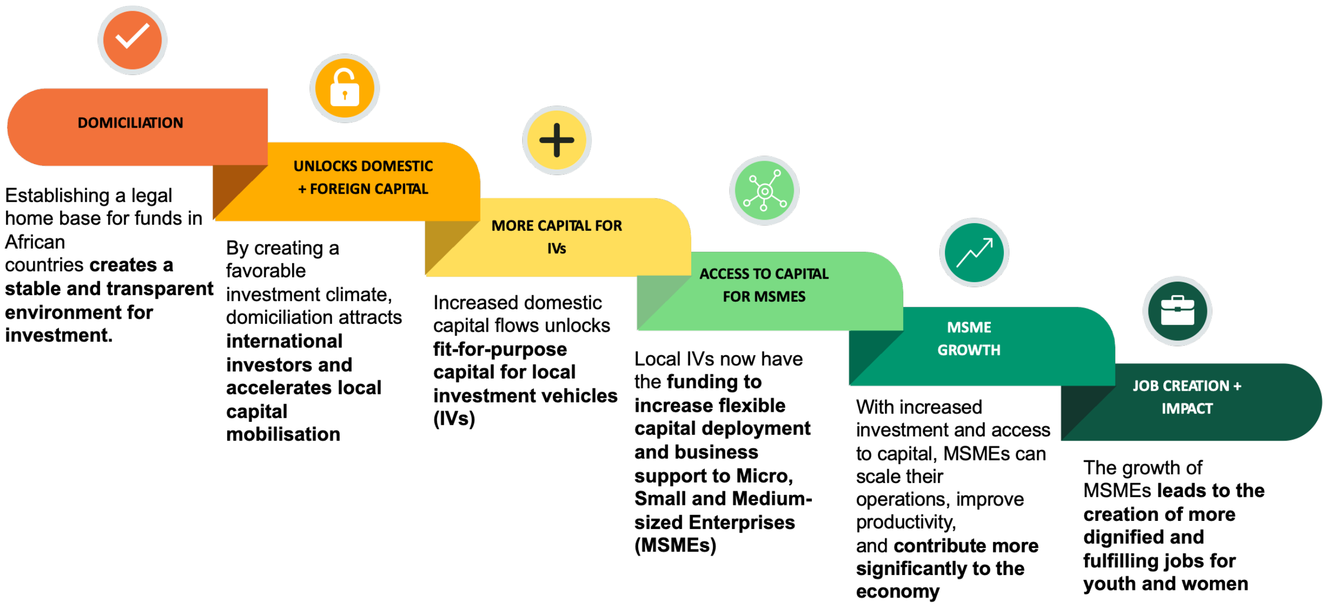
Limited availability of capital hampers African businesses' access to affordable finance and their potential to drive growth and employment on the continent: MSMEs[3] are an important driver of private sector development and economic opportunity - especially for young people. The development and formalization of new businesses, the growth of existing ones and greater depth and resilience in African entrepreneurial ecosystems are critical to growing economies that can accommodate the world's fastest-growing population. Limited availability of capital, however, makes access to affordable finance difficult, hindering African entrepreneurs from starting, growing and scaling high-potential enterprises. MSME funding needs often fall into a gap between the typical ticket sizes of microfinance and traditional banks, requiring more diverse capital providers to support their establishment and growth. The demand and urgency for MSME funding is significant - the Collaborative for Frontier Finance's research shows that small and growing businesses (or MSMEs) generate approximately 80% of formal jobs in emerging markets but still face a USD 940 billion funding gap.[4]

Developing mature African capital markets is imperative to drive investment in African MSMEs: Attracting Investment Vehicles to domicile in African jurisdictions can draw greater international investment and catalyse the mobilisation of local capital for African enterprises. African or locally domiciled Investment Vehicles (IVs) are best placed to source and channel capital into local businesses while contributing to the development of financial services ecosystems. There has been a rise in many new and diverse smaller-sized funds, with Fund sizes less than USD 10 million being launched in Africa. Smaller-sized funds are significant in their ability to unlock funding for ticket sizes that include businesses which are often too large to access microfinancing and are too small to access traditional banks and traditional PE and VC capital.

Domiciliation of IVs in African jurisdictions is a critical enabler of investment in African businesses by providing a legal home base for Africa-focused IVs that can deploy both local and international capital. Domiciliation of IVs also results in increased formalization of local MSMEs: Most IVs require MSMEs to be registered at the local or national levels to receive financing – and that creates more opportunities for the MSMEs to receive capital and capacity building. Local domiciliation helps IVs to access local capital pools such as pension funds, brings IVs closer to pipelines of investable opportunities, and provides local legal structures which better respond to the needs and realities of both IVs and MSMEs. In addition to increasing the availability of capital, domiciliation contributes to the development of local capital markets and supporting services, reduces setup and transaction costs for IVs, and enables communities to invest using pooled capital. These advantages contribute to MSME development, economic growth, and opportunity.

[3] Micro, small, and medium-sized enterprises.
[4] "About CFF." *Collaborative for Frontier Finance*, (n.d.).https://www.frontierfinance.org/about-cff.

FIGURE 1: WHY DOMICILIATION MATTERS | IMPACT ENABLING



Source: *Developed by the authors for the purpose of this report*

Intentional promotion of increased Fund domiciliation on the continent will help boost diverse capital flows to local IVs by channelling assets from local pension funds and institutional investors and unlocking greater flows of funds from international investors. Enhancing the capacity of IVs to finance African MSMEs will accelerate and expand the creation of diverse employment and entrepreneurship opportunities for young people across the continent. Domiciliation can, therefore, play a critical role in market-based responses to Africa's demographic profile's urgent need and unique opportunity by increasing investment in the enterprises and entrepreneurial ecosystems that will power lasting impact and prosperity for Africa.

Domiciliation also helps to build local investment and entrepreneurship ecosystems. Themes emerging from the report indicated that domiciliation has the potential to create a wider impact on the investment and financial services ecosystem: Domiciliation incentivises the development of related legal and financial expertise, robust regulation and operational efficiency. It also serves as a mechanism for deploying diverse sources of capital into local enterprises, supporting financial depth and commercial innovation.

This report identifies and addresses the barriers to IVs domiciling in African jurisdictions. Approximately 60% of African focused IVs are domiciled outside the continent.[5] This lack of domiciliation limits the development of local capital markets and, therefore, constrains the launch and scale of businesses that could contribute to economic growth and employment. The report investigated the drivers of domiciliation and investment decisions; assesses African jurisdictions' preparedness to respond to these drivers; and identifies factors that limit domiciliation in Africa. It further outlines how African jurisdictions can better attract and serve IVs by developing the frameworks, resources and services needed and marketing this development - including addressing an observed gap in trust from investors, increasing the operational capacity and perception of financial sector services, and aligning regulatory frameworks to national and regional strategies.

[5] Data from Oryx Impact (Top Domiciles for Africa Focused Fund, 2023).

Key findings and highlights of the report

Focused action to unlock local and international capital through domiciliation can level up African investment activity. Inclusive investment can capacitate grassroots economic participation and local retention of value and recognize and formalize local innovation. The report recommendations provide actionable steps for jurisdictions to build domiciliation-friendly ecosystems that can lead to an increase in reliable capital flow and unlock the potential of investment for strong, sustainable, inclusive economies and transformative entrepreneurial activity.

International investors and Fund managers base domiciliation decisions on key characteristics of jurisdictions. These include risk perceptions, familiarity with and trust in regulatory frameworks, and availability of relevant services and expertise. Stakeholders particularly highlighted the need for (a) Experienced legal professionals with technical expertise in Fund structuring and related subject matter and (b) Banks with correspondent relationships capable of meeting the needs of the industry. In addition, many LPs and investors specify that disputes within jurisdiction be evaluated in English or American law. International investors and Fund managers can be more easily attracted to new domiciles where risk perceptions are mitigated by the mobilization of substantial domestic capital and a sense of ecosystem development direction is set by, for example, a national industrial strategy.

The Fund Domiciliation Maturity Diagnostic Tool identifies the most effective levers for increasing domiciliation in Africa. The tool was designed to provide a forward-looking perspective on enhancing common characteristics that make African jurisdictions more attractive for domiciliation and to create an analytical framework for assessing opportunities and progress toward ‘maturity’ – equivalence of environment with leading international domiciles. The diagnostic tool evaluated these countries through four macro parameters: Enabling Environment, Judiciary Framework, Operational Efficiency, and Regulatory Environment. This analysis helped identify where each of the countries stands with respect to domiciliation and market opportunities that exist in each country. The tool provides a framework that will enable more targeted and effective domiciliation strategies tailored to each country's specific context.

Policymakers and ecosystem actors can maximize domiciliation and capital flows in their jurisdictions by tailoring the development of financial services ecosystems to their context. The FDMDT shows that countries vary significantly in their readiness to become jurisdictions for domiciliation. While some countries have not prioritized this in their policy agenda, any country wishing to establish itself as a jurisdiction for domiciliation must actively engage with policymakers, regulatory bodies, and advocacy groups to develop the necessary ecosystem. This will require medium to long-term commitment by African jurisdictions and the active promotion of the benefits of IV or Fund domiciliation in the region. To differentiate themselves, African jurisdictions may also need to create a niche that addresses the needs of distinct investors and IV managers.

The report also highlights local institutional and retail investors as a promising source of investment capital. Many investors have agreed that there is an opportunity for Fund domiciliation in regions with substantial local capital and capacity that can be mobilized alongside international capital. There is also a case for wider engagement with pension funds on the continent with relatively large sums of capital that can be channelled towards driving economic development in Africa while providing diversification opportunities for these institutional investors. Where significant local and regional capital has been mobilized, there is a greater opportunity to mobilize international capital, particularly as a de-risking mechanism for the risky asset classes. Regarding local capital mobilization, there is a need for the creation of regional platforms and regulatory passporting, with the aim of creating pan-African Investment Vehicles and Fund of funds to accelerate fundraising for pension systems, MSMEs, women-led businesses, rural demographics, and other marginalized groups, across African countries. Larger markets such as Nigeria, Kenya and South Africa could be favoured as a preferred domicile, because of their large local capital pools, even if they are FATF grey-listed at the moment. Countries like Ethiopia, Morocco and Uganda, which have large pension Fund assets, could permit the investment of pension funds in other asset classes (including Investment Vehicles and other alternative investments).

Key contribution – Fund Domiciliation Maturity Diagnostic Tool

The Fund Domiciliation Maturity Diagnostic Tool (FDMDT) is a key contribution of the report. The tool identifies and assesses the key factors influencing investors' and IV managers' assessment of a jurisdiction's attractiveness. Using the tool, stakeholders can measure progress on improving common dimensions and features of a mature Fund domiciliation ecosystem and focus collective action on improving these in their respective jurisdictions. The standard for maturity is based on the international jurisdictions that international investors most consider a "safe bet". They have historically attracted international investors and IV managers, given their track record and well-known domiciliation processes and systems.

The FDMDT tracks four macro parameters that reflect the needs of diverse stakeholder groups. These are Enabling Environment, Judiciary Framework, Operational Efficiency, Regulatory Environment, and Oversight and Enforcement. Each of these parameters comprises four dimensions that together define a jurisdiction's maturity in that area:

FIGURE 2: FUND DOMICILIATION MATURITY DIAGNOSTIC TOOL (FDMDT)

Source: *Developed by the authors for the purpose of this report*

The report rates thirteen African jurisdictions along the FDMDT maturity scale. The purposive sampling includes a continental cross-section of jurisdictions with high potential for domiciliation based on the scale, dynamism, innovation or prominence of their financial services sectors. The scale classifies countries into colour-coded categories that indicate their stage of development and stability in establishing an ecosystem suitable for the domiciliation of IVs. This framework acknowledges the specific challenges and opportunities present in African jurisdictions and provides a systematic progression tailored to the continent's unique context and challenges:

Green: These countries have strong regulatory frameworks and favourable regulatory regimes that offer comprehensive, well-organized structures. They also feature efficient, reliable judicial and alternative dispute resolution mechanisms and permit investors to repatriate funds without undue restrictions or delays arising from illiquidity or capital controls beyond monitoring and compliance. Examples include Mauritius, South Africa,[6] Rwanda, Morocco and Ghana.

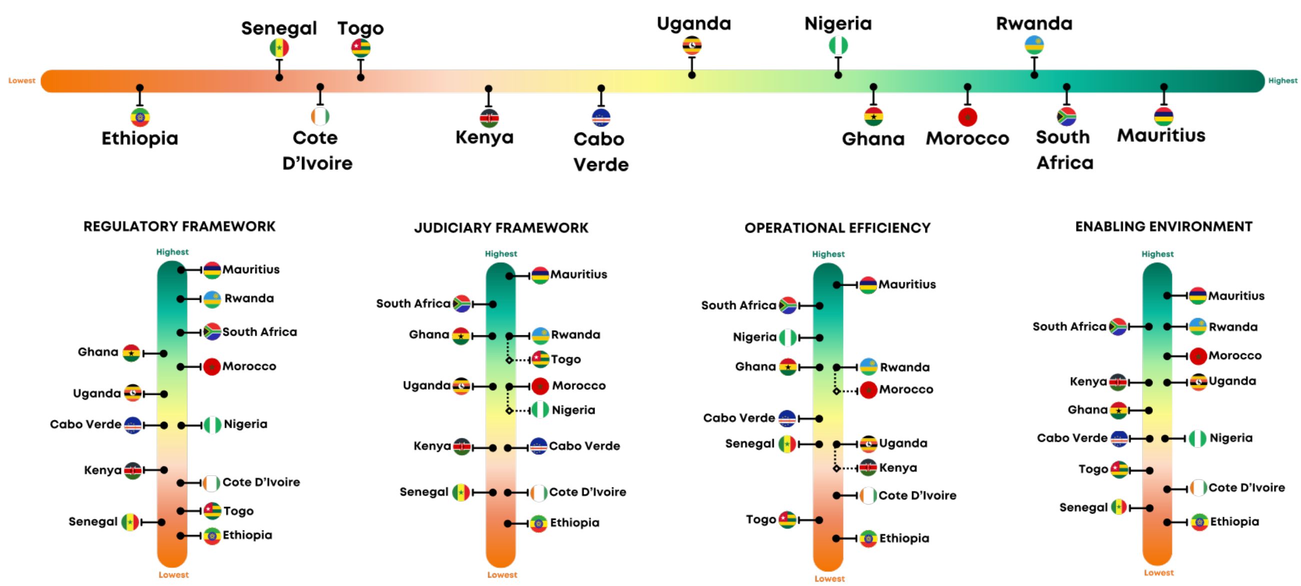
Yellow: These countries currently have relatively less developed systems but are on a trajectory to develop favourable ecosystems for the domiciliation of IVs. Such countries may have limited regulatory frameworks, tax incentives and available Fund structures. However, they have demonstrated a commitment to improving their systems and policies to make them more favourable for IVs. These jurisdictions show moderate viability for building a Fund domiciliation ecosystem and have some potential to attract IVs to domicile in their country. Examples include Nigeria, Uganda, Cabo Verde and Kenya.

Orange: These countries are in the early stages of development of a favourable environment for the domiciliation of IVs and have nascent Fund ecosystems in place. They, however, have some potential to develop within several years and will require consistent and deliberate effort from government, regulators, and ecosystem enablers to develop the requisite frameworks for the domiciliation of IVs. In the immediate term, these jurisdictions can attract local IVs while building stronger ecosystems to mobilize capital, protect investors, and support entrepreneurship ecosystems. Examples include Côte d’Ivoire, Togo, Senegal and Ethiopia.

The FDMDT parameters represent sequential stages of creating a domiciliation-friendly ecosystem. A systematic progression toward maturity can be approached in phases that build upon one another: Political and economic stability provide a foundation for building regulatory frameworks and infrastructure that underpin efforts to enhance the ecosystem and create a comprehensively attractive environment for IV managers and investors.

[6] South African authorities are working to align the already relatively liberalised foreign exchange regime with international standard open account systems.

FIGURE 3: FDMDT FINDINGS – DOMICILIATION MATURITY OF AFRICAN JURISDICTIONS



Source: *Developed by the authors for the purpose of this report*

FIGURE 4: UNDERSTANDING THE OPPORTUNITIES FOR AFRICAN DOMICILIATION

Established Domicile

Mauritius is an established domicile and the top choice for fund domicile, known for its robust regulatory framework and operational efficiency.

High-Potential Jurisdictions

These jurisdictions are actively building regulatory environments and policies that attract foreign and Pan-African investment vehicles (IVs). Policymakers and regulators demonstrate a clear commitment to building ecosystems conducive for foreign and Pan-African IVs to domicile in the countries.

Domestic Capital Mobilisation

These jurisdictions have a significant pool of domestic capital to be mobilised, creating opportunities for local domiciliation of investment vehicles.

Regional Collaboration Opportunities

These jurisdictions require regional integration initiatives to foster domiciliation-friendly policies. Their strong regional connections, position them as catalysts for developing regional domiciliation policies and initiatives.

*With their inclusion in the FATF "grey list" as of October 2024, countries included in this Study like South Africa, Nigeria, Kenya and Côte d'Ivoire will need to prioritise efforts for compliance with global standards to build investor confidence.

Source: *Developed by the authors for the purpose of this report*

The jurisdictions covered in the report present diverse and nuanced opportunities for IV domiciliation. These countries represent the strongest potential along four distinct developmental trajectories that constitute a dynamic framework rather than a one-size-fits-all approach. By understanding the alignment of each group with the concept of domiciliation, stakeholders can adapt to their unique circumstances and developmental trajectories and navigate the domiciliation landscape effectively, unlocking its full potential for inclusive growth and prosperity across the continent.

Mauritius stands out as an established domicile for international capital, symbolising stability, reliability, a trusted environment for international investors, and a strong role model for other African Jurisdictions.

High-potential jurisdictions like Cabo Verde, Ghana, Uganda, and Rwanda demonstrate a proactive approach to building regulatory environments conducive to attracting foreign investment and unlocking local capital. They prioritize creating ecosystems that foster international, pan-African and local Investment Vehicles, signalling readiness to capitalize on domiciliation opportunities for economic advancement.

Ethiopia, Kenya, Morocco, Nigeria, and South Africa hold significant promise for local capital mobilization. These nations possess substantial pools of local capital, positioning them to drive domiciliation initiatives from within. Their focus should lie on harnessing local resources to fuel economic growth and create self-sufficient ecosystems for Fund domiciliation. Differentiation through niche approaches, such as building investment around tourism or green finance, can also drive domiciliation.

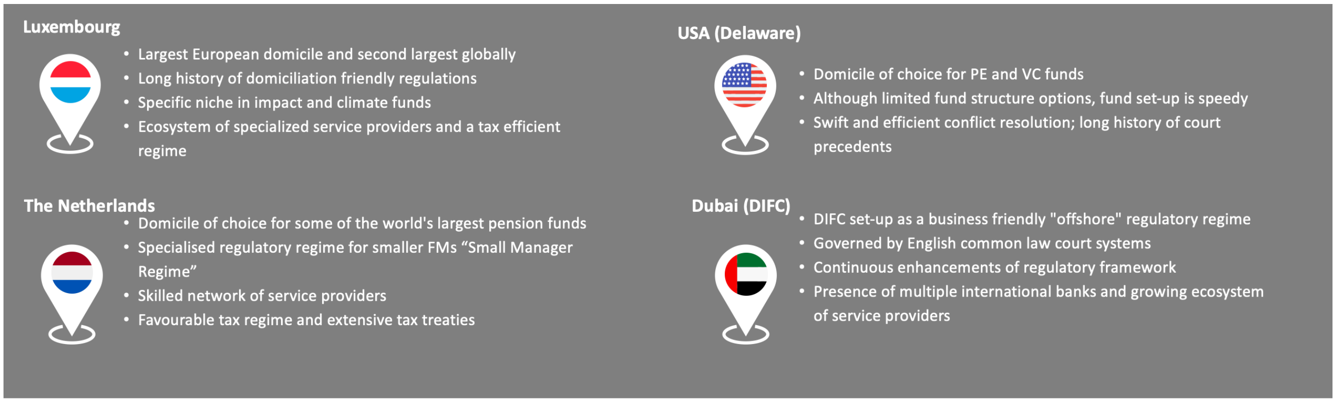
Lastly, regional integrated countries such as Côte d'Ivoire, Senegal, and Togo leverage their strong regional connections to foster cross-border domiciliation policies. By aligning with the concept of domiciliation, these countries promote seamless investment flows within their respective regions, facilitating economic integration on a broader scale.

What it takes to increase Domiciliation in Africa

Stakeholders consulted for this report provided valuable insights on actions needed to increase the competitiveness of African jurisdictions. The authors would like to preface these insights with a note of appreciation to the administrators, officials, service providers and others who provided their time and expertise to examine a relatively technical and complex subject. Their insights into the current dynamics have been instrumental in the domiciliation maturity analysis of African countries.

International jurisdictions that are prime choices globally for the purpose of Fund domiciliation provide instructive examples. Each of these jurisdictions has established the basic ecosystem for the domiciliation of Investment Vehicles in terms of their legal and regulatory frameworks, a vast pool of skilled professionals, and reliable financial services. Additionally, to differentiate themselves, each has found a means of specializing or creating niches that address the needs of distinct investors and IV managers. Such specialization may be a strategic consideration for the African jurisdictions looking to grow their capabilities as Fund domiciles, ultimately leading to the creation of a competitive industry.

FIGURE 5: KEY FEATURES OF NON-AFRICAN DOMICILES



Source: *Developed by the authors for the purpose of this report*

Domiciliation of Investment Vehicles is increasingly viewed as key to enabling opportunities for driving investment capital to a jurisdiction and galvanizing local capital. The Domiciliation decision is a crucial step in the formation of an investment vehicle since a domicile is not only limited to designating the official address of the investment vehicle but plays a pivotal role in determining how it operates. As evidenced by the FDMDT, choosing a domicile is often a complex decision that requires a deep understanding of legal, regulatory, and operational factors to ensure confidence in the IV's performance in a competitive international financial landscape. African jurisdictions can positively influence domiciliation decisions by:

- **Bolstering investor confidence in the jurisdiction,** both internationally and across the continent**.** African jurisdictions should aim to develop a trusted and responsible Fund domicile recognized by major investors and key decision-makers. For example, private capital activity in Africa is primarily driven by Development Finance Institutions (DFIs). Hence, a key goal for Fund activity and domiciliation on the continent is aligning international development agendas with promoting local capital growth.

- **Building trust in national regulators and investment ecosystems.** Stakeholders cite a variety of conditions that help build trust. Legal factors such as dispute resolution, along with macroeconomic factors such as capital controls and unfavourable taxation, all impact the confidence of international and regional investors. Clarity around these factors and a commitment to strengthening the local financial ecosystem are critical to unlocking capital and becoming internationally accepted Fund domiciles.

- **Developing and marketing specialized legal and financial structures.** Building any new viable domiciliation ecosystem takes time and requires a range of specialized professional skills—Fund administration, auditing, and custodial service, amongst others. As these are put in place, relevant audiences should also be made aware of them.

- **Creating a conducive macroeconomic environment for investment.** While these issues are not always in the hands of regulators, they influence the ability of international investors and IV managers to conduct their business. These may include (a) capital controls that restrict foreign currency disbursements and repatriation of monies, (b) unstable political and economic circumstances, and (c) unfavourable taxation arrangements.

- **Intentional alignment and commitment around a distinct investment agenda.** Achieving equivalence to long-established European Fund domiciles, such as the Netherlands, Luxembourg, and the US (particularly

Delaware), will require a medium to long-term commitment to driving this agenda and actively promoting the benefits of Fund domiciliation in Africa. Additionally, to differentiate themselves, African jurisdictions may also need to position themselves as a niche that addresses the needs of distinct investors and Fund managers.

- **Leveraging International Financial Centre models to build financial services sectors.** In addition to creating streamlined regulatory, legal, and operational frameworks for investors, IFCs signal a disciplined commitment to establishing a strong financial services sector. This approach has two benefits: demonstrating a necessary precondition for Fund domiciliation and attracting capital in all forms to the country. Kigali International Finance Centre is one example of a centre that offers a model for accelerating ecosystem behaviours in countries seeking to become more attractive to investors. Mauritius also has a strong IFC.

- **Active engagement across the ecosystem by policymakers, regulatory bodies, and advocacy agents** is critical for wider engagement with diverse capital pools, such as pension funds, that can be channelled towards driving economic development in Africa while providing diversification opportunities for these institutional investors. Foreign Direct Investment (FDI) also remains a priority for several countries covered in the report, like Senegal, Ethiopia, and Togo. For both countries and investors, a distinction should be made between Africa as a destination for capital and Fund domiciliation being one of the many tools to attract this capital.

The path forward

Deliberate action on Fund domiciliation on the continent will position local and international Investment Vehicles to receive a significant boost of investment capital through channelling assets from local pension funds and institutional and retail investors or unlocking funds from international investors. This will enhance their capacity to finance African MSMEs, who can, in turn, contribute to economic growth and increase employment, growth and returns. For example, African countries with substantial local capital pools can direct investment toward MSMEs by following the lead of Kenya and South Africa in creating platforms for pension Fund managers to pool capital for infrastructure investment.

Attractive Fund domiciliation jurisdictions will be able to achieve the following:

- **Attracting international investment capital:** Investors are always looking for opportunities to deploy capital. Attractive domiciliation jurisdictions offering the needed incentives to investors, with competent professional service providers, an efficient legal system, etc., can draw international investors to invest in IVs domiciled in the local jurisdictions.

- **Unlocking local capital, particularly from pension funds, into Investment Vehicles: Pension funds in various African countries control substantial under-deployed assets, with most of these funds investing predominantly in government-backed instruments** and real estate projects. Pension Fund assets across Africa represent highly untapped resources, providing pension Fund managers an opportunity to make alternative investments in the Private Equity and Venture Capital (PEVC) sector in various African countries. This could be unlocked as the right frameworks are created for Investment Vehicles to domicile smoothly in such jurisdictions. For example, the launch of the Kenyan Pension Funds Investment Consortium (KEPFIC) and the Asset Owners Forum of South Africa (AOFSA) unlocked commitments of more than USD 500 million into local funds and Africa-focused IVs investing in critical sectors.[7]

- **Becoming key drivers for local capital mobilization and inclusive economic participation:** Although domiciliation is important for attracting international capital flows from institutional investors, it is equally as important to accelerate the flow of local capital through not only local Pension funds but through locally innovative pooled funding mechanisms, such as REITs, equity crowdfunding and peer to peer lending – enabled by the passing of appropriate national guidelines. Local domiciliation will allow these structures to pool local retail and institutional capital to deploy in local currency, using funding instruments that meet the needs and realities of MSMEs on the ground.

Additional observations from stakeholders consulted on the path forward include:

- **Effectively deploying investment capital within an African country should not be judged by Fund domiciliation – or AUM (Assets under Management) – alone.** An equally important measure of progress is the extent to which funds mobilize investment for local enterprises in the jurisdictions where they are domiciled. For example, popular domiciles like Ireland and Luxembourg have achieved large AUM international capital flows, but these have not directly translated into investment capital being put to active work in those jurisdictions. Therefore, AUM might not be the best measure of the success of a domiciliation jurisdiction.

- **DFIs and policy-oriented private capital will play a significant advocacy role** in encouraging a wider choice of options for the domiciliation of funds in Africa. International investors, especially DFIs, have historically primarily domiciled their funds in international jurisdictions, but there is a case for them to consider diversifying their options. Given that DFIs drive the largest flow of private capital on the continent, this report is intended to support a better understanding and clarification of options for the domiciliation of Investment Vehicles in African jurisdictions.

- **Fund domiciles are not the only way to attract capital to African countries.** Driving investment capital of all types to Africa is critical and will be for the foreseeable future. Fund domiciliation may not be a priority for all African jurisdictions, and this report does not suggest that domiciliation is the exclusive way to attract investors. Domiciliation is fundamentally a business decision and may not always be the only means of driving capital into a given jurisdiction.

Domiciliation of investment provides a path to unlocking the untapped potential of Africa's youthful population by meaningfully deploying local and international investment capital for entrepreneurs and empowering businesses to create jobs, lasting impact and shared prosperity. The report findings and stakeholder observations lead to a call for retail and institutional investors, Fund managers, African policymakers, regulators and ecosystem builders interested in strengthening institutions and enabling long-term growth to work together in building an inclusive and resilient investment ecosystem for future generations on the African continent. This report aims to stimulate an ecosystem dialogue that will inspire these stakeholders towards greater advocacy, collaborative action and system-level coordination to attain the end goal of catalyzing economic growth and transformation. In particular, key stakeholders can act on the following recommendations, listed by FDMDT parameters, stakeholder types and country contexts.

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[7] USAID Invest. "How Africa's Pension Funds Are Financing the Continent's Infrastructure Gap". https://medium.com/usaid-invest/how-africas-pension-funds-are-financing-the-continent-s-infrastructure-gap-2bcd9aa39069.

Stakeholder Call to Action

The above stakeholder observations translate to the following FDMDT-aligned recommendations and action steps for key stakeholder groups that support the creation of mature Fund domiciliation ecosystems:

FIGURE 6: RECOMMENDATIONS BY FDMDT PARAMETERS

REGULATORY ENVIRONMENT, OVERSIGHT, AND ENFORCEMENT

- Streamline regulatory processes
- Diversify fund structures
- Develop a sophisticated corporate law framework
- Establish regulator-to-regulator agreements
- Enhance tax competitiveness
- Expand DTTs
- Uphold regulatory consistency
- Design regulated vehicles for smaller fund managers

JUDICIAL FRAMEWORK

- Establish independent legal systems
- Create alternate dispute resolution mechanisms
- Enhance international protocols compliance

OPERATIONAL EFFICIENCY

- Impose currency stability measures
- Set regional integration and unified standards
- Enhance digitisation and blockchain integration

ENABLING ENVIRONMENT

- Prioritise infrastructure development
- Address bureaucratic hurdles and red tape
- Prioritise security enhancement

Source: *Developed by the authors for the purpose of this report*

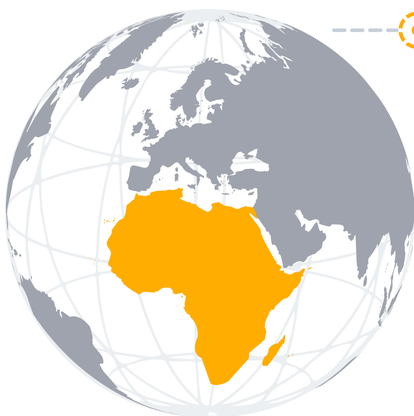
Recommendations for key stakeholder groups

Any effort to strengthen African jurisdictions as internationally acceptable domiciliation destinations requires concerted and intentional actions by various stakeholder groups and advocacy agents. They must lead and support tangible efforts to grow Fund domiciliation as a viable tool for Africa. Building on the analysis of maturity levels of the countries considered in the report and the recommendations across the key parameters, the figure below summarises the actions needed by various stakeholders.

FIGURE 7: RECOMMENDATIONS BY STAKEHOLDER TYPE

NATIONAL POLICY MAKERS

- Political will and commitment to support domiciliation efforts
- Make fund domiciliation relevant in national strategies to build capital investment in support of African innovators and entrepreneurs
- Devise policies that draw significant capital from domestic, regional and international investors
- Leverage International Financial Centers (IFCs) to attract long-term capital
- Implement proactive measures to reduce red tape and promote ease of fund set-up
- Actively promote the integration of ESG and responsible financing standards
- Create targeted incentivisation mechanisms for funds
- Encourage mobilisation of local capital



REGULATORS

- Streamline regulatory approval timelines and licensing processes
- Enhance capacity of professionals in the legal, banking, investment, and finance sectors
- Work in close co-ordination with industry bodies and experts
- Encourage regional integration initiatives and development of unified standards
- Explore the strategic integration of technology in fund management

FUND MANAGERS AND INVESTORS

- Recognise the long-term opportunities available in Africa in the flow of investment capital and fund domiciliation
- For those investors with a social impact mandate, consider partnering with willing African jurisdictions to invest in fund domiciliation
- Larger global investors and fund managers could use their position to act as advocacy agents with policy makers

ECOSYSTEM BUILDERS

- Engage with national policy makers to gain political will and commitment
- Garner political support for projects from relevant ministries to avoid overlap
- Assist national policy makers in deepening their sectoral expertise and support in programmes to strengthen their internal capacity
- Develop capacity building programmes to create in-country expertise and pool of skilled service providers
- Engage with industry bodies and associations to develop partnerships for joint advocacy efforts
- Collaborate with Investment Promotion bodies and industry associations to "publicise" the domiciliation potential of African jurisdictions

INTERNATIONAL DEVELOPMENT FINANCE INSTITUTIONS

- Support and partner with willing African jurisdictions to develop fund domiciliation ecosystems
- Assist willing African jurisdictions in exploring whether regional strategies could be considered to enhance domiciliation reputation

Source: *Developed by the authors for the purpose of this report*

Recommendations by Country

The countries profiled in this report are at different stages of their journeys towards creating attractive investment ecosystems. Actions needed will hence require differing levels of effort from country to country, and the report lays out specific recommendations to achieve this:

Country	Recommendations
 **Cabo Verde**	• Develop a clear "National Domiciliation Strategy" linked to the Cabo Verde Ambition 2030 plan, to be driven by a newly established steering committee within the state department of business development. • Position the country as an upcoming domicile through rigorous marketing and promotion, targeting funds focused on trade and logistics, technology, and the blue economy. • Invest in training and developing an adequate pool of skilled legal professionals versed in investment vehicle laws and structuring and other professionals and support services for Investment Vehicles. The diaspora could be leveraged in this regard. • Initiate benchmarking and knowledge exchange engagements with other high-potential jurisdictions, such as Ghana in West Africa and Rwanda in East Africa, to learn about initiatives being undertaken by these countries in their domiciliation strategies.
 **Côte d'Ivoire**	• Use growing pension assets to catalyze capital markets development and local capital mobilization for long-term investments in funds and other Investment Vehicles. • Initiate and lead a UMOA-wide consultation to accelerate the adoption and implementation of the Industry Associations' recommendations for a comprehensive framework and incentives for the ecosystem. • Authorities to work with the FATF to address the deficiencies in the jurisdiction's AML/CFT/CPF regimes to facilitate its removal from the FATF Grey List to which it was added in the FATF's October 2024 release.
 **Ethiopia**	• Use the assets held by Ethiopian Investment Holdings (in excess of USD 43.6 billion) to catalyze private sector involvement in the economy. • Progressively increase private sector and foreign participation in banking, insurance and telecommunications to deepen the operational environment for funds. • Mobilise the vast and growing local pension assets to catalyze capital market development for long-term investment in funds and other Investment Vehicles. • Leverage the huge diaspora community to encourage the creation of specialist Investment Vehicles and funds to invest in agribusiness, fin-tech, and other strategic sectors.
 **Ghana**	• Promulgate the Limited Partnership Law and Trust Law to expand the permissible legal structures for funds and provide alternatives for Fund managers and investors. • Establish an Accra International Financial Centre framework to provide a dynamic and investor-friendly business environment and adaptable regulatory framework.

 **Kenya**	• Elevate the agenda of domiciliation in the country by further engaging policymakers. The current government has shown openness to support the full establishment of the Nairobi International Finance Centre (NIFC) and its Steering Council. • Support institutional strengthening for NIFC as the lead authority responsible for driving the domiciliation agenda for the country. There is fragmentation between the different financial authorities in the country, creating some overlap and lack of coordination in driving the domiciliation agenda forward. • Develop incentives to increase local pension Fund investment in PEVC. Following the recent adoption of the Alternative Investment Funds (AIFs) regulation, the jurisdiction has an opportunity to drive greater local capital mobilization. Policy incentives need to be developed to encourage pension Fund managers to increase their allocations into alternative Investment Vehicles from the current 1% to the regulatory limit of 10%[8].
 **Mauritius**	• Support initiatives such as Mauritius Impact Finance Gateway to Africa (MIFGA)[9] and other initiatives to reduce entry costs into Mauritius.
 **Morocco**	• Use the new amendment of the Moroccan Investment Law to strengthen the role of private equity in view of the Mohammed VI Fund for Investment (M6FI), which is aimed at catalyzing investment by mobilizing local and international private and public sector investors in Fund domiciliation in the country. • Promote inter-stakeholder coordination to support marketing, business and investor promotion, and registration of funds to complement the M6FI. • Initiate and implement policies that progressively target and increase limits of pension assets to invest in local private equity and venture capital funds.
 **Nigeria**	• Utilise significant pools of institutional funds through appropriate Investment Vehicles such as Private Equity, Venture capital, infrastructure funds, and real estate investment schemes (REISs), attracting both local and international investors seeking diverse asset classes. • Strengthen retail investment channels, e.g., the existing Crowd Funding policy by the Securities and Exchange Commission (SEC), which can present a unique opportunity for mobilizing the retail sector, including informal sources of local capital. • Promote Infrastructure Investment, as Nigeria's infrastructure deficit presents an opportunity for international and local institutional investors. • Encourage diaspora investment to leverage the large diaspora population with significant financial resources. • Utilise the vibrant entrepreneurial ecosystem and MSME sector to identify opportunities for local capital crowding-in and investments from international impact investors.

[8] Kenya Retirement Benefits Authority (RBA): Investment Regulations & Policies - Retirement Benefit Authority
[9] Mauritius Investment and Financial Services Global Authority (MIFGA). MIFGA, https://www.mifga.fund/.

 **Rwanda**	• Promote and position KIFC as a premier Sub-Saharan Africa investment domicile centre targeting Africa-focused impact funds and regional investors. • Target the technology-focused funds as these have high potential. This could also drive interest in the domicile while leveraging the association factor to attract other players in the tech ecosystem and beyond.
 **Senegal**	• Use the experience, profile and assets of Fonds Souverain d'Investissement Stratégiques de SA (FONSIS) to catalyze capital markets development and local capital mobilization for long-term investments in funds and other Investment Vehicles. • Actively pursue policies and measures that leverage Senegal's unique regional position within the West African Economic and Monetary Union (WAEMU) as the technology and diplomatic hub to attract Investment Vehicles financing fin-tech and diplomatic partners across the WAEMU and the wider Francophone Africa.
 **South Africa**	• Actively advocate for the government to implement a robust strategy aimed at positioning the country as a leading Fund domicile. Such an intentional approach can enhance South Africa's standing in the international market by leveraging its well-established ecosystem and robust financial sector. • Allocate the nation's substantial pension assets into emerging funds focused on technology, green initiatives, or climate resilience. This strategic deployment will catalyze the formation of a new ecosystem and incentivize international investors to establish similar funds, thereby fostering growth and innovation in these sectors and creating new demand.
 **Togo**	• Togo should be supported by private and public stakeholders to develop into a domiciliation hub in the West African Economic and Monetary Union (UEMOA) region. This is because it has existing regional developmental banks and international status that host multiple structures for local and international investors.
 **Uganda**	• Leverage the large local pension assets to catalyze MSME financing and invest in MSME funds. • Tap into the sizable diaspora and develop targeted funds for them. • Expand the available Fund structure options to include General Partners (GPs), LPs, and other specialized Fund structures.

1 Introduction

1.1 Background

Selecting a Fund domicile is a pivotal decision for Fund managers and investors. "Fund domicile" refers to the legal jurisdiction in which an investment vehicle or Fund is incorporated and operates.[10] Similarly, "Fund domiciliation" is the process of choosing a specific legal, regulatory, and operational jurisdiction for the registration and establishment of an investment vehicle. It involves placing the Fund legally within a particular geographical location, influencing its governance, compliance requirements, marketability, and administrative processes.

This report is the output of a Mastercard Foundation-commissioned study conducted by Momentus Global, Samawati Capital Partners, and Stafford Law, aimed at validating the hypothesis that domiciliation of investment funds and vehicles is key to driving international, regional, and domestic investment capital to Africa.

Fund domiciliation assessments have traditionally focused on established parameters such as regulatory oversight, legal environment, and tax incentives. However, this report adopts a comprehensive approach that also incorporates perspectives on post-COVID trends, sustainability practices, innovation, financial services infrastructure improvements, and the role of IFCs in Africa. In doing so, the report provides a forward-looking perspective and actionable recommendations which could help in the development of new domiciliation jurisdictions in Africa.

1.2 Overview of Fund domiciliation

Selecting an appropriate Fund domicile is a crucial step in the formation of an investment vehicle or Fund since a domicile not only designates the official address of the investment vehicle but also plays a crucial role in determining how it operates. Fund managers carefully assess different jurisdictions, considering variables such as legal infrastructure, tax ramifications, and regulatory frameworks in making this strategic decision.[11]

The choice of domicile also has a significant impact on a Fund's ability to negotiate and comply with national and international regulations, which ultimately safeguard the interests of investors.[12] Cost considerations are a key factor as Fund managers aim to reduce costs and simplify administrative procedures to increase operational efficiency. A well-considered selection of the Fund's domicile also has the potential to enhance its marketability and attractiveness to potential investors, creating an environment that builds trust and reliability. Choosing an investment vehicle or Fund domicile is a complex decision that requires a deep understanding of legal, regulatory, and operational factors to ensure confidence in the Fund's performance in a competitive financial landscape.

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[10] "Fund Domicile: What is it, working, benefits, Example, FAQ." *POEMS*, (n.d.), https://www.poems.com.sg/glossary/fund/fund-domicile/.
[11] Oliver, Rachel. "Domicile: Home is where the fund is." *IPE*, 1997, https://www.ipe.com/domicile-home-is-where-the-fund-is/10874.article.
[12] ibid.

Hence, the choice of a jurisdiction for investment vehicle or Fund domiciliation is a crucial decision that extends beyond legal registration. It involves a comprehensive and complex evaluation of regulatory, tax, legal, and market-related factors that are crucial to the success of an investment Fund, impacting its efficiency, attractiveness to investors, and overall performance.

1.3 Why domiciliation matters

Creating a conducive environment to attract the domiciliation of Investment Vehicles to a jurisdiction presents significant benefits to any country that chooses to do so. Data from the European Fund Asset Management Association reveals that the top 10 domiciles for investment Fund assets include countries such as the USA, Luxembourg, France, Ireland, the UK, Germany, and more (see Figure 18). Apart from Mauritius, which is arguably Africa's most sophisticated and organized investment domicile, most Investment Vehicles that have Africa as their investment focus still choose to domicile in other jurisdictions outside of the continent. This trend limits the quantum of investment capital available on the continent, invariably affecting the share of funding African SMEs can attract. A number of these SME funds resort to domiciling in non-African jurisdictions like Delaware to be able to attract investors more easily.

This section of the report explains the relevance of Fund domiciliation in African jurisdictions. Reflecting on the opportunities and challenges presented by Africa's youthful and growing population, it displays the linkage between the domiciliation of Investment Vehicles on the continent, access to finance for SMEs, SME growth, and the resultant impact and job creation for target segments like youth and women.

This report builds a case for deepening domiciliation on the African continent by mapping out and profiling the options open to Africa-based Investment Vehicles to crowd capital and seek avenues for mobilizing domestic capital. Figure 8 below illustrates the potential path to impact using domiciliation as a driver.

FIGURE 8: INCLUSIVE PATH TO IMPACT USING DOMICILIATION AS A DRIVER

Source: *Developed by the authors for the purpose of this report*

Africa's youthful population

According to the United Nations Economic Commission for Africa (UNECA), Africa's population is currently estimated at 1.5 billion. The median age is 19 (compared to the global median of 30.5 years), and the fertility rate is 4.1 live births per woman (compared to the global average of 2.3 live births per woman).[13] Africa's population can thus be classified as demographically young and rapidly expanding. This population characteristic presents African countries with both an opportunity to harness the demographic dividends from its population dynamics and a significant risk if not addressed. If African countries provide quality education, invest in youth skills, and create meaningful job opportunities, the continent will achieve sustainable development and prosperity. Conversely, African countries that are not able to design the requisite mechanisms to tap into the opportunity presented by the growing youth population could face political and economic difficulties in the future.

Challenges of unemployment and poverty in African countries

Employment is a key channel through which economic growth translates into poverty reduction. However, many developing countries, particularly in Africa, have experienced rapid growth over the past decades without achieving substantial poverty reduction. Recent analysis indicates that while poverty rates in most regions of the world are projected to fall below 3% by 2030, in African countries, the rate is expected to decrease only to approximately 25%.[14]

The ILO World Employment and Social Outlook 2019 report states that 54% of workers in low-income countries are self-employed, compared to 11% in high-income countries. In low- and lower-middle-income countries, micro-enterprises (2–9 employees) have a higher employment share. In contrast, small enterprises (10–49 employees) see their employment share rise from 3% in low-income countries to 25% in high-income countries.[15] This trend shows that small enterprises that are able to employ between 10 – 49 employees and absorb about 25% of the labour force are missing in the context of low-income countries in Africa, a phenomenon referred to as the "Missing Middle". Low-income economies like those in several African countries are faced with the challenge of moving their micro-enterprises along the line of growth towards small enterprises. The report further states that about one-third of the employed population (145 million people) were in extreme working poverty in 2023, which was expected to persist. This challenge is directly linked to the persistent "missing middle" in African economies—while informal employment accounts for 86.5% of total employment and self-employment remains high at 75.5%. There continues to be a shortage of small enterprises that can offer stable employment.

[13] "Demographics of Africa." Worldometer, n.d., https://www.worldometers.info/demographics/demographics-of-africa/
[14] Brixiová, Zuzana, Thierry Kangoye, and Thierry Urbain Yogo. "Access to Finance among Small and Medium-Sized Enterprises and Job Creation in Africa."). https://www.sciencedirect.com/science/article/abs/pii/S0954349X2030391X.
[15] International Labour Organisation (ILO). "World Employment and Social Outlook: Trends 2020.", 2019, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_723282.pdf.

The shortage of employment across the continent can be directly linked to the inability of micro-enterprises to scale and aggressively pursue growth to become SMEs before their fifth anniversary. The lack of sustainable growth creates a negative cycle. Businesses that could potentially expand to formal employment opportunities remain stuck in the informal sector or fail, making it harder for the youth to find stable jobs. The impact is particularly severe for Africa's youth, who face significant barriers to decent work. The youth NEET (Not in Employment, Education, or Training) rate stands at 25.9% in 2023, up from 22.2% in 2013, representing about 62 million young people.[16]

Access to capital, particularly to promote youth employment and entrepreneurship, continues to be one of the most topical issues on the continent. By deploying an impact evaluation-based approach on firm-level data from 42 African countries, Brixiová et al. were able to demonstrate a direct correlation between access to finance for SMEs and job creation potential.[17] Firms that had access to larger and more affordable loans had a higher capacity to create more jobs than those that did not have such funding. To address the high unemployment in African countries, governments must urgently create pathways that will unlock investment capital for SMEs, enabling them to grow, sustain, and create jobs.

The opportunities presented by domiciliation of funds on the continent

Compared to other geographies, Africa's PEVC ecosystem can be described as nascent and too small to meet the demand for investment capital. Africa needs more Investment Vehicles that have enough capital to invest in African SMEs and projects on the continent. Domiciliation of investment funds on the continent is a key enabler to unlocking opportunities for driving capital to Africa through various Investment Vehicles and positively impacting domestic financial systems.

Attractive Fund domiciliation jurisdictions will be able to achieve the following:

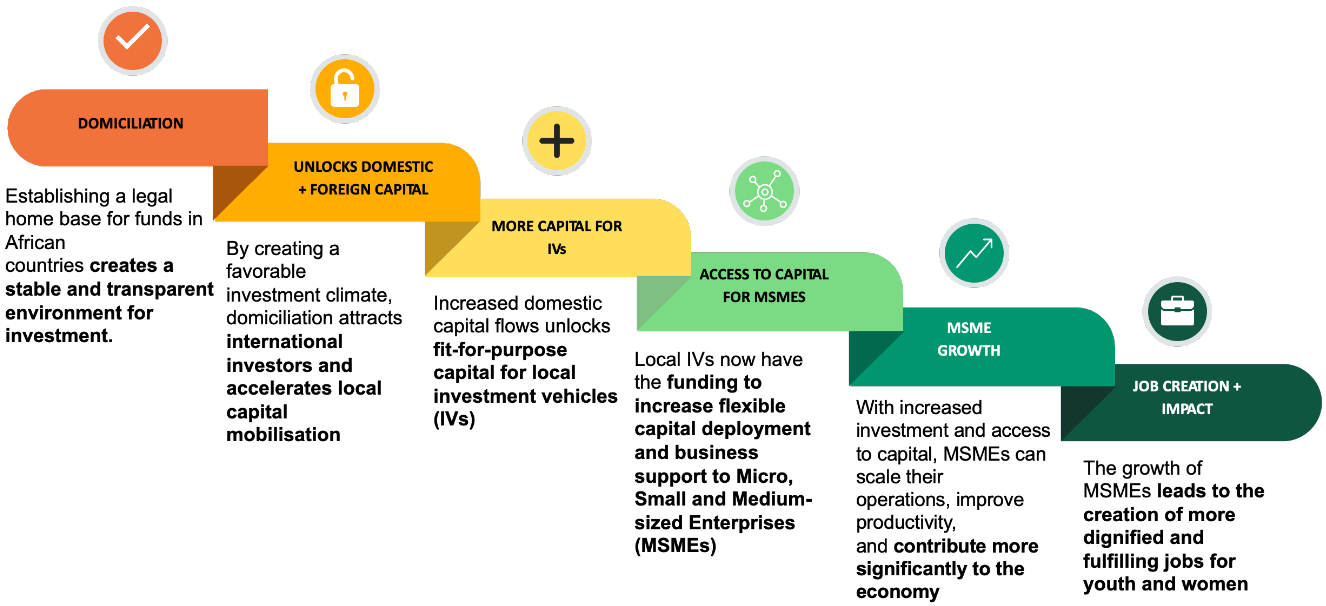
1) **Unlocking of domestic capital, particularly from pension funds, into Investment Vehicles**. Pension funds in various African countries control a lot of under-deployed assets, with most of these funds investing predominantly in government-backed instruments, and real estate projects. Pension Fund assets across Africa represent highly untapped resources, providing pension Fund managers an opportunity to make alternative investments into the PEVC sector in the continent. This could be unlocked as the right frameworks are created for Investment Vehicles to domicile smoothly in such jurisdictions.

2) **Crowding in international investment capital:** Investors are always looking for opportunities to deploy capital. Attractive domicile jurisdictions offering the needed incentives to investors, such as competent professional service providers and efficient legal systems, will draw in international investors to participate. Africa is better positioned to attract its fair share of global investment assets if countries intentionally position themselves as alternatives to the current status quo.

[16] International Labour Organisation. 2024. "World Employment and Social Outlook: Trends 2024." Geneva: International Labour Office. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_908142.pdf

[17] Brixiová, Zuzana, Thierry Kangoye, and Thierry Urbain Yogo. "Access to Finance among Small and Medium-Sized Enterprises and Job Creation in Africa.". https://www.sciencedirect.com/science/article/abs/pii/S0954349X2030391X.

FIGURE 9: WHY DOMICILIATION MATTERS | IMPACT ENABLING



Source: *Developed by the authors for the purpose of this report*

Invariably, being deliberate about Fund domiciliation on the continent will position domestic Investment Vehicles to receive a significant boost of investment capital, either by channelling assets from local pension funds and institutional investors or unlocking funds from international investors, enhancing their capacity to finance African SMEs.

In conclusion, Africa has a hugely untapped potential in its youthful population and a rather urgent need to create opportunities to meaningfully deploy the potential of its entrepreneurs and labour force. Whereas Fund domiciliation on the continent may not be the magic bullet to all of its challenges, it could still go a long way to unlock latent investment capital, especially from pension funds (see Box 4, in Section 2.2.4 for more details on mobilizing domestic capital through pension funds). Crowding in international investment capital to invest in domestic Investment Vehicles could offer an unmatched supply of willing capital to Africa's entrepreneurial community for their growth and expansion. Most IVs require MSMEs to be registered at the local or national levels to receive financing, which creates more opportunities for the MSMEs to receive capital and capacity building. Ultimately, this will empower these businesses to create jobs for young people and women, resulting in lasting impact and shared prosperity.

1.4 Role of domiciliation jurisdictions

The role and importance of Fund domiciliation jurisdictions cannot be overstated for Fund managers and investors. Domiciliation decisions are largely driven by investor interests and preferences. By strategically selecting an appropriate Fund domicile, Fund managers and investors can reap several benefits.

One of the primary advantages of a given regulatory environment is the protection of investors. Additionally, Fund domiciles offer unique characteristics, which are specifically designed to meet the tailored requirements of various investment Fund types. Regulatory frameworks established by domiciles ensure investor protection, promote transparency and establish robust market oversight. A domicile with these regulatory features thereby demonstrates a strong market monitoring system. Operating within such a framework enhances investor confidence and appeals to a broader investor base while reinforcing the overall credibility of the Fund.

In addition, specific Fund domiciles provide unique tax benefits, such as tax efficiency, exemptions, and/or double-tax treaty participation. This gives Fund managers a chance to carefully consider and optimize their tax strategies in the interests of both the Fund and its investors. The adept handling of tax considerations makes the Fund's operations more financially flexible, which can lead to increased profitability and better returns for investors.

More broadly, the strategic selection of a Fund domicile in a country with a well-developed financial system provides investors with better market services and access to capital for Fund managers. Fund managers can harness pre-existing infrastructure, enlist the assistance of reputable service providers, and access established distribution networks within their selected domicile. This broadens the Fund's presence in the domestic financial setting while also streamlining operational procedures.

Another benefit to be sought from a selected Fund domicile is operational synergies, which give access to a network of financial experts, legal specialists, and service providers knowledgeable about the regulatory environment in the selected jurisdiction. For Fund managers, this network can improve overall efficiency, reduce operating costs, and expedite administrative procedures. In turn, this leads to a more streamlined and effective operation, which ultimately benefits investors.

With respect to jurisdiction-specific risks, including political stability and macroeconomic uncertainties, an effective Fund domicile improves risk management. By matching the Fund's risk tolerance to the predictable and stable characteristics of the selected domicile, Fund managers can reduce possible risks and increase the investment's overall resilience.[18]

In summary, by carefully considering and evaluating the various factors involved in selecting a Fund domicile, Fund managers can create a strong foundation for their investment Fund, which can ultimately improve fundraising efforts while increasing profitability and returns for investors.[19]

1.5 Structure of this report

Section 1 outlines the background of the report, the role of domiciliation decisions, and why selecting a country for domiciliation of Investment Vehicles holds importance for Fund managers and investors.

Section 2 provides an overview of the investment landscape in Africa through a literature review covering emerging trends, growth drivers, key sectors receiving investment flows from global, regional, and domestic

[18] ibid.
[19] ibid.

sources, and prominent investment jurisdictions in Africa. It sets the context for the subsequent sections of the report by outlining key domiciliation trends globally and the case for Africa.

Section 3 focuses on insights from stakeholder consultations, which form a pivotal part of the methodology employed for this study. This section analyses the insights gathered from different stakeholder groups from 13 African jurisdictions and 4 global jurisdictions chosen for this report. This part of the report also highlights the key factors considered by Fund managers and investors when making domiciliation decisions. It also addresses their perceptions of the current challenges in domiciling Investment Vehicles in Africa.

Section 4 highlights the key parameters that constitute a "mature" Fund domiciliation jurisdiction, such as a stable regulatory environment, competitive taxation, political and economic stability, investor protection, transparency, predictability, and effective dispute resolution mechanisms. A key contribution of the report is a Fund Domiciliation Maturity Diagnostic Tool (FDMDT) to identify the main parameters and dimensions that investors and Fund managers consider in their assessment of the attractiveness of a jurisdiction, risk mitigation, enhancing transparency, and informing policymakers and regulators. This section also outlines how the 13 short-listed African jurisdictions perform against these parameters.

Section 5 provides recommendations on steps that can be taken to develop African jurisdictions as potential domiciliation destinations. While recognizing that not all short-listed jurisdictions may hold such potential, the FDMDT and assessment in the previous sections of the report pave the way for unlocking new domiciliation jurisdictions on the continent.

1.6 Approach and methodology

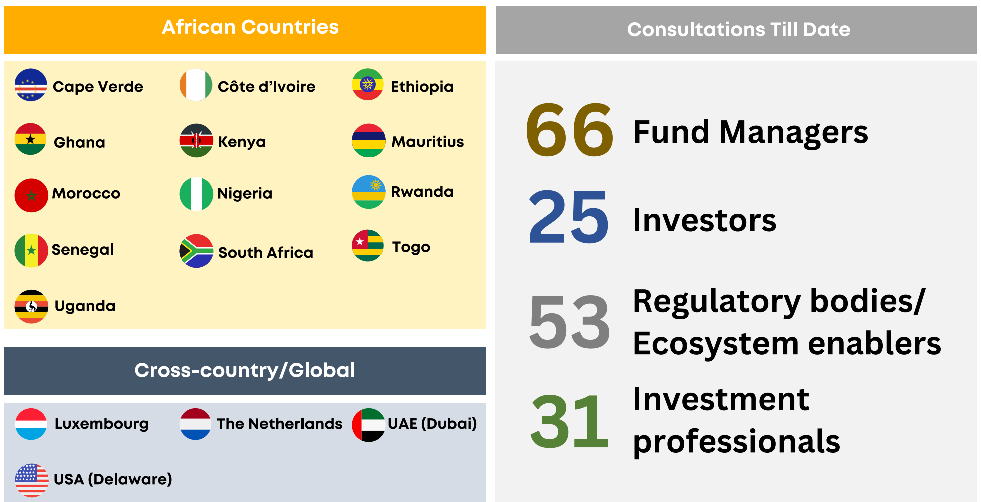
The report adopts an integrated approach, combining a landscape assessment through existing literature, extensive stakeholder consultations, follow-up surveys to gather quantitative data, and comparative analyses to comprehensively understand the potential of African countries as domiciliation jurisdictions. It is based on an exhaustive literature review, delving into reports from the African Private Capital Association, the African Private Equity & Venture Capital Association, FSD Africa, EMPEA (now GPCA) and others. These sources provided insights into domiciliation practices, regulatory landscapes, and benchmark analyses across selected African jurisdictions.

The findings are heavily anchored on consultations with varied stakeholder groups in the African and global Investment Vehicles domiciliation ecosystem. A diverse array of stakeholders was consulted, largely through in-person structured interviews complemented by virtual discussions, where needed, to glean nuanced insights into the domiciliation landscape. Consultations were conducted using pre-structured consultation guides, and stakeholders interviewed were selected to represent a broad spectrum of perspectives, spanning the 13 African countries that are the focus of this analysis, including Cabo Verde, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Mauritius, Morocco, Nigeria, Rwanda, Senegal, South Africa, Togo, and Uganda. Complementing this regional focus, cross-country consultations were conducted with key global players in Luxembourg, the USA, the Netherlands, and the UAE.

The consultations covered four distinct stakeholder types: Fund managers, investors, regulators/ecosystem enablers, and investment professionals, allowing for a deep exploration of diverse perspectives within the domestication landscape.

The discussions offered a comprehensive array of insights, illuminating the complex dynamics of the African investment landscape. Following the interviews, stakeholders were engaged further through follow-on survey questionnaires. This post-consultation survey was instrumental in collecting additional quantitative data, offering a more structured dimension to the qualitative insights collected through the in-person consultations.

FIGURE 10: CONSULTATIONS BY COUNTRY/TYPE OF STAKEHOLDER



Source: *Developed by the authors for the purpose of this report*

The scope of the outreach included a total of 175 stakeholder consultations conducted, comprising 66 Fund managers, 25 investors, 53 regulators/ecosystem enablers, and 31 investment professionals. By adopting this methodology, the report endeavours to present a comprehensive and well-rounded understanding of the opportunities and challenges associated with Africa as a jurisdiction for domiciliation of Investment Vehicles.

The study concluded with validation sessions where a select group of stakeholders reviewed and contributed to the findings, ensuring the insights accurately reflect diverse perspectives.

2 Investment landscape in Africa

2.1 Overview

The African investment landscape offers several attractive investment opportunities supported by steady economic growth. While each nation is characterized by its own unique opportunities, risks, and policy environments, there are some common drivers of economic growth – increases in population and consumer spending, exploitation of natural resources and infrastructure development. Similarly, certain industrial sectors feature prominently across markets. These include telecommunications, information technology, renewable energy, agribusiness, manufacturing, healthcare, FinTech, and financial services. With a growing middle class and increasing urbanization, consumer-focused industries are particularly attractive to investors.

Investment in Africa is both growing and diversifying. While a series of global shocks, starting with the COVID-19 pandemic, impacted FDI in Africa, investment in the continent saw a strong rebound as of 2022, with the number of FDI projects 64% higher than the previous year. South Africa led the continent in the number of FDI projects, while Egypt was the largest recipient of FDI in value terms.[20] Investors from both traditional and non-traditional sources are increasingly interested in the African market. Investment from countries like China and the Middle East (particularly UAE) has been playing an increasingly significant role in core sectors such as infrastructure, construction, and mining.

African countries are increasingly focusing on regional economic integration to boost trade and investment. The African Continental Free Trade Area (AfCFTA) aims to create a single market of over 1.3 billion people, enhancing business opportunities and facilitating cross-border investments. The continent has also equally seen a surge in entrepreneurial activity, with the emergence of a growing number of start-ups and innovative ventures (see Figure 11 below). Such start-ups, particularly those leveraging technology and digital applications, are attracting interest from both domestic and international investors.

This section of the report further outlines the African investment ecosystem. It is important to note two features of the African financial markets, specifically (a) their reliance on private capital, both debt and equity (rather than the public markets, as is common in other major developed economies) and (b) the role of DFIs which channel a large proportion of capital to Africa, meaning they have a significant influence on the Fund structuring and domiciliation decision.

The 2023 African Private Capital Industry Survey by AVCA, which includes insights from LPs and GPs actively involved in Africa's private capital industry, demonstrates optimism towards private capital. Over 85 percent of the LP participants plan to increase their allocation to African private capital. The majority of these consist of DFIs (45 percent), followed by Pension Funds (15 percent) and Sovereign Wealth Funds (15 percent).[21]

A 2022 report by Momentus Global (formerly International Financial Consulting Ltd.) developed with the support of the Bill and Melinda Gates Foundation outlines the global potential of private capital sources. As per the report, private capital "with the right deal structures can be (and needs to be) tapped to a far greater extent in support of

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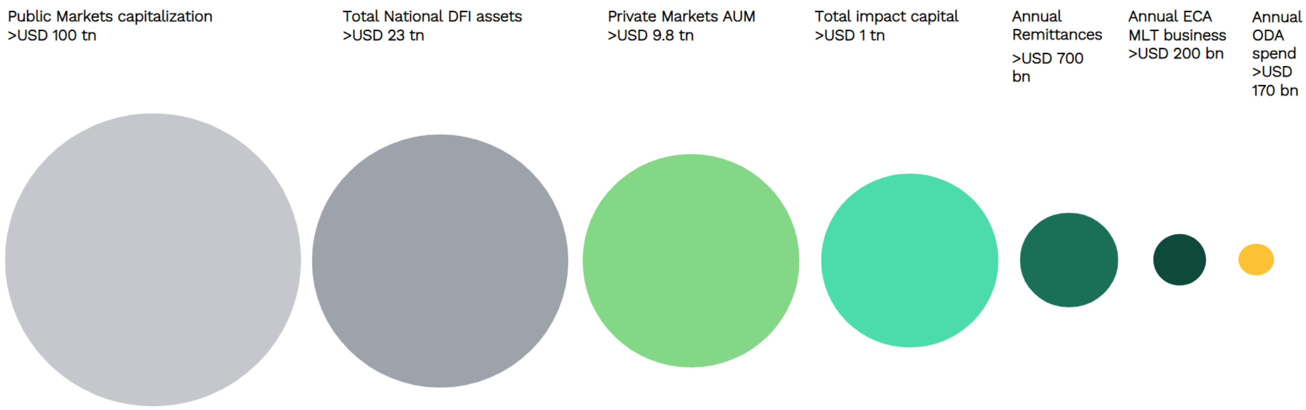
[20] Sita, Ajen, et al. "A Pivot to Growth: EY Attractiveness Africa November 2023." *Ernst & Young Global Limited*, 2023, ey-com-en-za-2023-ey-africa-attractiveness-report-nov.pdf.

[21] "2023 African Private Capital Industry Survey Behind the Scenes: LP and GP Perspectives Unveiled." *African Private Equity and Venture Capital Association (AVCA)*, 2023, https://www.avca.africa/media/fl4ds4dt/avca23-05-industry-survey_3.pdf.

development finance."[22] For African countries seeking to attract private capital, it will be crucial to develop enabling business environments with more favourable and reliable policy frameworks and less bureaucratic processes. Figure 11 below illustrates the relative scale of capital available from public and private sources. The Momentus Global report further states that "these sources - each with their own strategic interests and abilities - have the potential to be mobilized to augment or even surpass public financial resources."[23]

FIGURE 11: COMPARATIVE SIZE OF PRIVATE CAPITAL POTENTIAL



Source: *Optimize Development Finance Levers to Meet the 2030 SDG*

Africa's investment landscape presents both opportunities and challenges. African markets' potential is still limited by factors such as political instability, foreign exchange risk, regulatory roadblocks, corruption, inadequate infrastructure, and security concerns that may impact the operating environment and increase the costs of doing business. There is thus a heightened burden on investors to conduct thorough due diligence and seek domestic partnerships, among many other measures, to mitigate risks effectively. Africa's share of global investment capital has remained low - below 1 percent of global assets under management – even as global AUM grew from USD 48 trillion in 2010 to over USD 112 trillion in 2021.[24]

Nonetheless, constructive financial market development efforts, supported by institutions such as Financial Sector Deepening Africa (FSD Africa, a UK government-funded financial advisory agency), have made significant strides towards turning African countries into credible investment destinations. For example, as of March 2023, GBP 820 million has been mobilized/catalyzed for green projects and targeting the needs of low-income groups. FSD has also been instrumental in developing/refining 30 regulations, policies, investment guidelines and master plans for financial markets.[25] To support and even accelerate that trend, enhancing domiciliation services has been identified as a meaningful way to channel capital across the continent effectively.

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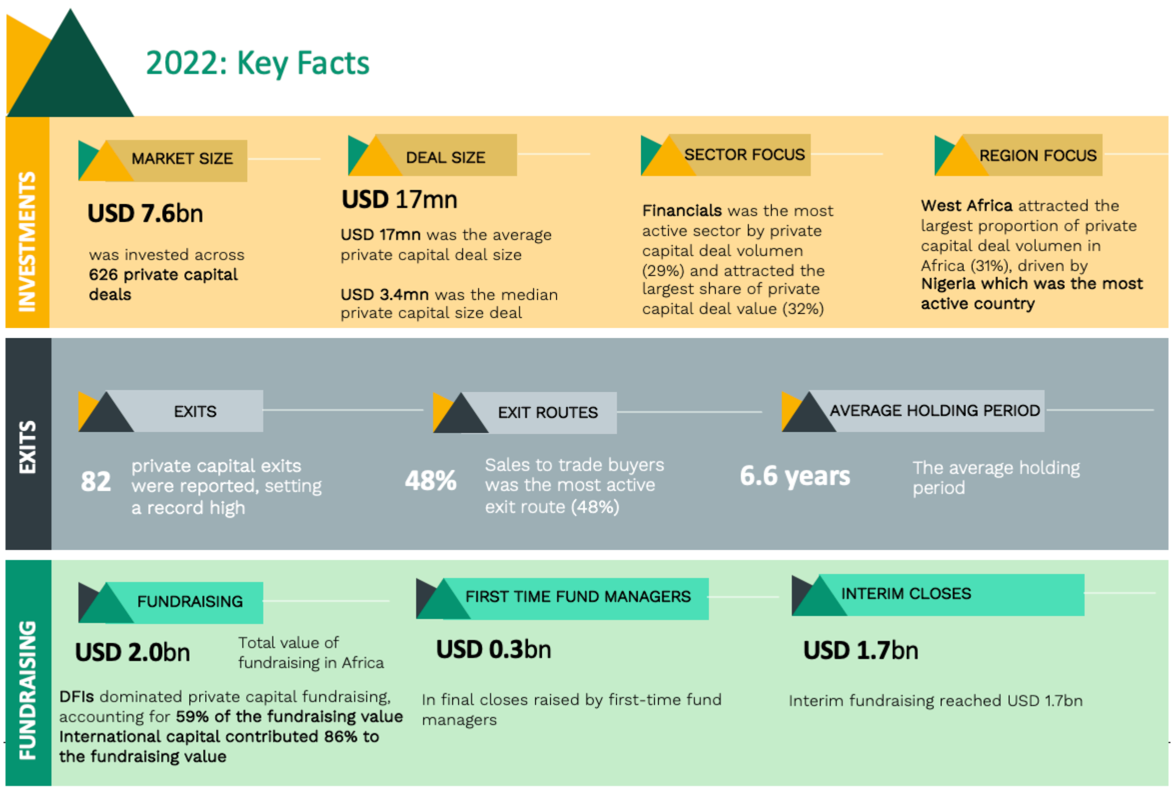
[22] "Optimize Development Finance Levers to Meet the 2030 SDGs: Scoping Report." *Momentus Global (formerly International Financial Consulting Ltd.)*, 2022, https://momentus.global/wp-content/uploads/2023/05/Development-Finance-Landscape-Report-Final.pdf.
[23] ibid.
[24] African Union Commission/OECD. "Overview", *in Africa's Development Dynamics 2023: Investing in Sustainable Development, African Union Commission, Addis Ababa/OECD Publishing, Paris*, https://doi.org/10.1787/7636dafa-en.
[25] "Annual Impact Report 2023." *FSD Africa*, 2024, https://fsdafrica.org/wp-content/uploads/2023/12/FSD-Africa-Impact-Report-11.12.23.pdf.

2.1.1 Emerging trends

In recent years, Africa has witnessed significant growth in Venture Capital and Private Equity deals: A 2022 Africa Private Capital Association (AVCA) report indicates that the overall value of venture capital (VC) deals grew at a rate of 100 percent annually between 2017 and 2019. 2022 was the highest year on record for Private Equity (PE) deal volumes in the last 10 years, up 46 percent over the 2021 investment figures.[26] According to the report, the total value of private capital deals reported in Africa reached a record high of USD 7.6 billion in 2022. The number of private capital deals (including equity deals) totalled 429 in 2021, a 66 percent increase from 258 deals in 2020. This surpassed the yearly average of 215 deals from 2016 to 2020, showcasing a growth of 100 percent in deal volume.[27] As of Q3 2023, the private capital deal flow on the continent was still strong, with a total volume of 198 venture capital deals, followed by 54 and 25 private equity and private debt (debt from funds) deals, respectively.[28] These trends highlight that the opportunities for private capital raising in Africa are rising. As investors are starting to pay closer attention to Investment Vehicles domiciliation, it is important to assess the core drivers of the continuous growth in investments, particularly private capital flows, and identify where these opportunities exist in Africa. The capital flow dynamics and types of deals in Africa are increasingly more sophisticated and diversified over time[29] (see Figure 12 below):

FIGURE 12: KEY FACTS REGARDING 2022 INVESTMENT DEALS IN AFRICA



Source: *2022 Africa Private Capital Activity Report*

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[26] "2022 African Private Capital Activity Report." *African Private Equity and Venture Capital Association (AVCA)*, 2023, www.avca.africa/data-intelligence/research-publications/2022-african-private-capital-activity-report.

[27] "African Private Capital Activity Report." *African Private Equity and Venture Capital Association (AVCA)*, 2022, 02034-avca-african-private-capital-activity-2021-public-9-1.pdf.

[28] "2023 African Private Capital Industry Survey Behind the Scenes: LP and GP Perspectives Unveiled." *African Private Equity and Venture Capital Association (AVCA)*, 2023. https://www.avca.africa/media/fl4ds4dt/avca23-05-industry-survey_3.pdf.

[29] "2020 Annual African Private Equity Data Tracker." *African Private Equity and Venture Capital Association (AVCA)*, 2021, https://www.avca.africa/media/02qpw5tq/annual-avca-data-tracker-2020.pdf.

BOX 1: DOMICILIATION AS A TOOL TO SUPPORTING LOCALLY POOLED INNOVATIVE FUNDING MECHANISMS

The emergence of locally innovated pooled funding mechanisms such as sophisticated *chamas*, *tontines*, and investment clubs is notable. Being locally domiciled will allow these structures to pool local retail and institutional capital to deploy in local currency, using funding instruments which meet the needs and realities of MSMEs on the ground. These local investment structures further increase the local economic participation of retail investors who otherwise would not have an opportunity to invest in and profit from local MSME growth, whose value is usually exported through foreign-held capital. Some examples of locally domiciled Investment Vehicles which are deploying capital to women and youth employing MSMEs using locally led innovative financial instruments include. (Women in African Investments Group, 2024)

AfVest: An innovative IV that is a blend of a chama, a private equity fund, and a private company. Founded 10 years ago as a privately incorporated entity. The IV uses retail pooled capital (from trusted social networks with a long-term investment view) using chama principles, overlaid with stronger governance measures such as a board of directors and an investment committee. Comprises 25 members, with a minimum investment of 1M KES, invested as shareholder loans.

Front-End Venture: A hyperlocal fund that reached its first close of USD 1.2 M using only local individual capital contributions. The fund invests in youth and women-led local SMEs. Attracted an additional small pool of foreign institutional capital alongside pooled retail capital. A fund manager moved from the UK to Kenya to be closer to the pipeline of investments and this was a game changer for their ability to deploy capital and value creation for their portfolio companies.

WIC Capital: The first investment fund to target SMEs founded or led by women in French-speaking West Africa. WIC Capital invests between 100,000 and 1,000,000 Euros through a mix of equity and quasi-equity in companies from all sectors, founded by women, at least 50% owned by women, or with a mainly female management team. Comprises 120 individual investors from Senegal and Cote d'Ivoire. WIC members come from diverse backgrounds and offer their expertise and market insight to the fund manager throughout the investment process.

A March 2023 Report by the Kigali International Financial Centre, in collaboration with the Africa Private Capital Association, titled "Funds and Fund Management Services in Africa," outlines that the private capital industry in Africa has witnessed significant growth in the last two decades[30]. Adopting a historical lens as well as a current view towards an assessment of Africa's private capital landscape, the report highlights that "Investment funds constitute one of the main drivers of domestic and international capital flow into African economies and have led to the emergence of key service providers such as asset managers, Fund managers and trust and corporate service providers."[31] This position is supported by the 2020 Annual African PE Data Tracker, published by AVCA, which

[30] "Funds and Fund Management Services in Africa." *Kigali International Financial Centre*, 2023, https://www.avca.africa/media/ktoflen5/02115-avca-kifc-funds-report_9-part1.pdf.
[31] Ibid.

states that the PE industry has seen significant growth over the last two decades and contributed to providing growth capital for businesses on the continent.[32]

An African Development Bank Group working paper series titled "Catch Me if You Can; On Drivers of Venture Capital Investment in Africa"[33] published in June 2022 sought to explain the contributors to VC investments in Africa between the period 2014 and 2019, using a dataset of African economies over the identified period. The report concluded that digital infrastructure, high-technology exports, internet coverage, market size, minority investor protection, and government effectiveness were the main determinants of deals within the VC sector in Africa.

2.1.2 Growth Drivers

Africa's role as a strategic geographic region for investment has retained considerable importance for numerous capital providers. This may be attributed to a number of macroeconomic drivers identified by recent studies, including a report by the Kigali International Finance Centre (2023):[34]

- **Economic growth***:* Africa has been experiencing steady economic growth. The International Monetary Fund (IMF) forecasts that Africa's economy will grow by 3.4 percent in 2021, with some countries, such as Ethiopia and Côte d'Ivoire, experiencing even higher growth rates. This makes the economies more attractive for investments as they build a pipeline of investment opportunities and projects in the process.

- **Market-oriented reforms**: Various African governments initiated tailored efforts in the early 2000s to re-establish political stability, enhance macroeconomic conditions, and implement microeconomic reforms that favour investments. This has seen a progressive and liberalized approach to legislation and policy development at the national and regional levels.

- **Economic performance & resilience**: Global economic challenges such as the COVID-19 pandemic, disruptions to global supply chains due to the Russia-Ukraine crisis, and geo-political conflicts led to a reduction of Africa's real gross domestic product (GDP) growth from 4.8 percent in 2021 to 3.8 percent in 2022.[35] However, African economies remain resilient. According to projections from the UN World Economic Situation and Prospects (UNWESP) 2024, the continent's economic growth is expected to increase slightly to 3.5 percent, compared to 3.3 percent in 2023.[36]

- **Demographic dividend***:* The population of Africa has more than doubled since the beginning of the century, resulting in an infrastructure gap that presents a distinctive opportunity for investors. With an average youth population in excess of 70 percent, characterized by relatively high education attainment, increased incomes, and a burgeoning consumer middle class (projected to encompass 1.7 billion

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[32] "2020 Annual African Private Equity Data Tracker." *African Private Equity and Venture Capital Association (AVCA)*, 2021, https://www.avca.africa/media/02qpw5tq/annual-avca-data-tracker-2020.pdf.
[33] Jaoui, Fadel, et al. "'Catch Me if You Can' on Drivers of Venture Capital Investment in Africa." *African Development Review*, vol. 34, no. S1, Wiley, 2022, https://doi.org/10.1111/1467-8268.12655.
[34] "Funds and Fund Management Services in Africa." *Kigali International Financial Centre,* 2023, https://www.avca.africa/media/ktoflen5/02115-avca-kifc-funds-report_9-part1.pdf.
[35] "African Economic Outlook 2023: Mobilising Private Sector Financing for Climate and Green Growth in Africa." *African Development Bank Group*, 2023, https://www.afdb.org/en/knowledge/publications/african-economic-outlook.
[36] United Nations Department of Economic and Social Affairs. "World Economic Situation and Prospects 2024." *United Nations*, 2024, https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2024/.

consumers by 2030), this segment is seen to have immense potential to provide a demographic dividend. By 2030, it is estimated that Africa will have the largest working-age population globally.[37]

- **Urbanization**: The rate of urbanization in Africa is increasing, creating investment opportunities in infrastructure, real estate, and services. By 2030, more than 50 percent of Africans are expected to live in cities.[38]

- **Digital transformation**: The rapid adoption of digital technology is transforming various sectors, including FinTech, e-commerce, and telecommunications.[39]

- **Natural resources**: Africa is rich in natural resources, including minerals, oil, and gas, making it an attractive destination for resource-based investments.[40]

- **Infrastructure development**: Investments in infrastructure are crucial for supporting economic growth, and there are several ongoing projects on the continent to improve transportation, energy, and telecommunications networks.[41]

- **Renewable energy**: There is a growing interest in renewable energy investments in Africa to address the energy deficit and promote sustainability.[42]

- **Green economy potential**: Environmental, Social, and Governance (ESG)- related investment decision-making and climate change-related financing are creating a special niche in Africa, given the continent's high exposure to climate-related events across key regions, primary sectors, etc.

- **Agribusiness**: Agribusiness and food production are areas of investment potential, given the continent's agricultural opportunities and the need to address food security.[43]

- **Public-private partnerships (PPPs)**: Governments in Africa are increasingly open to PPPs, offering opportunities for private sector participation in various sectors.[44]

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[37] "The Future of Jobs and Skills in Africa: Preparing the Region for the Fourth Industrial Revolution." *World Economic Forum (WEF)*, 2017, https://www3.weforum.org/docs/WEF_EGW_FOJ_Africa.pdf.

[38] ibid.

[39] Anan, Lindsay, et al. "FinTechs: A New Paradigm of Growth." *McKinsey & Company*, 2023, https://www.mckinsey.com/industries/financial-services/our-insights/FinTechs-a-new-paradigm-of-growth.

[40] Hommann, Kirsten, and Somik V. Lall. "Which Way to Livable and Productive Cities?: A Road Map for Sub-Saharan Africa. International Development in Focus." *International Development in Focus Washington, D.C.: World Bank Group,* 2019, http://documents.worldbank.org/curated/en/986321553833156431/Which-Way-to-Livable-and-Productive-Cities-A-Road-Map-for-Sub-Saharan-Africa.

[41] Jaoui, Fadel, et al. "'Catch Me if You Can' on Drivers of Venture Capital Investment in Africa." *African Development Review*, vol. 34, no. S1, Wiley, 2022, https://doi.org/10.1111/1467-8268.12655.

[42] "UNDP Africa Investment Insights Report". *United Nations Development Programme (UNDP)*, 2023, https://www.undp.org/africa/investment-insights.

[43] Kotsuji, Yusoke. "Attracting Investment into Africa's Food Industries." *International Finance Corporation (IFC)*, 2021, https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/attracting-investment-into-africas-food-industries.

[44] United Nations Economic Commission for Africa. "Economic Study on Africa 2020: Innovative Finance for Private Sector Development in Africa". *United Nations*, 2020, https://uneca.org/era2020.

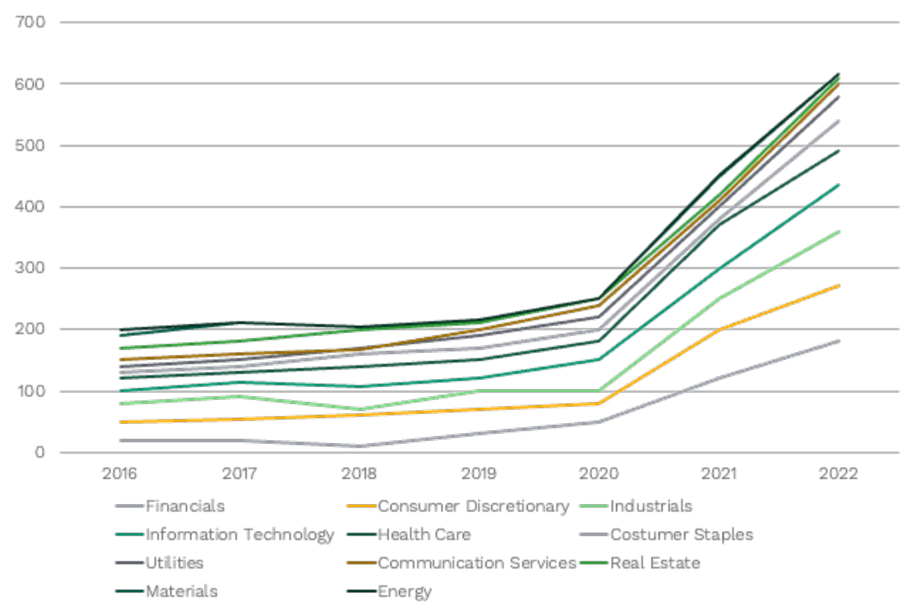
- **Regional integration**: Regional trade agreements and integration initiatives, such as the AfCFTA, are promoting cross-border trade and investment. The successful implementation of this agreement consolidates a market worth USD 1.3 trillion, featuring a combined GDP of USD 3.4 trillion.[45] This underscores a compelling signal for investors seeking to leverage an integrated Africa, open to both domestic and foreign investment.

2.1.3 Key Sectors

In recent years, Africa has witnessed significant growth in private capital funds with a focused investment approach within specific sectors. This development includes a notable shift from sector-generalist capital providers, which constituted 66 percent of the total private capital sources between 2002 and 2011, to sector-specific providers, accounting for 46 percent between 2012 and 2022.[46]. The African private capital industry matures, Fund managers are increasingly adopting investment strategies in sectors with significant commercial activity (see Figure 13 below).

At a sectoral level, the financial sector (banks, diversified financials & capital markets, and insurance), has been the most funded, followed by utilities (electric utilities, gas, multi-utilities, water utilities, independent power, and renewable electricity producers) and industrial sectors (capital goods, commercial & professionals services, and transportation). These sectors showed consistent growth over the period under review (2016-2022) and continued to attract investment capital on the continent. In 2022, these sectors accounted for almost 60 percent of all PE deals on the continent, with the financial sector contributing to 29 percent and 32 percent of deals in terms of volumes and value, respectively.[47]

FIGURE 13: TOTAL VOLUME OF PRIVATE CAPITAL DEALS IN AFRICA BY SECTOR AND YEAR



Source: *2022 Africa Private Capital Activity Report*

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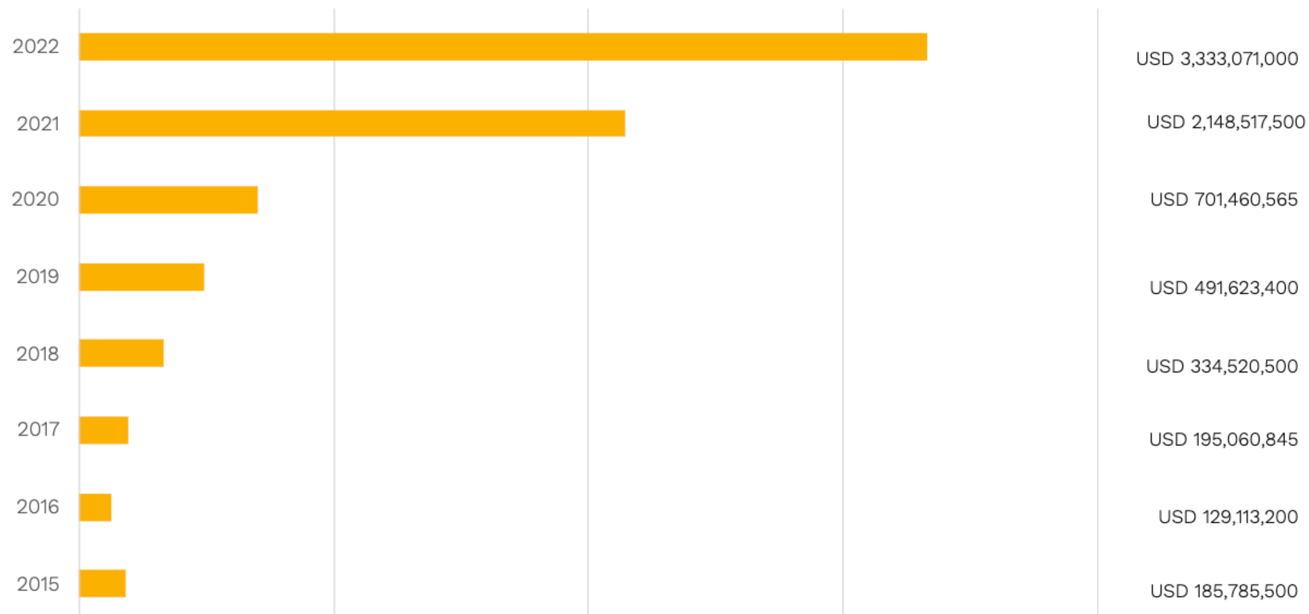
[45] ibid.
[46] "Funds and Fund Management Services in Africa." *Kigali International Financial Centre*, 2023, https://www.avca.africa/media/ktoflen5/02115-avca-kifc-funds-report_9-part1.pdf.
[47] ibid.

2022 was also a significant year for start-ups in Africa, as per The African Tech Start-ups Funding Report, 2022 by Disrupt Africa, with a total of 633 start-ups across the continent cumulatively raising USD 3.33 billion over the period, representing 12.2 percent and 55.1 percent increase in volume and value respectively from 2021.[48] As per the report "the majority of companies featured are usually no older than seven years old (though this is not a fixed rule), are still in the process of scaling up, their potential profitability is still growing—regardless of whether profitability has to date been achieved, and they may still seek external funding."

FIGURE 14: TOTAL FUNDING SECURED BY AFRICAN START-UPS BETWEEN YEARS 2015-2022



Source: *The African Tech Startups Funding Report 2022*

Another significant trend was that the average deal sizes in this segment have been increasing since 2019, with over 276 start-ups raising amounts of USD 1 million and more in 2022, a 36.5 percent increase from the number of start-ups in this category in 2021.[49]

The Disrupt Africa report links the significant annual increase in the total funding for 2022 to a few factors:

- Disclosure of amounts raised is becoming more prominent amongst African start-ups. In 2022, 67.5 percent of the start-ups made this disclosure, compared to 52.7 percent in 2021
- No *unicorns* emerged in 2022; however, record capital-raising rounds were a feature across various sectors
- Traction in the technology start-up segment contributed to the investment flows on the continent, with investments in FinTechs contributing to a significant proportion of investments, both in terms of value and volume. While the rate of growth of total funding into tech start-ups declined in 2022, the amount of total funding continues to show an upward trend

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[48] "2020 Annual African Private Equity Data Tracker." *African Private Equity and Venture Capital Association (AVCA)*, 2021. https://www.avca.africa/media/02qpw5tq/annual-avca-data-tracker-2020.pdf.

[49] Mulligan, Gabriella and Tom Jackson. "The African Tech Startups Funding Report 2022." *Disrupt Africa*, 2023, https://disrupt-africa.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf.

Another trend was the increase in participation of African tech start-ups in some form of accelerator or incubation programme either prior to raising investment or during their rounds, 52.1 percent of the funded tech start-ups in 2022 had participated in some such programme, including with international accelerators

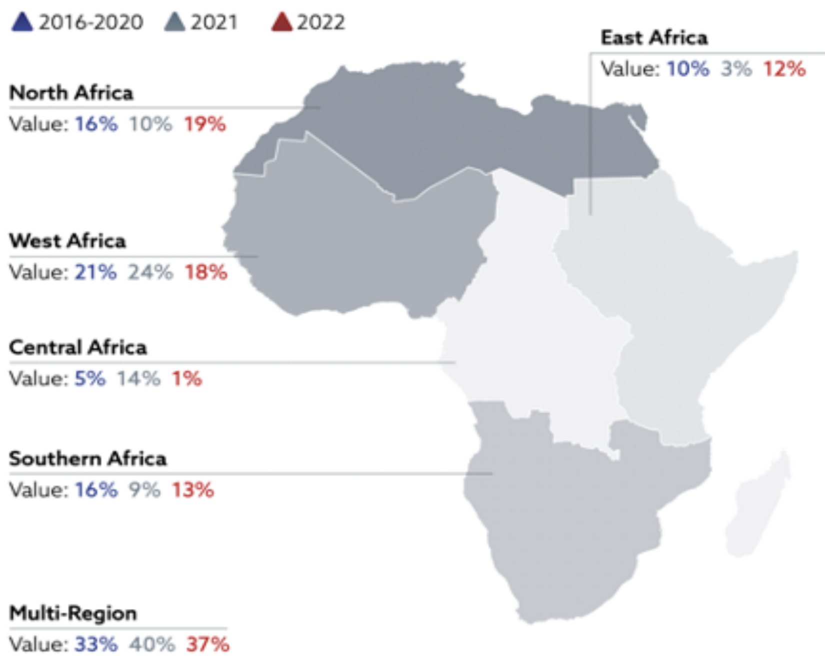
- The Mastercard Foundation's Young Africa Works strategy set an ambitious goal towards supporting the youth and enabling 30 million young people in Africa by 2030.[50] The resulting focus on the start-up segment will contribute to underlying investment activity therein.

2.1.4 Continental Investment distribution

While opportunities abound, it is important to note that investment potential varies across African regions. As highlighted by the Kigali International Finance Centre (2023),[51] between 2016 and 2022, West Africa recorded the highest private capital deal activity, totalling USD 8.1 billion, with Nigeria leading in the Anglophone community in both volume and value of transactions, followed by Ghana. Côte d'Ivoire led the Francophone community followed by Senegal. Southern Africa recorded the second-highest private capital deal activity, totalling USD 5.9 billion, with South Africa recording the highest number of deals in the region, followed by Zambia. The Northern Africa region had the third highest value of private capital deals worth USD 4.9 billion, with Egypt recording the highest performance, followed by Morocco. East Africa recorded deals worth USD 3.6 billion, with Kenya leading in deal value, followed by Uganda. The Central African region trailed in terms of private capital deal activities worth USD 2.1 billion, with the Democratic Republic of Congo (DRC) leading in deal value for the region, followed by Cameroon. In terms of driving regional investment going forward, a report by Prosper Africa in 2023 highlighted that although the markets of Francophone West Africa economies have shown remarkable development over the last two decades, there is a need to divert more attention to these booming regions.[52] It further highlighted Benin, Burkina Faso, Côte D'Ivoire, Guinea, Mali, and Senegal as key focus countries.[53] The distribution by volume of private capital deals on the continent between 2016 and 2022 is depicted in the figure below:

[50] "Young Africa Works." *Mastercard Foundation*, n.d., https://mastercardfdn.org/young-africa-works/.
[51] "Funds and Fund Management Services in Africa." *Kigali International Financial Centre*, 2023, https://www.avca.africa/media/ktoflen5/02115-avca-kifc-funds-report_9-part1.pdf.
[52] "West Africa's Economic Outlook for 2023." *Prosper Africa*, 2023, https://www.prosperafrica.com/news/west-africas-economic-outlook-for-2023.
[53] ibid.

FIGURE 15: VOLUME OF PRIVATE CAPITAL DEALS IN AFRICA BY REGION



Source: *2022 African Private Capital Activity Report*

2.1.5 Size of funds

The investment landscape in Africa encompasses a diverse range of Fund sizes, from modest seed funds with a few million dollars to substantial sovereign wealth funds boasting billions of dollars in assets. In the absence of a comprehensive report consolidating and analyzing data on Fund sizes, insights can be gleaned from various reports, including a report by the Japan External Trade Organisation (JETRO).[54] The report, while not exhaustive, provides a profile of selected funds investing in Africa. Based on the report, the disclosed Fund sizes by active funds in Africa ranged from as low as USD 20 million to as high as USD 145 million. However, smaller-sized funds, less than USD 10 million, are not uncommon across various African jurisdictions.

More diverse, smaller-sized funds are being launched on the continent. Examples of these include Wangara Green Ventures and Jaza Rift, which manage less than USD 10 million in assets with ticket sizes typically between USD 300,000 to USD 2 million. These smaller-sized funds are significant in their ability to unlock the ticket sizes that include MSMEs- who are often too large to access microfinancing and are too small to access traditional banks and traditional PE and VC capital and resultantly face a funding gap of over USD 940 billion.[55]

In counterpoint to the wide array of small, specialized funds across Africa, a select number of major Fund managers with billions of assets under management have also emerged; this is a relatively recent achievement, following considerable effort to build their capacity and reputation from the ground up. Helios and Development Partners International (DPI) each now have over USD 3 billion under management, while AfricInvest has USD 2 billion and

[54] "Impact Investing in Africa: A Catalogue of Key Impact Investors Across Africa's Startup Landscape." *Japan External Trade Organisation (JETRO)*, 2022, https://www.jetro.go.jp/newsletter/london/2022/Research/Impact_Investing_in_Africa.pdf.
[55] "About CFF." Collaborative for Frontier Finance, (n.d.), https://www.frontierfinance.org/about-cff.

is growing. While Fund size isn't the sole criterion guiding investor decisions in African investments, it can serve as a valuable indicator of investors' level of commitment to the African market, which encompasses both smaller and larger scale funds.

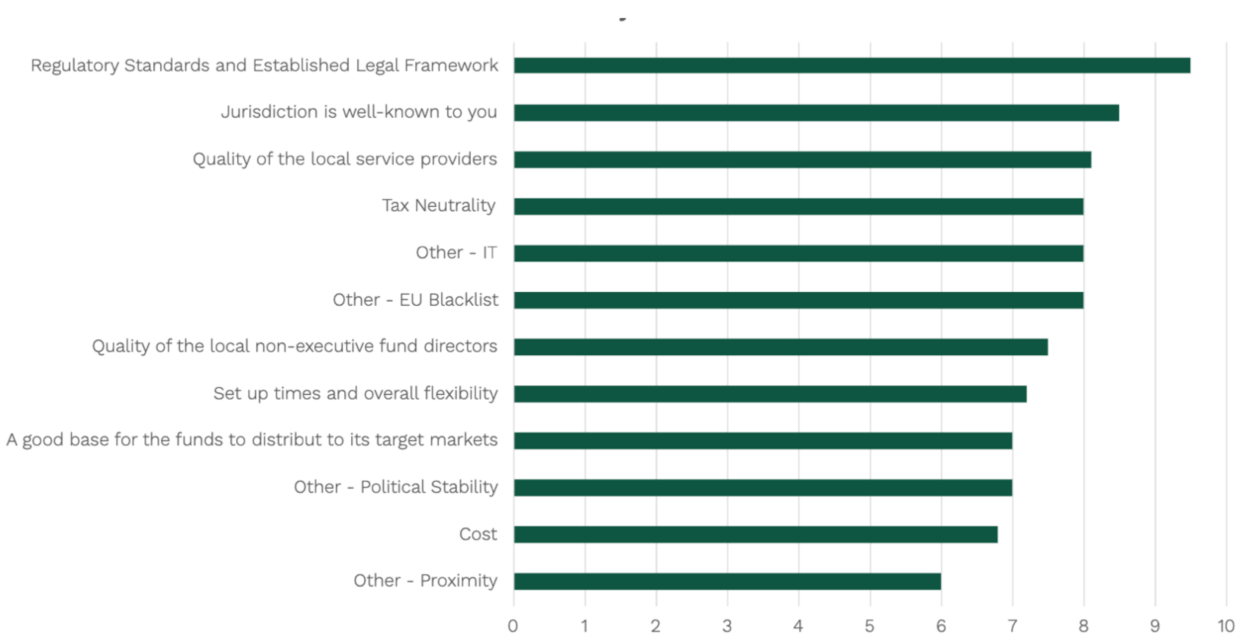
2.2 Global IV domiciliation trends and the case for Africa

2.2.1 Key determinants for the domiciliation decision

Fund domiciliation decisions are influenced by several factors. Global jurisdictions that have successfully attracted investors over the years have track records of addressing these factors predominantly:

1. Tax neutrality
2. Investor familiarity and comfort
3. Regulatory considerations
4. Legal considerations
5. Treaty frameworks
6. Exit option
7. Optimal capital structure
8. Cost of formation and maintenance

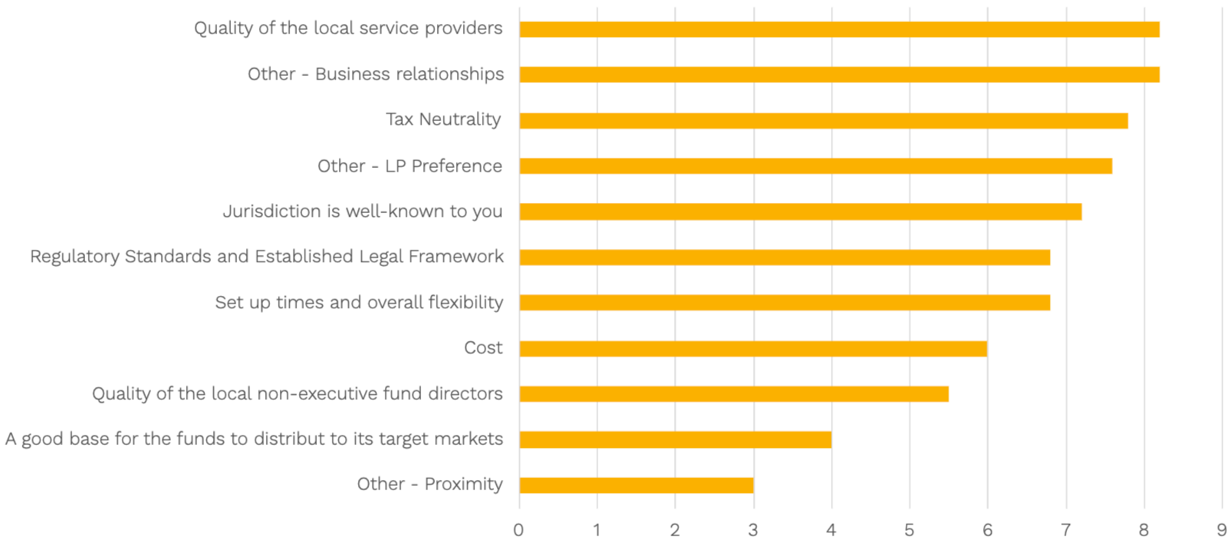
FIGURE 16: LPS - DRIVERS OF DOMICILIATION



Source: *African Business – Jersey Finance Report on South African Fund Managers: Trends in Fund Domiciliation and Capital Raising, 2020*

The choice of the jurisdiction to domicile Investment Vehicles is significantly influenced by LPs/ investors, either as direct recommendations to GPs/Fund managers or indirectly as a result of a GP's acceptance of an investor's preference (expressed or perceived) to enhance their fundraising. A 2020 survey by African Business commissioned by Jersey Finance outlines a few key drivers for LPs and GPs that contribute to the ultimate choice of domicile.[56]

FIGURE 17: DRIVERS OF DOMICILIATION



Source: *African Business – Jersey Finance Report on South African Fund Managers: Trends in Fund Domiciliation and Capital Raising, 2020*

LPs and GPs have similar priorities when it comes to choosing a jurisdiction for their funds. LPs ranked regulatory standards and established legal frameworks as the most important drivers of jurisdictional choice, while GPs ranked tax incentives and political stability as the most important drivers. This difference in priorities suggests that there may be a growing gap between the interests of LPs and GPs, which could need to be carefully balanced. LPs are also increasingly concerned with ESG factors, which may lead them to favour jurisdictions with stricter regulations. GPs may be more focused on tax benefits and political stability, which may lead them to favour jurisdictions with lower taxes and more stable governments. Jurisdictions that can offer a balance of these factors are likely to be the most attractive to both types of stakeholders.

[56] "South African Fund Managers: Trends in Fund Domiciliation and Capital Raising." *Jersey Finance*, 2020, https://www.jerseyfinance.je/our-work/south-african-fund-managers-trends-in-fund-domiciliation-and-capital-raising/.

BOX 2: ESG-RELATED CONSIDERATIONS IN FUND DOMICILIATION

Due to recent trends in global climate finance flows, there has been a rapid change in the available products and fund investment strategies of funds targeting Africa. This trend crosses industrial sectors and adds new sectors, such as nature-based projects, which previously did not draw investments. Within traditional sectors, such as housing or agriculture, new business models that incorporate green and sustainable objectives are expanding significantly and receiving more investment dollars. Given this context, fund domiciles are striving to satisfy client expectations by improving their expertise and attractiveness to funds with a green agenda.

This requires an increased capacity to design regulations associated with new financial instruments, such as carbon credits. Countries with effective regimes for new instruments encourage new capital flows and growth in the market for sustainability products, such as green and sustainability-linked bond issuances.

Further, the regulatory landscape for environmental reporting standards is evolving at an accelerated pace. Global standards like Europe's Sustainable Finance Disclosure Regulation (SFDR) and the new International Sustainability Standards Board (ISSB) Sustainability Directives, create new competitive pressures among jurisdictions, as well as requiring new areas of regulatory competencies to adopt and monitor. In parallel, the ISSB has picked up the mantle of the Task Force on Climate-Related Financial Disclosures (TCFD). There are ongoing international discussions concerning Task Force on Nature-related Financial Disclosures (TNFD) reporting standards with which African jurisdictions will also need to remain engaged as they look to attract international natural capital investment and position themselves as the potential for domiciliation.

An example of how a fund domicile can turn new international green standards into business opportunities can be seen in the case of Luxembourg. Luxembourg has been attracting green finance capital pools via innovative programmes like the International Climate Finance Accelerator (ICFA) (an accelerator for first-time fund managers) and support for new green instruments such as climate bonds. These efforts have been mutually reinforced by the EU's commitment to standards setting for environmental finance structures. As these standards are agreed upon and implemented, they create new areas of expertise and specialization that differentiate one domicile from another, incentivizing the increasing number of such funds to domicile there.

Nonetheless, the institutional investor backlash that has characterized the US response to broad ESG considerations makes it a trickier landscape to navigate; this can be seen in Delaware and elsewhere where regulatory structures remain “agnostic” to ESG, despite the SEC's extensive work on the ISSB standards.

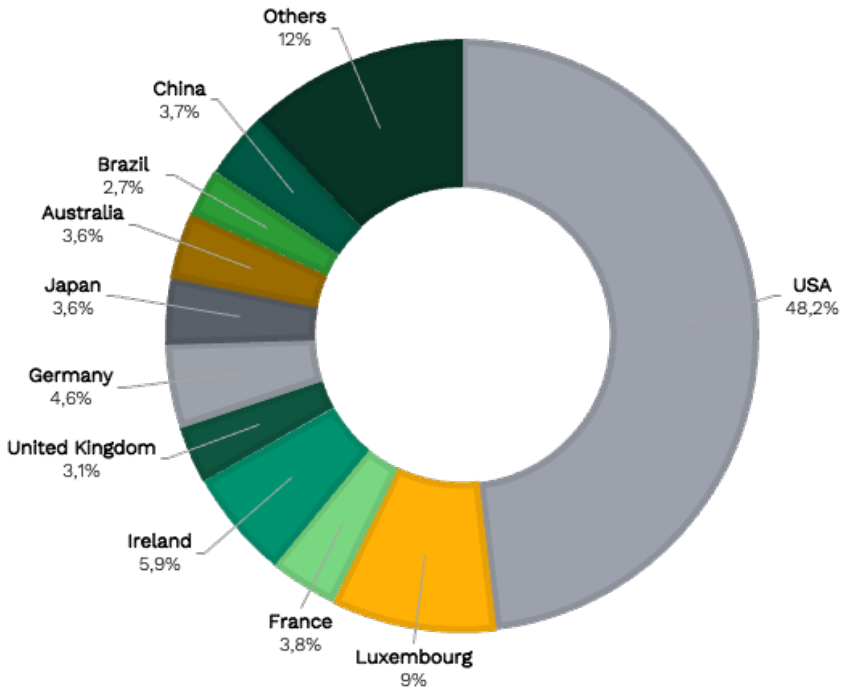
African jurisdictions are also taking steps to align with sustainability goals and ensure environmentally responsible investments. At the United Nations Conference of the Parties (COP26), USAID Administrator Samantha Power announced a new partnership with the African Union Commission (AUC) called the Comprehensive Africa Climate Change Initiative (CACCI). This initiative aims to help African countries reach the Paris Agreement goals of reducing carbon emissions and building long-term adaptation plans. Fifty-four African countries have ratified the Paris Agreement and submitted Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) as part of their commitments. The CACCI partnership will support the implementation of these plans by building local and regional capacity, developing institutional infrastructure, and creating an Africa-wide accountability platform to inform debate at the continental and global levels on climate change mitigation and adaptation. This demonstrates the commitment of African jurisdictions to attracting environmentally responsible investments and positioning themselves as attractive domiciles for green finance funds.

Overall, there has been less actual penetration of other ESG-related themes, although good governance is always at the core of well-regulated markets. The "social" in ESG has probably penetrated regulatory regimes the least, as such issues are wide-ranging and cover many topics - unionization, gender equality pay, industrial standards - that regulators have not generally been as comfortable embedding in their financial reporting requirements.

2.2.2 Top global domiciliation jurisdictions

Globally, a few countries have established themselves as the most viable jurisdictions for the domiciliation of global investment funds. The figure below depicts the top 10 jurisdictions for domiciliation globally. Five European countries rank amongst the top ten largest Fund domiciles in the world.

FIGURE 18: TOP 10 GLOBAL DOMICILES FOR INVESTMENT FUND ASSETS (BY MARKET SHARE AS OF Q3 2020)



Source: *Data from the European Fund Asset Management Association (EFAMA)*

These countries have established a globally recognized track record for Fund domiciliation. Some jurisdictions have become regional hubs and developed a reputation of expertise in a particular area of Investment Vehicles domiciliation, or alternatively, they have become the destination of choice for domiciling funds in their respective regions. For example, Singapore is the hub for inward investments into the Asia-Pacific region, with Hong Kong being another competitor. The Netherlands plays a similar role for Pan-European investments and the Cayman Islands for hedge funds.

The US is the largest Fund domicile globally. China has, in recent years, overtaken the UK and Germany to become the world's fifth-largest Fund domicile. A 2020 report by Jersey Finance indicates that Mauritius is the primary choice for domiciliation among funds looking to invest in Africa, accounting for 75-80 percent of such cases.[57] This preference could be attributable to various factors, including its geographical proximity to Africa, favourable tax

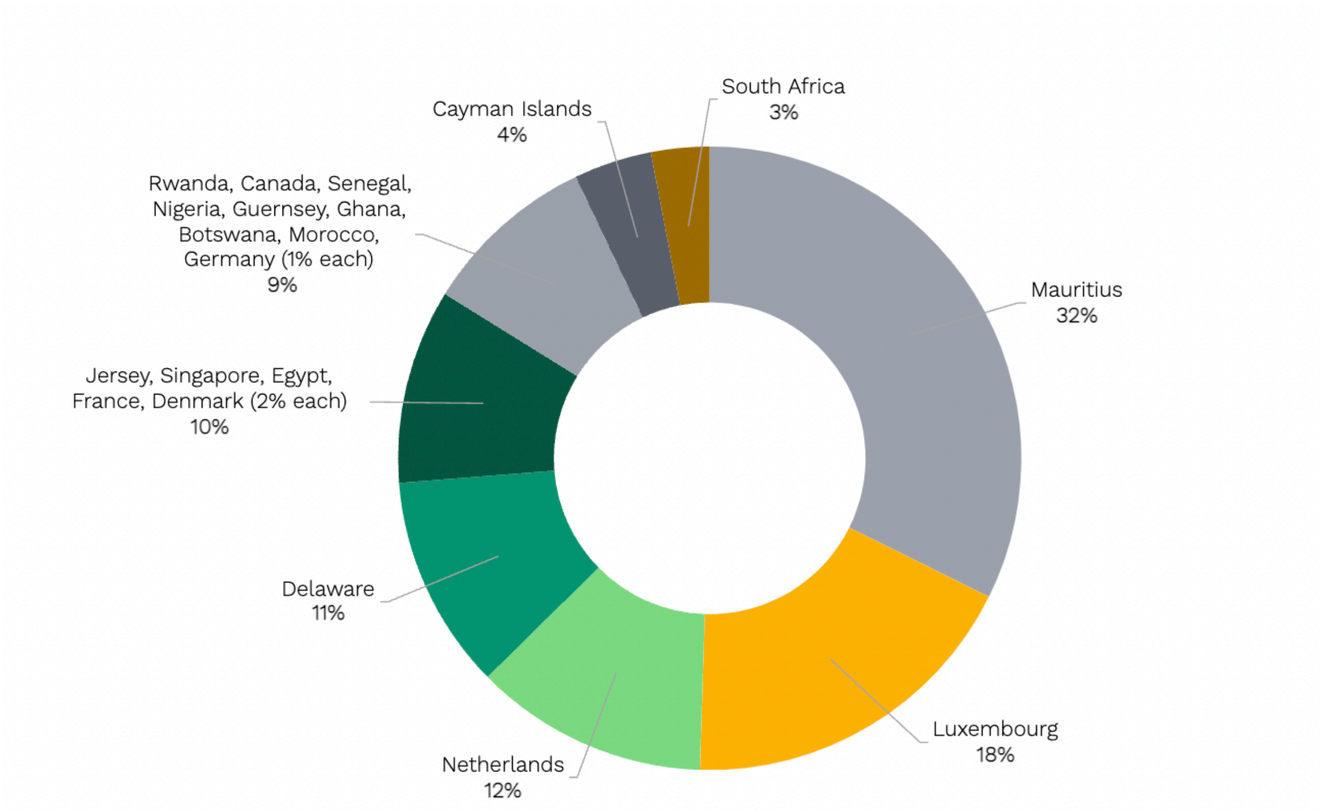
[57] "South African Fund Managers: Trends in Fund Domiciliation and Capital Raising." *Jersey Finance*, 2020, https://www.jerseyfinance.je/our-work/south-african-fund-managers-trends-in-fund-domiciliation-and-capital-raising/.

treaties, mutual recognition of its arbitration seat, reasonable costs, and a robust regulatory framework that is relatively less burdensome compared to other potential domiciliation options, particularly in Europe, like Ireland and Luxembourg (See Box 3). However, this established pattern is being disrupted as Mauritius was placed on the EU blacklist in 2020, notably due to the stringent governance demands of Northern European DFIs. As of January 2022, Mauritius has been removed from this list, as it no longer presents strategic deficiencies.

Other significant domiciliation choices include the Cayman Islands for funds raising capital in the US, and UK; Ireland (Dublin); Luxembourg; and Jersey for funds targeting the UK and EU markets. Malta and Cyprus are also occasionally chosen, albeit in fewer instances, primarily by EU-based AIFs[58] and AIFs investing in non-traditional asset classes like private equity, real estate, and family offices, respectively.[59]

As per data provided by Oryx Impact, an impact investment firm who were consulted as part of this report, 32% of Africa-only focused funds are domiciled in Mauritius in 2023, followed by 18% in Luxembourg and 12% and 11% in the Netherlands and Delaware respectively.

FIGURE 19: TOP DOMICILES FOR AFRICA-FOCUSED FUNDS AS OF 2023



Source: *Data from Oryx Impact*

58 Firth, Simon. "Global Trends in Hedge Fund Domiciliation." *IFC Review*, 2023, https://www.ifcreview.com/articles/2023/november/global-trends-in-hedge-fund-domiciliation/.

59 "Guide to Alternative Investment Funds in Cyprus." *KPMG*, 2023, https://assets.kpmg.com/content/dam/kpmg/cy/pdf/2023/a-guide-to-alternative-investment-funds-in-Cyprus-May2023.pdf.

BOX 4: SPOTLIGHT ON MAURITIUS AS A DOMICILIATION JURISDICTION

Over the last three decades, fund managers have favoured Mauritius for domiciling their funds, especially those focused on India and Africa. The country's appeal lies in its reasonable costs, robust regulatory framework, and lighter regulatory burden compared to other alternatives like Dublin and Luxembourg.

The country boasts a well-developed financial services industry, skilled professionals, and strategic geographic proximity, facilitating investment flows between Africa, Asia, and the Middle East. According to statistics published by the Financial Services Commission (FSC), in 2022, 946 funds (open-ended and closed-ended) were domiciled in Mauritius, and approximately 931 global funds were domiciled as of November 2022. Mauritius has carved a niche by being tested and trusted by IFC, especially for investments into Asia and Africa.

Several favourable factors have supported Mauritius' story as a viable domiciliation jurisdiction. Notable among these factors are:

1. **Political Stability**: Mauritius has a stable political environment and a long history of democratic governance. This stability provides comfort to fund managers and investors alike, as it reduces the risk of sudden policy changes or political unrest.

2. **Robust Legal and Regulatory Framework**: Mauritius has a well-established legal and regulatory framework for investment funds. The sophisticated legal and regulatory framework acts as a safeguard to the jurisdiction's financial services industry. The FSC plays a crucial role in regulating and supervising the financial sector, including investment funds. This regulatory structure enhances investor confidence and protects the interests of all stakeholders. Mauritius regulatory regime supports a variety of newer assets, such as digital assets or green investments, and has developed the regulatory infrastructure to support and structure these assets.

3. **Tax Efficiency**: Mauritius offers several tax advantages for funds and investors. The country has entered into numerous double tax avoidance agreements (DTAA) with various jurisdictions, 43 in total, of which 9 are with Sub-Saharan African countries and 15 across Africa. These not only provide limited partners with tax efficiency, but they also offer fund managers a greater ability to enforce contracts and can help reduce or eliminate cost overheads from double taxation.

Funds are liable to 15% corporate tax. Subject to meeting substantial conditions, the fund receives a partial exemption at the rate of 80% in respect of its "foreign sourced income," meaning dividends and interest earned overseas, resulting in an effective tax burden of 3% at the fund level. Profits or gains from the sale of shares or debentures in operating vehicles are also 0% capital gains tax. There is also no withholding tax payable in Mauritius with respect to payments of dividends to shareholders, payment of interests, or redemption or transfer of shares.

There is also non-restricted repatriation of profits/dividends from companies outside Mauritius.

4. **Investment Protection**: Mauritius has a strong legal framework for the protection of investments. Investors can rely on the country's investment promotion and protection agreements (IPPAs), which provide additional security and safeguards against expropriation and political risks. IPPAs in Mauritius typically give to investors such guarantees as equitable protection/treatment of investments; equitable treatment of returns of investors; free transfer of monies relating to investments and returns; expropriation protections against nationalization of investments; and the "most favoured nation" status with respect to treatment of investments and compensation for losses in the cases of war or armed conflict. 34 IPPAS have been concluded, and 18 are in force to date.

5. **Well-Developed Financial Services Industry**: Mauritius has a well-established and sophisticated financial services industry with a range of service providers, including fund administrators, custodians, lawyers, auditors, and tax advisors. This ecosystem provides professional support and expertise in fund structuring, administration, and compliance. The jurisdiction also offers a complete range of financial products such as treasury/investment/asset management, investment funds (closed-end, open-ended, retailed, etc.)

6. **Availability of skilled professionals**: The availability of qualified and skilled professionals to service offshore clients and the service quality and deliverables by domestic service providers.

Mauritius has an increasingly experienced pool of professional advisors, accountants, administrators, arbitrators, and lawyers who are familiar with fund administration, structuring, and dispute resolution. Mauritius has professionals with the skill set to support innovative fund structures like the variable capital company (VCC), protected cell companies (PCCs) and other hybrid fund structures.

7. **Geographic Proximity**: Mauritius enjoys a strategic geographical location, serving as a gateway for investment flows between Africa, Asia, and the Middle East. This proximity enables easier access to emerging markets and offers fund managers the opportunity to tap into diverse investment opportunities.

Mauritius was listed by the Financial Action Task Force (FATF) as a jurisdiction under increased monitoring on the FATF Grey List. The country was subsequently listed on the EU Blacklist and the UK List of High-Risk Third Countries. Being on these lists comes with repercussions and can impact perceptions, as the country is viewed to have a high money laundering and terrorist financing risk profile. This impacted doing business, especially with members of the EU, particularly in the banking sector, as enhanced due diligence requirements were implemented, causing delays in payments by banks and closing transactions. This also impacted investor perceptions, where, in some cases, investors opted to move their domicile out of the country while new investors looked for more compliant jurisdictions.

The jurisdiction has since been removed from all lists owing to a number of efforts by regulatory bodies: The FSC, being the key non-banking financial services regulator, provided guidance on money laundering and terrorist financing risks and obligations to its licensees. The FSC updated its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) handbook, published an enforcement manual, a settlement framework and administrative penalties regulatory framework aligned with the AML/CFT international standards; and The FSC applies sanctions and monetary penalties for AML/CFT breaches.

INSIGHT 1: UNDERSTANDING THE FINANCIAL ACTION TASK FORCE (FATF) CLASSIFICATION

The FATF leads global action to tackle money laundering, terrorist, and proliferation financing. The 39-member body sets international standards to ensure national authorities can effectively go after illicit funds linked to drug trafficking, the illicit arms trade, cyber fraud, and other serious crimes.

In total, more than 200 countries and jurisdictions have committed to implementing the FATF's Standards as part of a coordinated global response to preventing organized crime, corruption, and terrorism. Countries and jurisdictions are assessed by nine FATF Associate Member organizations and other global partners, the IMF, and the World Bank (FATF).

The FATF's decision-making body, the FATF Plenary, meets three times per year and holds countries to account if they do not comply with the Standards. If a country repeatedly fails to implement FATF Standards, then it can be named a "Jurisdiction under Increased Monitoring or a High-Risk Jurisdiction". These are often externally referred to as "the grey and black lists".

These classifications serve to evaluate and categorize countries based on their commitment to anti-money laundering and counter-terrorist financing standards.

The grey list, officially known as the "list of jurisdictions under increased monitoring", refers to nations with strategic deficiencies in their AML and counter-terrorist financing (CTF) frameworks. Countries end up on the grey list when they demonstrate commitment to addressing identified shortcomings but have yet to fully implement required reforms. This status triggers heightened monitoring and collaborative efforts with the FATF to ensure the effective implementation of necessary changes.

On the other hand, the black list, also known as "high-risk jurisdictions subject to a call for action," encompasses countries that fail to rectify significant deficiencies despite given opportunities, the black list signifies a higher risk to the international financial system due to inadequate measures against illicit financial activities. Inclusion on the blacklist may lead to economic and financial consequences for countries, signalling insufficient regulatory frameworks to the global community.

It is important to note that both lists are dynamic, allowing countries the opportunity to address deficiencies. The FATF conducts ongoing reviews, providing a mechanism for countries to be removed from these classifications as they demonstrate progress and compliance with established standards. If on these lists, the countries are required to address the shortcomings identified in FATF's report. All countries are subject to post-assessment monitoring. This can include anything from regular reporting of improvements for countries that are already largely compliant and demonstratively committed to addressing the remaining few shortcomings to issuing a public warning against a country that makes insufficient progress to address key deficiencies.

While the FATF recommendations provide a comprehensive framework of measures to help countries tackle illicit financial flows, it could take about 2 – 5 years for grey-listed jurisdictions to move off the list, even where the jurisdiction is making concerted efforts, with significant impact on the country's economy.

According to PWC's Financial Crimes Digest, February 2024, grey-listing adversely impacts a country's international reputation, trade relations, investment opportunities, and diplomatic ties, among others (PwC Kenya 2024.) This has a snowball effect on a country's ability to raise capital, attract aid, access international finance, engage in international trade and sustain diplomatic relationships. According to a 2021 International Monetary Fund report, 89 of the emerging and developing countries grey-listed between 2000 and 2017 experienced a drop in capital flows equal to 7.6% of GDP. According to the report, financial institutions tend to adopt a risk-based approach, which results in de-risking and terminating relationships with customers from high-risk countries. Additionally, investors consider grey-listing as a key factor when evaluating the risk of conducting business. This could result in

2.2.3 The emergence of African IFCs and the case for Africa

Few African countries other than Mauritius have historically been chosen by Investment Vehicles as their domiciliation jurisdiction. This trend could now shift, with a number of these countries establishing their cities as IFCs.[60] IFCs are characterised by concentrated financial expertise and firms, directing investment towards innovation and growth. The concept of robust financial centres provides cities with economic advantages in terms of information, knowledge, and capital accessibility. Moreover, a well-developed financial centre, regardless of its scale, connects the domestic economy to the global financial network.

Domiciliation preferences tend to gravitate towards established IFCs. Among African financial centres, those achieving higher rankings in the Global Financial Centres Tool exhibit significant progress in creating conducive environments for Investment Vehicles structuring and domiciliation.[61] Notable financial centres in Africa include Johannesburg and Cape Town in South Africa, Casablanca in Morocco, Nairobi in Kenya, Lagos in Nigeria, Gaborone in Botswana, and Kigali in Rwanda.[62] These initiatives could underscore their ability to provide a business-friendly setting that supports Investment Vehicles in establishing various vehicles for Fund management, structuring, and asset holding. These endeavours are reinforced by regulatory frameworks that align with international standards.

Changing global and regional dynamics also influence the Investment Vehicles' domiciliation choices in Africa. While Mauritius remains a significant player, consultations with some investors and Fund managers as part of this report suggested that the country's inclusion on the EU blacklist led international investors, especially DFIs, to be more cautious and open to more diversification. Mauritius has since been removed from the EU blacklist as of January 2022. Other emerging IFCs within Africa are also actively working to position themselves as attractive options for Fund domiciliation by fostering favourable business environments and regulatory compliance.

According to The Global Financial Centres Index 2022,[63] IFCs are mainly competitive across areas like business environment, infrastructure, human capital, and financial sector development. As these factors become increasingly important for Fund managers and investors in selecting an appropriate domicile for their funds, jurisdictions in Africa could leverage IFCs to position themselves as attractive Fund domiciles.

IFCs are striving hard to build this ecosystem, and future development is expected to be driven by dynamic business environments and adaptable regulatory frameworks. Implementation of digital infrastructures will also be critical to meeting investor demands and providing Fund services. IFCs will also need to provide incentives to retain and attract skilled professionals. Efforts to build a strong reputation will increase competition among financial centres, especially those in the same region.[64]

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[60] "Onshore Options for Africa-focussed Investment Funds and Vehicles." *Z/Yen Group Limited*, 2015, https://www.fsdafrica.org/wp-content/uploads/2019/08/16-08-10-FSDA_EMPEA_Conduits-of-Capital_web_version-ZYEN.pdf.
[61] ibid.
[62] Riro, Jeremy. "The Role of International Financial Centres In Promoting Private Equity Investments In Africa". *Fie-Consult*, 2022, https://fieconsult.com/the-role-of-international-financial-centres-in-promoting-private-equity-investments-in-africa/.
[63] The Long Finance. "The Global Financial Centres Index 32 September 2022." September 2022. https://www.longfinance.net/media/documents/GFCI_32_Report_2022.09.22_v1.0_.pdf.
[64] AVCA. Africa Venture Capital Association. "Funds and Fund Management Services in Africa, Part 2." March 2023. https://www.avca.africa/

INSIGHT 2: WHAT IS AN IFC AND IFC CLASSIFICATIONS

According to the World Alliance of International Finance Centres (WAIC), an IFC is an intense concentration of a wide variety of international financial businesses and transactions in one location (WAIC). IFCs are typically a city, region, or jurisdiction where a large number and a variety of financial services institutions are domiciled and whose laws and regulations provide optimal conditions for international investment and cross-border transactions.

There are many different classifications of IFCs based on their function, historical growth, regional influence, number of international banks located, and volume of international transactions generated (Falzon, Joe 2001). However, IFCs do share common features. IFCs provide financial services organizations (usually international financial businesses) legal and tax incentives to enable easy and timely import and export of capital, lower tax rates, and access to qualified labour and relevant business ecosystem services, including tax, law, accountancy, and technology, all operationalized by a sophisticated regulatory and legislative framework.

IFCs may also exist in different forms. Archetypally, IFCs exist as physical-economic free zones within a city, region, or offshore territory, from which financial services are provided to people in other countries. However, with the advent of technology and the internationalization of finance, a new operating model for IFCs is emerging, where IFCs are set up as non-location business ecosystems which provide a platform for financial organizations to operate as a gateway to other countries. In Africa, for example, both the Kigali International Financial Centre (KIFC) (PwC Kenya) and the Nairobi International Financial Centre (NIFC) operating environments do not offer a location, a building, an economic free zone but instead provide a virtual platform with no restricted physical location within which certified firms must set up their operations, providing firms the flexibility of setting up their companies in any location within the jurisdictions but with the requirement to obtain the necessary certification in order to receive the benefits of the finance centre.

The leading financial centres in Africa, according to the thirty-fifth edition of the Global Financial Centres Index (GFCI 35), published on March 21, 2024, were Casablanca, Morocco (ranked 56th), as the leading African Financial Centre. This was followed by Mauritius (ranked 61st), Kigali, Rwanda (ranked 67th), Johannesburg, South Africa (ranked 82nd), Cape Town, South Africa (ranked 83rd), Nairobi, Kenya (ranked 95th), and Lagos, Nigeria (ranked 100th).

IFCs play a dominant role in promoting private capital investments in Africa. Of the six leading African International Jurisdictions, Nigeria, South Africa, and Kenya have been identified among the 'Big 4' private capital destinations in Africa according to the AVCA Africa Private Capital Activity Report (AVCA 2022), demonstrating the strong correlation between the presence of strong financial centres and maturity of capital markets and the amount of external capital inflow a country or region is able to attract. However, only a fraction of the private

2.2.4 Mobilising domestic capital

Africa-focused Investment Vehicles - whether domiciled within or outside of Africa - have often focused on attracting international investors – development finance institutions, foundations, corporations, high net worth individuals (HNWI), etc., and less on available domestic institutional and retail investors. However, international investors outside the formal banking sector in Africa still account for the largest share of funds being deployed by Investment Vehicles into SMEs across multiple sectors such as agriculture, manufacturing, renewable energy, financial services, technology, and healthcare, among others. These international flows of capital contribute significantly to the development of domestic economies, albeit with inherent limitations. For instance, the majority of international funds are invested in hard currencies, even in cases where SMEs are not generating revenue in hard currencies, which further drives up the cost of capital for these businesses, limiting their growth potential. Domestic capital provides alternative sources of investment for SMEs or as a blend to international capital. Given the importance of SMEs in driving domestic economic development and, importantly, in creating the much-needed jobs for the continent's bulging population, it is therefore critical for African governments to create an enabling environment for attracting the available domestic capital from pension funds and retail investors into Investment Vehicles investing in SMEs.

Several African countries have substantial domestic capital pools held by pension funds and retail investors that, if well incentivized, could be directed toward Investment Vehicles investing in SMEs within domestic and regional economies. Notably, the pension Fund sectors in countries such as Nigeria, Morocco, Kenya, Ethiopia, and South Africa, among others, have reasonably sizeable assets under management and hold a lot of potential to create new opportunities for Investment Vehicles to attract capital for investing in the said markets. Governments, however, need to put in place the right policies and incentives to drive such capital toward SMEs, and this includes but is not limited to a reduction in government domestic borrowing to reduce competition for domestic capital with the private sector, tax benefits for investing in SME Investment Vehicles, policy reforms to de-risk pension Fund investments in IVs and creating a consistent policy environment to encourage long-term investing among others.

Taking the examples of Kenya and South Africa, domestic pension funds have demonstrated that with the right incentives and technical support, they can mobilize substantial capital, at scale and in local currency, to finance local initiatives. Through funding from development partners, the Kenyan Pension Funds Investment Consortium (KPFIC) and the Asset Owners Forum of South Africa (AOFSA) were established to create a platform that pension Fund managers can use to pool their capital to finance infrastructure within their countries.[65] With more than 20 members each, the Kenyan and South African pension consortia have each pledged USD 250 million and USD 400 million, respectively, toward infrastructure finance, with more than USD 500 million already committed collectively. This is an important development not just in terms of reducing the infrastructure financing gap within the continent but also creating a demonstration effect for other pension Fund managers to appreciate the potential of pooled capital, which could further enable the extension of the use cases to other alternative finance opportunities such as investment in SME-focused IVs. For instance, in South Africa, AOFSA members invested USD 29 million into the Mahlako Energy Fund, a Fund managed by two black women that invests in renewable energy, gas, and hydro services. Another interesting opportunity is local capital leveraging international capital to invest in Africa-focused IVs, such as the case of a group of US, South African, and Kenyan pension funds that committed over USD 90 million[66] to two Africa-focused IVs, namely African Development Partners III (ADP III) and Everstrong Kenya Infrastructure Fund (EKIF), two IVs investing in diverse sectors such as telecommunications, food and agribusiness, financial services, education, pharmaceuticals, energy, transportation, water, and social infrastructure. The above examples demonstrate the huge potential for local capital mobilization where the right incentives and capacity are provided to enable pension funds et al. to deploy capital directly within their countries of jurisdiction and across the region through IVs.

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65 USAID Invest. "How Africa's Pension Funds Are Financing the Continent's Infrastructure Gap". https://medium.com/usaid-invest/how-africas-pension-funds-are-financing-the-continent-s-infrastructure-gap-2bcd9aa39069
66 Prosper Africa. "U.S., Kenyan and South African Pension Funds Commit Over $94 Million to African Private Equity Infrastructure". https://www.prosperafrica.gov/news/impact-story/u-s-kenyan-and-south-african-pension-funds-commit-over-94-million-to-african-private-equity-infrastructure/

BOX 5: SELECT EXAMPLES - MOBILISATION OF LOCAL CAPITAL THROUGH PENSION FUNDS IN AFRICAN FUNDS

Pension funds in several African countries manage a significant amount of assets with opportunities for deployed, with most of these funds investing predominantly in government-backed instruments and real estate projects. These pension fund assets represent untapped resources that could be mobilized to support local economic development through investment in locally domiciled funds.

By allocating a portion of their assets to Investment Vehicles domiciled in their home countries, pension funds can enhance portfolio diversification while also driving job creation, infrastructure development, and overall economic growth. This strategic change in investment approach would significantly strengthen domestic financial systems and open new opportunities for growth.

The select examples below demonstrate cases of domestic IVs that have mobilized significant local capital with investment from local pension funds in Africa.

GHANA

Oasis Capital Ghana Limited, is a sub-Saharan private equity firm focusing on investment opportunities in essential African services, established in February 2009 in Ghana as a growth and venture capital fund manager. Oasis currently manages over USD 60 million in assets, focused on the West African region. Oasis is focused on building sustainable entrepreneurship through private equity.

Oasis Capital established its first fund in 2009 (the Ebankese Fund) with over USD 11 million in investment. Among its investors were 70% local investors like Venture Capital Trust Fund (VCTF), HFC Bank Ghana Ltd, Ghana Union Assurance Company Ltd, and African Tiger Mutual Fund Ltd. Oasis Capital Ghana launched its second fund, Oasis Africa VC Fund (OAF) at USD 50.5 million with over USD 15.5 million raised from a local investor base of 5 institutions and individuals, including some pensions funds.

Oasis has completed the first close of its third fund, which is USD 70 to 100 million in size. Over USD 33.3 million has been raised to date from local investors such as the Development Bank of Ghana (DBG), ENO International, GCB Capital, VCTF, and several pension funds.

KENYA

Founded in 2012 in Nairobi, Kenya, Ascent Capital Africa is a leading SME African private equity fund manager with local advisory companies in Nairobi, Addis Ababa, and Kampala. The fund invests in growing companies that can be scaled up, and that seek to invest in healthcare, distribution, financial services, and manufacturing sectors across Eastern Africa.

Ascent raised its first fund, the Ascent Rift Valley Fund I (ARVF I), in 2014, with slightly more than USD 80 million investment. The fund, domiciled in Mauritius, secured a total of USD 6 million in commitments from four local investors, including three pension funds (including two Kenya Power Pension Funds and the Nation Media Group Staff Pension Fund) as well as from a locally based multilateral reinsurance company (Zep-Re PTA Reinsurance Company). Alongside the four local investors, Ascent raised the fund from other foreign investors including Norfund, OeEB CDC, FMO and LGT Group.

In May 2021, Ascent announced the final close for its second fund, the Ascent Rift Valley Fund II (ARVF II), at more than USD 128 million. Major Kenyan pension funds invested in the fund alongside leading Africa-focused DFIs such as BIO (Belgian Investment Company for Developing Countries), CDC Group, FMO, IFC, Norfund, Proparco, and SDG Frontier Fund.

NIGERIA

The Africa Infrastructure Plus Fund (AIPF) is a close-ended carbon-positive infrastructure equity fund domiciled in Nigeria. AIPF 1 was established in 2017 with a total fund size of N 20.5 billion and is the first local currency equity-based infrastructure fund in Nigeria.

AIPF 2 is a N 200 billion local currency-denominated fund set up in 2019. Both funds have been structured to provide an investment platform for Nigerian and international investors to invest in infrastructure assets in Nigeria and other Sub-Saharan Africa countries. AIPF represents a Nigerian fund vehicle of an Africa-focused group of infrastructure funds being promoted and managed by Africa Plus Partners Limited.

Investors in the fund are largely institutional, comprising in-country pension fund administrators (over 7 institutions) and private investors. With Fund 1 quickly and fully invested and already at harvest, Fund 2 (N200 billion) was launched and has already invested the local currency equivalent of over USD 20 million as of December 2023 (AIPF 2 Committed Capital as of Dec 2023)

The fund's focus sectors include power, social infrastructure, telecom, transport, and several other urban infrastructure investments. The Fund's strategy allows it to selectively invest in infrastructure assets in partnership with experienced operators/sponsors and government institutions.

SOUTH AFRICA

The South Africa Green Infrastructure Fund (GIF) is a sub-Saharan private equity firm that focuses on investment opportunities in essential African services. Established in 2015 in South Africa as a growth and venture capital fund manager, GIF currently manages over USD 150 million in assets across three funds focused on the Southern African region. GIF is focused on building sustainable entrepreneurship through private equity.

GIF established its first fund in 2015 (the EcoFund) with over USD 30 million in investments. Among its investors were 65% local investors, such as Public Investment Corporation (PIC), Old Mutual, Sanlam, and several local pension funds.

GIF launched its second fund, Green Growth Fund (GGF), at USD 75 million, with over USD 25 million raised from a local investor base of 8 institutions and individuals, including pension funds.

GIF has since completed the first close of its third fund with a fund size of USD 100 - USD 150 million, with over USD 50 million raised to date from local investors like the PIC, ABSA Capital, Standard Bank, and several pension funds.

UGANDA

Pearl Capital Partners, Uganda Pearl Capital Partners (PCP) is a sub-Saharan private equity firm focusing on investment opportunities in essential African services. Established in 2005 in Uganda as a growth and venture capital fund manager, PCP currently manages over USD 100 million in assets across three funds focused on the East African region. PCP is focused on building sustainable entrepreneurship through private equity.

PCP established its first fund in 2007 (the African Agricultural Capital Fund) with over USD 20 million in investments. Among its investors were 60% local investors, such as The National Social Security Fund Uganda (NSSF), Centenary Bank, and several local pension funds.

PCP launched its second fund, the Yield Uganda Investment Fund, at USD 30 million, with over USD 10 million raised from a local investor base of 5 institutions and individuals, including several pension funds.

PCP has completed the first close of its third fund with a fund size of USD 50 to 70 million, with over USD 20 million raised to date from local investors like the Uganda Development Bank (UDB), NSSF Uganda, and several pension funds.

These examples highlight the potential for pension funds and other local institutional investors to play a critical role in mobilising domestic capital for investment through locally domiciled vehicles. By creating an enabling environment and the appropriate frameworks, African countries can encourage and facilitate such allocations, unlocking new sources of capital for SMEs, infrastructure projects, and other key sectors of the economy.

AIPF 2 is an N 200 billion local currency-denominated fund set up in 2019. Both funds have been structured to provide an investment platform for Nigerian and international investors to invest in infrastructure assets in Nigeria and other sub-Saharan Africa countries. AIPF represents a Nigerian fund vehicle of an Africa focused group of infrastructure funds being promoted and managed by Africa Plus Partners Limited.

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3 Stakeholder insights on Africa as a domiciliation jurisdiction

3.1 Overview of stakeholder consultations

3.1.1 Overview of findings

Consultations across the varied stakeholder groups suggest that there is potential among African countries to develop viable jurisdictions for the domiciliation of Investment Vehicles. This may present opportunities to drive investment capital to the continent and mobilize regional and domestic capital. Some jurisdictions in Africa may present more credible opportunities than others; however, concentrated efforts will be needed to assuage legitimate hesitations investors and fund managers have with respect to the various considerations that drive their domiciliation and investment decisions.

While Section 4 of this report presents an analysis of the 13 key jurisdictions in Africa and their standing across various parameters that investors and Fund managers deem necessary in their domiciliation decision-making, this section also highlights the key insights gathered through our consultations with varied African and global stakeholder groups.

3.2 Key insights from stakeholder consultations

3.2.1 Investors'/Fund managers' perspectives in Africa

The consistent message received from Fund managers is that investors drive the decision on the domiciliation of funds. In recent years, there has been a growing interest in African markets due to the region's economic growth, youth concentration, and abundant natural resources.

Consultations with investors highlight a number of key factors that they consider when investing in African-domiciled funds, and Fund managers follow suit.

- **Preference for domestic domiciliation**: Domestic investors recognize the importance of investing in domestic-domiciled funds over foreign-domiciled funds because they deem domestic funds to be offering several advantages, including regulatory familiarity, domestic market expertise, and improved access to domestic investment opportunities. Investors who want to benefit from domestic incentives and opportunities in a particular African country are likely to invest in a Fund domiciled in that country or a pan-African Fund that will give them access to a particular or several African countries.

- **Legal and regulatory environment:** Both investors and Fund managers are equally of the view that the regulatory environment in African countries informs their decision on Fund domiciliation. They consider factors such as regulatory discretions, investor protection, strength of supervision and ease of doing business to identify potential domiciles for funds. Investors seek countries with strong legal frameworks and investor protection mechanisms. Availability of legal recourse, dispute resolution mechanisms, and the enforceability of contracts act as key determinants. Fund managers assess the regulatory structure, licensing requirements, investor protection, and compliance obligations before proposing a selection to investors as viable domiciliation options. They would typically prefer jurisdictions with well-established and reputable regulatory bodies and certainty in regulatory regimes. Any indication of arbitrariness in the regulation of IV/funds could make a domicile unattractive.

- **Cost, tax, and efficiency:** Fund managers particularly evaluate the cost and operational efficiency of Fund domiciliation in Africa. Factors such as ease and costs of Fund administration, banking services, tax regimes, and operational support play a crucial role in their decision-making process. Costs associated with setting up and operating a Fund, regulatory fees, legal and compliance costs, tax obligations, and ongoing operational expenses factor into the decision. Tax incentives and the overall tax regime are equally crucial factors. Fund managers evaluate the tax implications for both the Fund itself and the investors. They consider jurisdictions that offer efficient tax treatment, including exemptions on capital gains, dividends, or other tax incentives.

- **Infrastructure and operational capabilities**: Investors and Fund managers prefer jurisdictions with well-developed financial infrastructure and robust operational capabilities for Fund domiciliation. This includes factors such as secure custodial services, efficient settlement systems, and reliable financial intermediaries. The availability of service capabilities, including skilled professionals, banking services, legal support, and custodial services, is an essential consideration. Domiciles with a mature financial services ecosystem to ensure efficient Fund administration and smooth operations provide comfort to Fund managers.

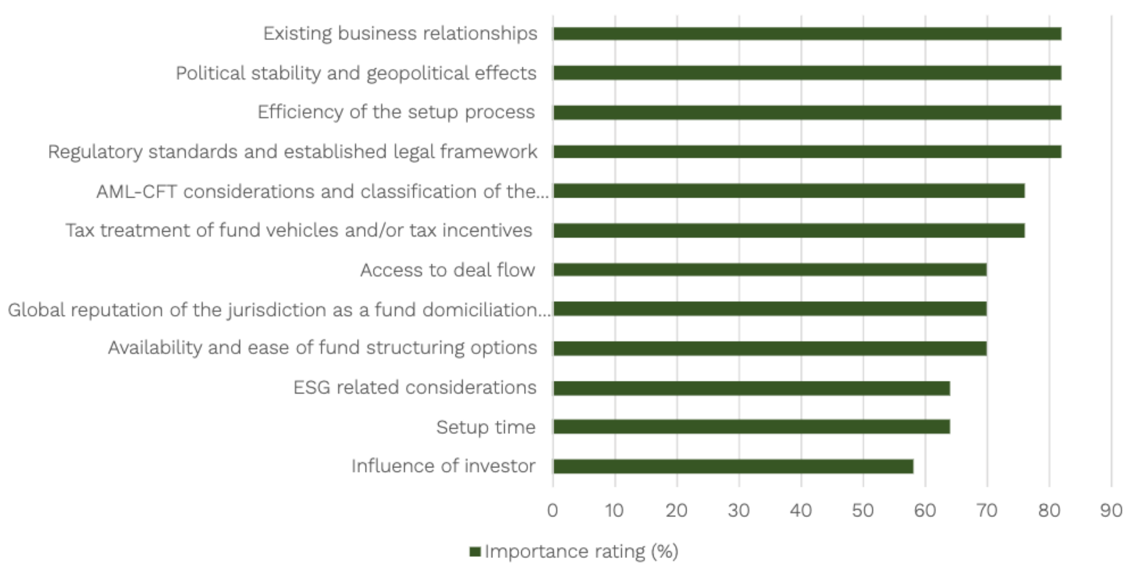
- **Fundraising source:** The fund manager's target source of funding also influences the choice of domicile. If the Fund manager intends to attract investors from a specific region or country, they might choose a domicile that is more familiar or appealing to those investors. Some jurisdictions are considered more investor-friendly, offering tax advantages or simplified investment structures for specific regions. Also, fund managers that raise investments from domestic investors, such as pension funds, are more likely to domicile in the host country of such investors.

- **Political and economic stability:** Political and economic stability are also vital considerations for investors and Fund managers when choosing African countries for Fund domiciliation. Investors want to allocate funds to jurisdictions with stable economies, low inflation rates, and a favourable business climate.

BOX 6: KEY DOMICILIATION FACTORS FOR AFRICAN FUND MANAGERS

As part of this report, a limited follow-on survey of 17 fund managers in Africa was conducted to understand how they rank key domiciliation considerations (see Figure 20 below). This sample set also encompasses an interesting diversity of domiciles that had been selected by these funds. While this sample is limited and indicative and may not reflect the patterns of broader international investment capital sources who continue to depend on Mauritius while being cautiously willing in some instances to consider alternatives, the responses of the fund managers surveyed reveal other popular domiciliation choices in Africa. Ghana was chosen by 15 percent of respondents who chose to domicile their funds. Rwanda also features prominently, chosen by 15 percent of respondents. Other jurisdictions such as Uganda, Kenya, Senegal, Côte d'Ivoire, and South Africa each represent 5 percent of the responses, indicating a dispersed selection of domiciles. Political stability, regulatory standards complemented by an established legal framework, and efficiency of fund set-up and operations are prominent considerations for fund managers looking to domicile in Africa. The survey also highlights the importance of existing business relationships as an important factor in the domiciliation decision, which indicates that African jurisdictions seeking to create a domiciliation environment will also need to equally factor in building an ecosystem of service providers, industry networks and other fund professionals.

FIGURE 20: DOMICILIATION CONSIDERATIONS FOR FUND MANAGERS



Source: Developed by the authors for the purpose of this report

BOX 7: EMPOWERING WOMEN FUND MANAGERS: INSIGHTS FOR 'INCLUSIVE' DOMICILIATION

When considering fund domiciliation, the challenges faced by women fund managers are intertwined with broader industry issues. However, some of these challenges may manifest more prominently in the context of fund domiciles for women-led and -operated funds.

Access to networks:

With fewer women at the decision-making senior management levels within the Financial Services Industry (FSI) in general, women fund managers may have limited access to professional networks crucial for navigating the complexities of fund domiciliation and management. Networking plays a pivotal role in establishing connections with service providers, regulators, and industry peers and in providing mentorship opportunities for aspiring women fund managers.

Further, establishing a network in the chosen fund domicile often becomes crucial for regulatory understanding and efficient operations. Women fund managers, facing challenges in accessing established networks, may find it more demanding to navigate the specific regulatory nuances of their chosen domiciles.

Reduced representation in domicile decision-making bodies:

Domicile decision-making bodies, such bodies include financial regulatory authorities like securities and exchange commissions, central banks, ministries of finance, tax agencies and other government agencies for economic development, industry associations and self-regulatory organizations, which often play a significant role in shaping the regulatory environment, may lack gender diversity. This absence of representation can result in regulatory frameworks that do not fully consider the perspectives or address the specific challenges faced by women fund managers perspectives or address the specific challenges faced by women fund managers.

Potential for gender bias in regulatory interactions and decision-making:

The low representation of women may perpetuate gender biases during interactions with regulatory bodies, including during the domiciliation process. This may often create additional hurdles in obtaining regulatory approvals, navigating potentially gender-blind policies, negotiations, addressing compliance issues, or overall interactions with stakeholders, potentially impacting the operational efficiency of establishing their funds. While these challenges are not exclusive to fund domiciliation, their impact can be heightened in this context. Women fund managers, who may face specific biases in negotiation scenarios, may find it more difficult to secure advantageous agreements for their funds.

Perceived Risk Aversion:

Unconscious biases may lead to the perception that women fund managers are more risk-averse, influencing decisions about fund domiciliation. This bias can impact opportunities for growth and diversification.

Familiarity with a given jurisdiction has been predominantly highlighted as a key consideration for choosing a fund domicile, and such familiarity is often acquired by leveraging experiences from other players within the jurisdiction. The low representation of women in the ecosystem further reduces the potential of a wider female-based community for such consultations.

Specific examples of jurisdictions with a gender lens focus directly related to supporting women fund managers in the context of fund domiciliation may be limited. However, efforts to promote gender diversity and support women often have indirect implications for fund domiciliation challenges.

In the broader context of supporting women in finance, jurisdictions like Canada, the United States, the United Kingdom, and Sweden have implemented policies and initiatives promoting gender diversity. While these initiatives may not be explicitly focused on fund domiciliation challenges, they contribute to creating an overall environment that supports women in financial leadership roles, potentially impacting fund domiciliation dynamics.

The Fund domiciliation ecosystem is characterized by several other stakeholders, including regulators, professionals and ecosystem enablers, all of whom were consulted as part of this report. This stakeholder group is of the view that the reputation and credibility of the domicile are vital factors in investors' and Fund managers' choice of domicile. Domiciles with a proven track record, a strong ecosystem, and credibility of the financial industry are preferred. A jurisdiction that actively markets its stability, transparency, investor incentives and suitability of its ecosystem should combine to appeal to investors and Fund managers as a potential for domiciling funds.

3.2.2 Other stakeholders' perspective in Africa – regulators, industry professionals and ecosystem enablers

Stakeholders were of the view that Africa has suffered from negative perception and publicity. The following general challenges have impacted the domicile of funds in Africa:

- **Political instability**: Many African countries have experienced some level of political instability, which can create uncertainties and make it difficult for funds to consider establishing a stable and long-term presence. Unstable political environments can lead to changes in regulations, policies, and governance, posing risks to Fund domiciliation. The consideration of Africa by Investors as one homogenous region also means that occurrences in a few African countries can affect the overall perception of the continent.

- **Regulatory frameworks:** In some African countries, the regulatory frameworks for funds domiciliation are non-existent, while in most African countries, they may be inadequate or unclear. This can make it challenging for investors to navigate the legal requirements and establish compliant domiciliation structures. This includes a regulatory framework on transparency and corporate governance standards, which vary across African countries. In some cases, inadequate transparency and weak corporate governance practices can deter foreign investors from choosing African jurisdictions for Fund domiciliation.

- **Financial issues:** Some African countries face limitations in their financial infrastructure, such as inadequate banking systems, lack of payment systems, and limited capital markets. These shortcomings can hamper the efficient operation of funds domiciled in these countries. For some African countries like South Africa, even though they may have advanced financial infrastructure, historic issues with foreign exchange may hamper the decision to domicile a Fund in that jurisdiction. Some countries have economic issues such as high inflation and foreign exchange volatility. These can severely impact the return on investment and create a potential risk of exchange losses for domestic currency funds. In most cases, the choice of investment currency is determined by exchange rate volatility, and forex-denominated funds are generally unattractive to Fund managers, even though they may be attractive to commercial investors.

- **Lack of skilled professionals:** There may be a shortage of skilled professionals in African countries with expertise in Fund domiciliation. This can include professionals in legal, compliance, auditing, and other related fields. The lack of trained personnel can pose challenges in ensuring proper governance and regulatory compliance and affects a domicile's attractiveness to Fund managers.

- **Taxation policies:** Taxation policies vary across African countries, and this can impact the attractiveness of Fund domiciliation. High tax rates, complex tax structures, and uncertainty in tax policies can discourage investors from choosing African jurisdictions for Fund domiciliation. There are few double tax agreements and bilateral tax agreements between African countries, while there is a significant amount of those agreements between individual African countries and European countries. This situation, however, may encourage the establishment of Pan-African funds domiciled in Africa.

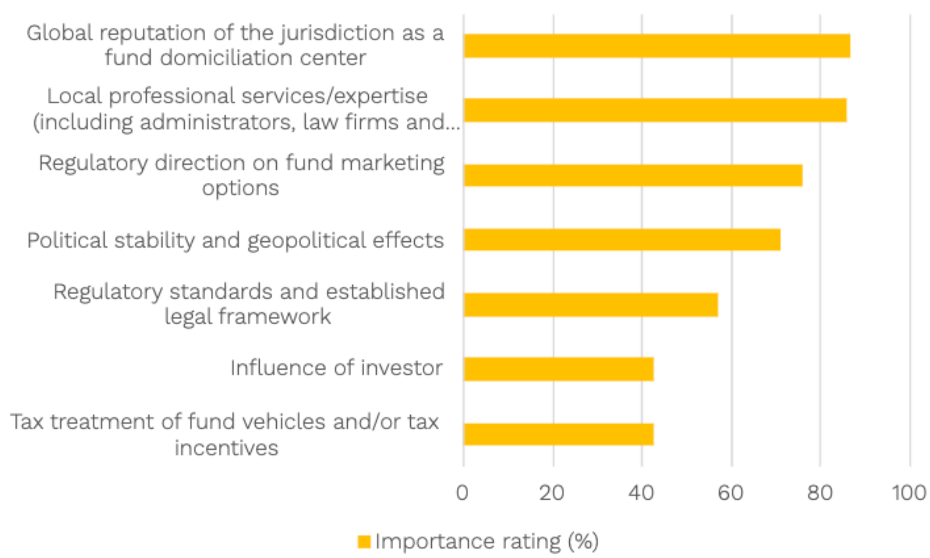
- **Perception of risk:** Africa is often perceived as a high-risk investment destination due to historical challenges such as conflicts, corruption, and economic volatility. This perception can deter investors from considering African jurisdictions for Fund domiciliation despite potential opportunities. African countries have not actively marketed the advantages and potential of African Fund domiciliation.

This stakeholder group highlighted that regional and continental integration initiatives provide a quick way to drive intra-African domiciliation of funds. They are of the view that pan-African funds, i.e. funds investing across multiple countries in Africa, drive domiciliation, and therefore, the removal of barriers between African countries will increase the continent's profile as a viable choice for domiciliation decisions.

Stakeholders are also of the view that for African countries to be competitive and address the barriers to domiciliation, there must be a collaboration between respective governments, regulators, industry stakeholders, and international organizations to improve and enhance regulatory frameworks, develop financial infrastructure, strengthen professional expertise, promote transparent governance practices. They should also actively market the advantages and potential of African Fund domiciliation.

Section 4 of this report further enumerates specific insights gathered on the "maturity" of each of these 13 jurisdictions based on the landscape assessment and stakeholder insights.

FIGURE 21: DOMICILIATION CONSIDERATIONS FOR ECOSYSTEM ENABLERS



Source: *Developed by the authors for the purpose of this report*

BOX 8: KEY DOMICILIATION FACTORS FOR ECOSYSTEM ENABLERS

A limited survey of ecosystem enablers in Africa, like regulators, industry bodies, and financial centre personnel, conducted as part of this report re-affirmed the perspectives of fund managers and investors (see Figure 21 above). Regulatory standards and established legal frameworks significantly influence decision-makers within the surveyed group, with 57 percent assigning a high importance rating of 9 out of 10. Tax treatment of fund vehicles and incentives also holds substantial weight, as 43 percent of respondents deemed it of utmost importance, particularly with a rating of 10. Noteworthy is the considerable attention given to political stability and geopolitical effects, with an overwhelming 71 percent attributing the highest importance rating of 9. Additionally, the global reputation of the jurisdiction emerged as a key factor, with 87 percent combining ratings of 8, 9, and 10. The influence of investors and regulatory direction on fund marketing options were also highlighted, receiving importance ratings of 43 percent and 71 percent, respectively. Domestic professional services and expertise garnered significant attention, with 86 percent combining ratings of 7, 8, and 10. Furthermore, respondents introduced qualitative considerations such as living conditions, impact investing aligned with the Sustainable Development Goals, and government support.

3.2.3 Non-African investors' and Fund managers' perspective

Section 2.2.2 of this report outlined the key jurisdictions that are generally viewed as viable international domiciles for investor capital. Within this universe, not all jurisdictions may be significant channels for African investment capital. For example, while Ireland ranks third globally by market share, there are limited examples of African Investment Vehicles being structured out of Ireland. While Ireland has considerable funds under management in their well-developed wealth management sector (estimated at USD 205 billion in 2023), their regulatory structures are designed to service global asset managers trading public instruments, which is not a major characteristic of the African investment market, and therefore few African investment-oriented vehicles are domiciled there. Therefore, the consultations with global stakeholders principally centred on other international jurisdictions, namely the USA, Luxembourg, the Netherlands, and Dubai. These domiciles represent some of the largest and most established global hubs for investment Fund domiciliation, as well as emerging centres. This Section of the report highlights the key takeaways from the consultations with non-African stakeholders.

Specifically, Luxembourg stands out as the largest investment Fund centre in Europe and the second largest globally after the USA. It serves as the largest global distribution centre for investment funds, with funds offered in more than 70 countries worldwide. The Netherlands, on the other hand, offers relatively cheaper costs for Fund set-up, particularly beneficial for smaller funds, and is increasingly becoming a preferred jurisdiction for development funds. Delaware has carved a niche as the domicile of choice for US funds due to its favourable tax, regulatory, and cost environment, as well as its key location for Fund domiciliation. Additionally, Dubai, as a growing financial hub, provides a central location for investing in the Middle East, Europe, and the rapidly growing regions of Africa and Asia.

Each of these jurisdictions has established the basic ecosystem for Fund domiciliation in terms of their legal and regulatory frameworks, their deep pool of skilled professionals and their reliable financial services. Additionally, to differentiate themselves, each has found a means of specializing or creating niches that address the needs of distinct investors and Fund managers. Such specialization may be a strategic consideration for the African jurisdictions looking to grow their capabilities as Fund domiciles, ultimately leading to the creation of a competitive industry. By benchmarking key parameters against these leading international jurisdictions, the report aims to identify best practices that could be applied by potential domiciliation jurisdictions in Africa. This analysis can inform African jurisdictions as they develop policies to become more competitive domiciliation destinations and attract increased domestic and cross-border investment to the region.

Luxembourg

Luxembourg is the largest Fund domicile in Europe and the second largest in the world and has carved out a particular niche in impact and climate Fund specialisations. The share of net European alternative assets under management by Luxembourg-domiciled funds increased from 15.6% in 2010 to 61.8% in 2022. The country is also the largest distribution centre for investment funds in the world, with funds being distributed to over 70 countries.[67]

The European Investment Directive in 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) was a key milestone towards making the country an attractive Fund domiciliation centre.[68] Luxembourg was the first member state to transpose this directive into national law as early as 1988.[69] This, in turn, also helped develop an ecosystem of specialized service providers like advisory firms, Fund management companies, auditors, Fund administrators, and legal firms. A significant part of the jurisdiction's appeal can be attributed to its long presence in the Fund market.

Many Fund managers may consider Luxembourg to be relatively more expensive than alternative domiciles, but the ecosystem for establishing and operating a Fund is deep and professional, giving investors a high level of confidence in the available protections and being a financial hub, the potential for Fund-raising by funds domiciled in Luxembourg is streamlined. Sovereign wealth funds and large pension funds also favour Luxembourg for their investment platforms, holding companies and feeder funds on the back of confidence developed by its AAA credit rating, regulatory framework, strong legal environment, and tax efficiency. Additionally, the EU has adopted the Sustainable Finance Reporting Directive, hence investors with an interest in ESG find that financial reporting requirements in Luxembourg (and the Netherlands) align with their objectives.

Despite its strengths, it is crucial to acknowledge the challenges investors and asset managers may encounter when considering this jurisdiction. Firstly, navigating the intricate web of ESG regulations can be daunting, demanding significant resources to ensure compliance and data accuracy.[70] Moreover, the evolving regulatory

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[67] "Luxembourg: funds in flux." *IFLR, Euromoney Institutional Investor PLC*, 2023, https://www.loyensloeff.com/luxembourg---funds-in-flux.pdf.
[68] European Union. "Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)." *EUR-Lex*, 1985, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A31985L0611.
[69] Schnee, Wolfdieter. "Luxembourg: Success Story of a Fund Centre." *VP Bank Group*, 2023, https://www.vpbank.com/en/news/2023/luxemburg-success-story-fund-centre.
[70] Peter, Marcus, and Marie-Thérèse Wich. "ESG: Significance and challenges in Luxembourg's investment funds industry." IFLR, n.d., https://www.iflr.com/article/2bfopawyorihmdgdfwagw/sponsored/esg-significance-and-challenges-in-luxembourgs-investment-funds-industry.

landscape in Luxembourg poses a perpetual challenge, requiring constant vigilance to adapt to new rules and standards. Moreover, for Fund managers located outside the EU, the process of domiciling a Fund in Luxembourg typically spans three to six months, compared to the rapid setups observed in other domiciles such as Delaware, USA, where funds can often be established in just a day or two.[71] Despite these hurdles, Luxembourg remains an attractive choice for Fund domiciliation, thanks to its stable political environment, robust legal framework, and highly skilled workforce.

The Netherlands

The Netherlands domiciles some of the world's largest pension Fund managers and has an attractive regime for establishing private foundations, such as the Ikea Foundation. The jurisdiction provides several options for Fund structures, making it an attractive domiciliation destination for foreign investors. For example:

1. Alternative Investment Funds (AIFs) are generally structured in the form of a limited partnership (commanditaire vennootschap, or CV), a co-operative (coöperatie, or Coop), a contractual Fund for joint account (fonds voor gemene rekening, or FGR) and/or a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid, or BV), or a combination thereof.[72]
2. PE funds are generally structured as CV in the form of a limited partnership.
3. Hedge funds and real estate funds are typically structured as FGR, which is a contractual arrangement between the Fund manager and investor.[73]

However, these Fund structures can be difficult to navigate for smaller Fund managers. In recognition of the fact that the domicile has high regulatory requirements, which could discourage some new or smaller funds from domiciling in this jurisdiction, the authorities have implemented a "Small Managers Regime", for new Fund managers with less than EUR 100 million under management. It is designed to reduce costs, simplify reporting and advisory requirements, and support faster set-up. This is increasingly making the country attractive for new and smaller Fund managers.

Similar to other established domiciliation jurisdictions, a skilled network of service providers is available in the country to support Fund set-up and management. A favourable tax regime and extensive tax treaty network also serve as incentives.

Domiciling funds in the Netherlands presents numerous advantages, including a favourable regulatory environment, well-developed financial infrastructure, and access to a skilled workforce. However, several challenges must be considered when establishing a Fund in this jurisdiction. Firstly, regulatory compliance in the Netherlands is rigorous, with Fund managers required to adhere to various EU directives, national laws, and

[71] Vistra. "Domiciling Funds in Luxembourg: EU Market Access & What Fund Managers Should Know." Vistra Insights, n.d., https://www.vistra.com/insights/domiciling-funds-luxembourg-eu-market-access-what-fund-managers-should-know.

[72] Feenstra, Vilmar, et al. "Investment Funds 2022." *Chambers and Partners*, *Netherlands: Law & Practice*, n.d., https://www.loyensloeff.com/chambers-investment-funds-2022-the-netherlands.pdf.

[73] "Advantages of Opening an Investment Fund in the Netherlands." Petra Funds Group, 2023, https://www.petrafundsgroup.com/insights/advantages-of-opening-an-investment-fund-in-the-netherlands#:~:text=Business%2DFriendly%20Regime,locate%20their%20European%20headquarters%20here.

regulations. These compliance obligations not only increase costs but also pose administrative burdens.[74] Furthermore, regulatory changes can necessitate adjustments to Fund structures and operations, demanding ongoing monitoring and adaptation.[75]

Secondly, navigating the complex tax landscape in the Netherlands can be challenging. Although the country offers tax advantages for investment funds, including participation exemptions for certain income types, understanding tax treaties, transfer pricing rules, and withholding tax regulations[76] is essential to ensure both compliance and tax efficiency.[77]

Additionally, the operational costs associated with establishing and running a Fund in the Netherlands can be substantial, particularly for smaller funds or new market entrants. Expenses related to legal, accounting, administration services, office space, and personnel can impact overall Fund profitability[78]. While the Netherlands offers numerous advantages for Fund domiciliation, addressing these challenges is crucial for navigating the complexities of establishing and managing funds in this jurisdiction.

USA (Delaware)

The US is the largest Fund domicile in the world, and particularly Delaware, has a very rapid and easy to use approach to setting up Investment Vehicles, often supporting establishment in a matter of weeks. The jurisdiction is a popular choice for private equity and real estate funds. While Delaware does not offer many special structures, the speed to set up and ease of ongoing compliance make it a highly favourable domicile. Funds domiciled in Delaware are typically set up as Limited Partnerships (LPs) or Limited Liability Companies (LLC) (though less common).[79]

Delaware also features a robust conflict resolution system based on US law. It stands in contrast to European domiciles for its comparatively lighter regulatory framework and lower costs. However, marketing funds outside of the US require registration in target countries, and this can become onerous. The Delaware Corporate law that governs funds is simple but comprehensive, making compliance straightforward; conflict resolution courts are highly experienced, legal services are skilled and cost-effective, and there exists a long history of court precedents, making conflict resolution swift and consistent.

Despite these advantages, it's essential to acknowledge the challenges associated with Fund domiciling in Delaware. Competition from other jurisdictions, both domestically and internationally, such as the Cayman Islands, Luxembourg, and Ireland, poses somewhat of a challenge. While Delaware offers a business-friendly legal environment, funds domiciled there must still comply with federal regulations from entities like the Securities and

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[74] Trustmoore. "Establishing Investment Funds in the Netherlands." Trustmoore Fund Services, https://trustmoore.com/fund-services/establishing-investment-funds-in-the-netherlands/

[75] Doe, John. “The Netherlands: A Strategic Choice for Fund Domicile.” VC Lab, 2023, https://govclab.com/2023/11/25/fund-domicile-netherlands/.

[76] PricewaterhouseCoopers (PwC). "Taxes on Corporate Income in the Netherlands." PwC Tax Summaries, https://taxsummaries.pwc.com/netherlands/corporate/taxes-on-corporate-income

[77] KPMG International Cooperative. "Investment in the Netherlands 2016." KPMG, 2016, https://assets.kpmg.com/content/dam/kpmg/pdf/2016/07/Investment-in-the-Netherlands-2016.pdf.

[78] Doe, John. “The Netherlands: A Strategic Choice for Fund Domicile.” VC Lab, 2023, https://govclab.com/2023/11/25/fund-domicile-netherlands/.

[79] Ressi, Adeo. “Fund Domicile – Delaware, United States.” *VC Lab*, n.d., https://govclab.com/2023/11/29/fund-domicile-delaware-united-states/#:~:text=In%20addition%20to%20having%20pro,for%20their%20firms%20and%20funds.

Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), as well as state-level regulations.[80] Additionally, there are costs associated with Fund domiciling in the state, including incorporation fees, ongoing compliance costs, and legal expenses. Fund managers must also adhere to corporate governance standards and face an increased risk of litigation. However, by addressing these challenges proactively and leveraging Delaware's strengths, Fund managers can effectively navigate the complexities of the investment landscape.[81]

Dubai (DIFC)

To improve its capacity to attract international capital, Dubai has introduced the Dubai International Financial Centre (DIFC) with a dedicated legal framework that governs activities within the IFC, including residency requirements, taxation, and investor protections. DIFC has been set up as a business-friendly location and is governed by its own English common law court system and laws, providing a familiar legal framework that investors and Fund managers can be comfortable with.

DIFC has made significant efforts in continuously enhancing its regulatory framework for the alternative investment Fund industry. For example, in 2014, DIFC introduced the Qualified Investor Fund ("QIF") regime, which can be established in an expedited time frame and is subject to significantly less burdensome regulatory oversight.[82] This regime was implemented to promote Dubai as an asset management centre by facilitating fast-track Fund registration for more sophisticated investors while maintaining international regulatory standards.

Many international banks are located here to service the region, and the IFC features a rapidly growing presence of international asset managers and lawyers, amongst others. By establishing this parallel legal framework, Dubai can more closely meet the expectations of international professional investors without substantially changing the laws for its domestic population.

Domiciling a Fund in Dubai presents several challenges despite the emirate's growing prominence as a financial centre. Fund managers must navigate a regulatory environment that is still evolving, balancing domestic regulations and international standards to ensure compliance.[83] Additionally, accessing diverse pools of investors and capital both domestically and internationally proves challenging, as does establishing and maintaining operational infrastructure amidst competition for skilled professionals and evolving regulatory requirements. Dubai's competitive Fund industry, influenced by geopolitical and economic risks, demands differentiation, performance demonstration, and adaptation to changing market dynamics. Cultural nuances and social factors add another layer of complexity, necessitating effective communication and cultural sensitivity.[84] Addressing these multifaceted challenges demands a comprehensive understanding of Dubai's regulatory environment, market dynamics, and investor expectations, alongside strategic planning, risk management, and collaboration with industry stakeholders. Despite these obstacles, Dubai's ongoing efforts to enhance its regulatory framework and

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[80] Ibid.

[81] Forbes. "Incorporating in Delaware: A Complete Guide." Forbes Advisor, n.d., https://www.forbes.com/advisor/business/incorporating-in-delaware/.

[82] Kayrouz, Paul. "The UAE's Growing Appeal as a Global Fund Domicile." *Medium*, 2020, https://medium.com/@keyrouzpaul/the-uaes-growing-appeal-as-a-global-fund-domicile-976fda7051cd.

[83] Bracewell. "Foreign Direct Investment in the United Arab Emirates: Trends and Predictions 2024." Bracewell Insights, 2024, https://bracewell.com/insights/foreign-direct-investment-united-arab-emirates-trends-and-predictions-2024.

[84] Ibid.

infrastructure, coupled with its strategic location and growing reputation, position it as an increasingly attractive option for Fund domiciliation.

Summary of findings

Notably, global investors and Fund managers have assumed a cautious approach towards the African story of building a Fund domiciliation ecosystem, bringing in a slightly different perspective to the report. Several key themes emerged from the consultations conducted with them:

- The majority of investors are satisfied with the status quo, with jurisdictions such as Mauritius and Luxembourg continuing to be preferred. Building any new viable domiciliation ecosystem takes time and requires a range of specialized professional skills – Fund administration, auditing, and custodial service, amongst others. Building trust in a new jurisdiction also takes time and requires significant incentives for Fund managers and investors to consider them as viable.

- With respect to the desire for additional African domiciles to be developed, there was a majority (but also a strong minority). The majority views any additional jurisdictions as additional effort and cost, given the necessity to build comfort with a new regime. This may include procuring new service providers, allocation of internal resources, time, and costs to building knowledge and the associated costs of incrementally adding vendors. Lack of familiarity also introduces risk, not only to investors but also to Fund managers. Most Fund managers consulted feel they may be disincentivised to propose alternative Fund domiciles, as it may deter investors.

- The minority view, however, brings some nuance to these arguments, primarily centred along two considerations. First, investors would be interested in increasing the number of African domiciliation jurisdictions if (a) it drove a development agenda in terms of a national industrial strategy or (b) spurred competitive pressure on the other leading domiciliation jurisdictions, particularly Mauritius.

- Many investors concurred that there might be a place for Fund domiciliation in geographies with substantial domestic capital to be mobilized alongside international capital, where larger markets such as Nigeria, Kenya, and South Africa could be favoured. However, this argument has limited strength, as funds raised to date, which mobilized significant domestic capital content, have generally been satisfactorily structured with a domestically domiciled tranche and a parallel vehicle established in the more traditionally "accepted" international domiciles for the international capital. Hence, it remains to be seen if the domestic capital raising justification may be strong enough to encourage large domestic economies to launch the concentrated effort that would be needed to strengthen their capacity as Fund domiciles.

- A limited view amongst investors and Fund managers also suggested that, even with Mauritius being removed from the EU blacklist, international investors - especially DFIs - have been cautious and may be open to more diversification of options as a result. However, there may still be some way to go for new African domiciles to be able to surpass Mauritius in terms of their rankings on the major international "white lists" in the near term. For example, Ghana has struggled to stay on the "white list". Moreover, as long as European domiciles such as the Netherlands and Luxembourg or the US (Delaware) remain viable, it may be difficult for a newly established African domicile to compete.

- International Investors and Fund managers highly prize efficient service provision to support their Fund investment activity. Building any new viable domiciliation ecosystem takes time and requires a range of specialized professional skills – Fund administration, auditing, and custodial service, amongst others. Stakeholders particularly highlighted the need for (a) international lawyers and (b) international banking services, which could act as barriers to African domiciliation, given few international legal firms or banks have branches in African countries under consideration.

- Legal regimes are very crucial considerations for international investors. The fallout from recent global Fund collapses has only increased attention to this issue, resulting in much more rigorous due diligence being conducted by international investors. In the event of a conflict, most regimes have an initial form of arbitration that is hosted by the regulators. Where issues cannot be resolved at this level, or where the conflict rises to the level of fraud or other criminal activity, many Fund LPAs (limited partnership agreements) specify the legal jurisdiction where disputes will be adjudicated. Almost universally, investors require this legal jurisdiction to be English or American law. Therefore, any domiciles that constrain this or depend on domestic legal systems to prosecute alleged failures may be excluded from consideration.

- International jurisdictions for Fund management have a number of features in common at the "macro" level but may be differentiated in terms of the granular regulatory regimes they develop to attract specific types of investors. For example, the UK and Germany have adequate regulatory regimes for Fund domiciliation but are not broadly considered competitive unless investors have an inherent preference for those jurisdictions, which could be driven by factors like language and funds sourced from taxpayers/pensions. Jurisdictions that have developed competitive Fund ecosystems have designed their regulatory regimes to attract capital from multiple countries, regardless of the source of investor capital. This may also be a consideration in developing any new domiciliation jurisdiction in Africa.

- Macroeconomic issues have been cited as key by all categories of stakeholders consulted in this report. While these issues are not always in the hands of regulators, they influence the ability of international investors and Fund managers to conduct their business. These may include (a) capital controls that restrict foreign currency disbursements and repatriation of monies, (b) unstable political and economic circumstances, and (c) unfavourable taxation arrangements. In the case of the latter, most funds are willing to pay appropriate tax levies but prefer for there to be DTTs in place.

The Global Fund domiciles included in this report influenced the selection of the "health indicators" outlined in Section 4. These serve as learnings to those countries in Africa that seek to position themselves and improve their capacity as Fund domiciles. For example, at least two of the featured African jurisdictions, Rwanda and Cabo Verde, have taken the route of creating their own IFC in a bid to improve their competitiveness, and there may be lessons to be learnt from jurisdictions like Dubai, which is the newest international domicile to be added to this list, but it is growing rapidly and demonstrates the potential created by launching its IFC.

4 Fund Domiciliation Analysis across 13 African jurisdictions

4.1 Introduction

As the financial landscape has become increasingly globalized, the choice of an IV domicile is a fundamental decision for Fund managers and investors. African jurisdictions, with their diverse regulatory systems, financial environments, and economic and political conditions, present both opportunities and challenges for Fund managers and investors. Choosing an African domicile over other international jurisdictions requires a common understanding of what drives these decisions about domiciliation.

While recognizing that no two jurisdictions are alike, it is possible to identify common parameters and features of the overall IV domiciliation ecosystem that can be compared. These metrics or parameters were selected based on their significance in Fund domiciliation decisions and their relevance to the African context. Through conversations with varied stakeholder groups, including Fund managers, investors, regulatory bodies/enablers and investment professionals, this report presents several criteria about what constitutes a "mature" Fund domiciliation ecosystem, meaning it is competitively attractive and substantially meets the needs of many stakeholders.

The existing literature review of the domiciliation landscape and extensive consultations held with key ecosystem players as part of this report highlight that a mature Fund domiciliation jurisdiction is characterized by a stable regulatory environment, effective taxation system, political and economic stability, investor protection, transparency, predictability, and effective dispute resolution mechanisms. It has an efficient financial infrastructure that aligns or complies with international best practices, as well as a robust and well-established support ecosystem of competent legal, financial, and professional service providers. To better visualise and aggregate these considerations, the FDMDT has been designed to capture a range of major parameters and a sub-set of dimensions which investors and Fund managers evaluate in their assessment of the attractiveness of a jurisdiction.

In particular, four main common parameters for analysis have been identified:

a) Regulatory environment, oversight, and enforcement
b) Judiciary framework
c) Operational efficiency
d) Enabling environment

Each of these parameters is described with a subsequent sub-set of dimensions to illuminate each parameter, as depicted in Figure 22. Each of these dimensions is a normative value statement intended to further illustrate what "maturity" looks like for a domicile. The 16 key dimensions, taken individually, correspond to inputs received through our primary research and consultations; in aggregate, they paint a fuller picture of a mature environment for the domiciliation of Investment Vehicles on a comparative basis.

FIGURE 22: FUND DOMICILIATION MATURITY DIAGNOSTIC TOOL (FDMDT)

Source: *Developed by the authors for the purpose of this report*

The international jurisdictions that were reviewed for this report set the standard for what constitutes a "mature jurisdiction". These jurisdictions historically attract investors and Fund managers given their track record and well-known and understood domiciliation process and systems. They represent a "safe bet" for investors. The international jurisdictions, therefore, all rate well against these parameters and dimensions.

Below each dimension is elaborated as a normative statement.

4.1.1 Regulatory environment, oversight, and enforcement

The principal feature of a domicile is the regulatory regime that governs the set-up, operation, and supervision of an investment vehicle in its jurisdiction.

The key dimensions of health for this parameter are:

1. **Regulations that permit a range of different and flexible types of Fund structures**

A sophisticated regulatory regime is responsive to investor needs and trends and has the capacity to adopt "best practices" in line with global standards. As a result, over time, they design guidance for multiple structures, defining requirements for governance, legal composition, and financial parameters. A favourable regulatory regime offers structures that reflect investor needs, comprehensively and clearly organized to a high standard.

2. **Regulatory entities have an active, effective and stable mechanism for regulation and ongoing supervision of Investment Vehicles in their jurisdiction, thus ensuring sustained regulatory vigilance and oversight**

Investors are looking for reliability and high standards in the regulatory environment. A sudden change in jurisdictional status, as well as frequent changes by domestic regulators, can gravely impact Fund managers and investors. Regulatory structures that are well-thought-through and constant rather than frequently changing are prized. Supervision that extends to enforcement and penalties also needs to be demonstrated. Regulatory regimes should include reliable and well-run arbitration mechanisms where there are disputes.

Investors devote considerable effort to the selection of IV domiciliation at the start of a Fund's life to minimize cost and disruption that could be caused by change down the road and because they gain comfort from regulators that will be taking an ongoing interest in the actions and potential misdeeds of Fund managers over the life of the Fund. Robust oversight is valuable to investors and includes regular audits, meetings with management teams and the maintenance of close relationships with domestic Fund service providers. Where problems do emerge with an IV/Fund, investors appreciate the rapid response and engagement of regulators. Periodic checks, tests, and recertification of Fund managers and their practices is another important area of ongoing oversight.

3. The jurisdiction maintains an efficient and competitive tax regime performance

Most investors recognize that a fair and transparent tax regime is important to all stakeholders. Investors are incentivized to place their money in that jurisdiction where a jurisdiction establishes reasonable tax requirements (to be further discussed later in this report). Areas of concern for investors include prohibitive withholding tax rates and/or vulnerability to double taxation; the efficiency of tax administration is a critical factor. Jurisdictions with streamlined, user-friendly tax filing systems and minimal bureaucratic hurdles. In contrast, a healthy regime will, for example, make efforts to negotiate DTTs around the world and will support investors with speedy Fund repatriation rules.

4. Transfer and convertibility of foreign currency can be done with ease and in a timely manner

The currency ought to be easily transferable and convertible in a timely manner. Convertibility or strength of the currency of the host jurisdiction against top global currencies can be a "make-or-break" factor in selecting an IV domicile. The currency risk can be assessed based on the potential fluctuations of the host currency against top global currencies, as this can impact Fund returns and general operational costs, especially hedging costs and strategies. Fund managers and investors consider the historical performance of the currency of the jurisdiction (host currency) in terms of exchange rate stability, liquidity, and availability, as a consistently devaluing currency can erode the value of Fund assets and return. Active African investors fully appreciate the broad foreign exchange risks to which African countries are exposed, but there needs to be seen to be constructive, investor-friendly regulations in place for risk management and currency conversion. Lastly, Fund managers and investors need assurance that they can repatriate IV investment funds without heavy restrictions and delays arising from illiquidity or capital controls.

4.1.2 Judiciary framework

Investment regulations are only a subset of the broader legal and judicial environment that prevails in a country. Regulations are important for the effective day-to-day running of an investment vehicle, but where malfeasance emerges, investors need recourse to the broader panoply of criminal, civil and commercial remedies.

The key dimensions of health for this area are:

5. **The jurisdiction has a robust legal environment (consistent with common/civil law traditions) to prosecute both criminal and commercial disputes, which allows for the enforceability of contracts, claims, charges and awards**

Investors prefer to be able to prosecute disputes using reasonably familiar standards and legal expressions. A wide body of laws that address the full gamut of criminal, civil, and commercial complaints, with commensurate forms of sanction (financial penalties, criminal incarceration, extradition), is essential in a mature Fund domicile. There is something of a predisposition to engage in legal matters in English (or one of a selection of major international languages), which is often a prerequisite for international investors.

6. **Legal recourse is available and is seen to be fair, equitable, efficient, and timely when addressing disputes, including criminal and civil legal frameworks, thus ensuring effective enforcement**

Enforcement entities play a big role in responding to allegations of improprieties. These include the police, prosecutorial forces, and legislative branches, which set the relevant legal framework and then set the terms under which they will take action in response to complaints. A strong jurisdiction will feature enforcement bodies that act in a timely fashion and a court system that can pursue and adjudicate complex, often international disputes.

7. **The jurisdiction has the presence of specialized legal professionals/ barristers to support investors in the case of disputes**

In addition to a broad body of relevant laws and a system that can resolve disputes, there is a requisite need for experienced professionals who can resolve such disputes, including professionals with expertise in handling complex cross-border disputes. As Fund management is a specialized area of financial activity, it is even more important that a full complement of trained professionals is available to support the jurisdiction in overseeing investment activity.

8. **The jurisdiction is compliant with international protocols like FATF standards, FSB recommendations, OECD "whitelists," and law enforcement mechanisms exist in the case of non-compliance**

Adherence to global financial compliance standards and regulations is a critical consideration. The jurisdiction must be mindful of rules established by both the FATF and the Financial Stability Board, an international body that sets many accounting and financial good conduct rules. Moreover, the OECD maintains a "whitelist" of international jurisdictions, overseen by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Fund investors also require EU approvals (known as "whitelists") in the event of misalignment in the areas of taxation and reporting (non-cooperative jurisdictions for tax purposes). These international standards and the challenges they present to both Fund managers and Fund domiciles will be further discussed below. Simply put, a mature jurisdiction remains compliant with these standards to assure investors of the high quality of its legal and regulatory regimes.

Compliance with international protocols demonstrates the commitment of the jurisdiction to global financial integrity. For Fund managers and investors, compliance with FATF gives assurance that the jurisdiction adheres to AML/CFT regulations and can be accepted as a responsible participant in the global financial system. AML/CFT form the bedrock of due diligence within the financial system today. An effective domicile would be required to adopt and enforce AML/CFT laws, establish regulatory oversight of such practices, implement reporting mechanisms, and impose sanctions for violations; this demonstrates the integrity of the jurisdiction, enhancing confidence and establishing the "trust factor."

4.1.3 Operational efficiency

Managing aggregated money in a Fund structure is a complex business, requiring more than oversight and dispute resolution mechanisms. Running the Fund itself requires a range of skilled inputs – accounting, legal, and administrative skills are almost as important as investment skills. Where a Fund jurisdiction offers a deep and competitive market of service providers to supply these skills, it makes the operations of a Fund more streamlined and cost-effective.

The key dimensions of health for this parameter are:

9. A broad range of skilled professionals and support services are available domestically at an economically viable cost

When managing a Fund, there is a basic minimum in terms of staff and capabilities that must be built by a manager in order to execute their business. The related costs incurred are generally billed to the collected investors through "management fees." A good Fund manager keeps a keen eye on costs to improve their profitability. Everything from broadband services, telephone lines, digital money, and banking services has a cost, and in some countries, these can be expensive and/or unreliable. Additionally, over time, the Fund needs to rely on a range of external service providers, i.e. auditors, to support their compliance and reporting requirements. As Fund management is a specialized area of financial activity, it is even more important that a full complement of trained professionals is available to support the jurisdiction in overseeing investment activity. Where relevant, language and specialized legal skills (i.e. French civil law) are also valuable. A competitive pool of such service providers further helps Fund managers keep costs down and enables them to run their businesses effectively.

In addition to the existence of reasonably priced Fund service providers, there are the costs associated with staff and housing, permits or licences, transaction fees, tax on profits, and utility charges. Costs of Fund set-up and operations are not standardized and differ for different types of funds and Fund structures from one jurisdiction to the other; however, all these expenses are incurred in a given jurisdiction and, over time, can make the difference between a thriving Fund management business and a failing one, leading to Fund re-domiciliation or closure.

10. Fund operations can be digitized to a reasonable extent in the jurisdiction

The institutionalization of digital capabilities has advanced rapidly in recent years. Operational efficiency can be evidenced through many small and large services related to Fund set-up, licencing and management – regulators deploying well-designed portals that can accept online applications, scanned documentation, acceptance of digital signatures for legal documentation, the acceptance of scanned rather than "hard copy" documentation, rapid electronic financial transfers. The focus is on the capabilities that improve the efficiency of Fund management activities. In combination, these digital resources keep costs down and improve reporting quality for funds.

11. Regulators, legal authorities and civil service are reasonably accessible to the investor community, which provides efficient regulatory oversight that fosters partnership

Fund management oversight by regulators, creditors, and investors can be burdensome. The burden can be greatly relieved through ready access to public service providers. Where it takes a month to receive a reply to an enquiry or all enquiries must be submitted in writing, compared to being able to call/email public officials to receive support, makes a big difference to the daily operation of a Fund. Furthermore, where good public official support exists, this becomes a major "sticky" attraction to jurisdiction; the counter reality can be a major push to relocate the Fund domicile.

12. Standards for accrediting investment professionals are clear, meet international standards and are enforced

The investment team of a Fund manager is usually required to obtain some form of professional accreditation to manage money in their chosen jurisdiction. There is also likely to be a form of vetting for Board directors, with clear fiduciary responsibilities imposed on them. High but not unreasonable standards are rewarded with IV domiciliation business because of perceived professionalism. Where standards are weak or non-existent, investors will be hesitant to agree to the proposed domicile. Furthermore, domiciles need to demonstrate ongoing renewal of accreditation and the willingness to strike off investment professionals who compromise the jurisdictional standards. A jurisdiction should be found to have good accreditation standards and enforcement by the domestic regulatory bodies.

4.1.4 Enabling environment

Although not specific to Fund management, an enabling environment is important to the overall ability to do business in a given jurisdiction. It includes factors that attract business managers and facilitate investment activities, creating a supportive framework for business operations

The key dimensions of health for this parameter are:

13. The financial system is well-regulated, meets international standards of governance and provides services to a modern standard, including electronic payment systems and rapid financial transfer mechanisms

In Fund agreements, there are often provisions restricting the Fund to holding all disbursements and other capital in a well-regarded, well-regulated bank. Therefore, efficient banking infrastructure integrated into the global financial system is essential. Further, Fund managers have requirements of the financial system around reporting and Fund transfers that they are obliged to satisfy but need the support of their bank to execute – such as bank statements available immediately on request or holding funds in escrow. To efficiently execute investment transactions, Fund managers favour banks that have low transaction costs and accurate execution capabilities. Restrictions by the financial system on types of transactions or locations of transactions can also negatively affect the smooth running of a Fund. Foreign exchange restrictions, permissions to invest outside the country and other similar constraints are cumbersome and undermine the financial sector. Ultimately, investors want to be assured that their cash sits in a well-regulated bank that will not experience exogenous shocks (except in the most extreme circumstances) that would lead to the crippling of their investment activities.

14. The jurisdiction has political stability

Political instability with abrupt and unpredictable changes of political power can undermine international confidence in the jurisdiction's macroeconomic and social stability. Therefore, a history of peaceful power transfers, minimization of civil unrest, and consistent, long-term policymaking are fundamental to a strong enabling environment. The international investor community and long-term investors typically consider not only the stability of the political environment but also the perceived transition risk associated with changes in Government.

15. The jurisdiction has macroeconomic stability

Macroeconomic stability is determined by looking at inflation, exchange rate stability, and interest rate fluctuation in a country, factors which have a significant impact on the decision to domicile in a jurisdiction. Economic policy and sovereign credit ratings have proven to be important indicators of a weak economy. This will typically affect the return on investment and other financial metrics for determining the success of an investment, and therefore, investors are hesitant to invest in an unstable or weak economy.

16. The jurisdiction provides an environment conducive for ease of Fund set-up and doing business

The ease of doing business has many facets, running the gamut of a good road network, reliable electricity, internet connectivity, accessible business partners, effective economic management and more. As these apply to managing an investment vehicle, telecommunications systems are critical, as is a professionally skilled workforce (in addition to all of the regulatory, financial and operational features previously discussed.) The gradual elimination of corruption and unfair conduct is also to be welcomed as African countries step up their competitive game, maintaining a fair domestic playing field and meeting international standards across a range of commercial activities.

For the 13 African jurisdictions, each of these dimensions is rated 1 to 10 and 10 represents what international best practices look like.

4.2 Key insights from stakeholder consultations

Having developed the parameters and dimensions of the FDMDT as described above, this section of the report captures the relative maturity of each of the 13 jurisdictions in Africa that might be considered for IV domiciliation. Using the maturity scale detailed in Appendix B, we assess the varying levels of "success" for each jurisdiction. While there is a wide range of outcomes, the conclusions that this report reaches should offer some useful points for consideration to investors and Fund managers contemplating alternatives to their traditional domicile selections.

4.2.1 Cabo Verde

1. Regulatory Framework

Aligned with the government’s ambitious Cabo Verde Ambition 2030, Cabo Verde is currently embarking on an extensive reform program aimed at diversifying and invigorating its economy while also liberalizing its economic and financial activities. This multifaceted reform and diversification agenda encompasses several key initiatives: positioning itself as an international financial centre facilitating transactions between Lusophone and West African economies, establishing a maritime logistics hub offering specialized services in the Atlantic region, fostering opportunities in sustainable tourism, renewable energy, and the blue economy, and creating a technology hub to capitalize on the country’s digital economy's potential. To bolster these efforts, the jurisdiction has undertaken significant regulatory enhancements to attract both foreign direct investments and domestic funds, targeting investments within the jurisdiction as well as in Portuguese-speaking countries (PALOP) and West Africa.

Overseeing the regulation of the securities market in Cabo Verde, the Securities Market Audit Office (AGMVM) governs all Investment Vehicles regulated under the Legal Regime of Collective Investment Organisations *(Regime Jurídico dos Organismos de Investimento Coletivo)* (RJOIC). Closed-end funds and real estate investment funds are subsidiarily governed by the Commercial Companies Code. While the regulatory framework provides guidelines for various Fund structures, the alternative Investment Vehicles market in the jurisdiction is still developing, with only one private equity Fund launched as of January 2024.

Nevertheless, Cabo Verde has robust financial regulations harmonized with EU standards, ensuring compatibility and adherence to international norms. The legal structure of Investment Companies characterizes RJOICs, which are also recognized as financial institutions under Law no. 61/VIII/2014,[85] enacted on April 23, delineating the foundational principles and regulatory framework for the financial system.

Renowned for its investor-friendly tax regime, Cabo Verde offers transparency, simplicity, and practicality. Investments falling under the Cabo Verdean Investment Law enjoy preferential tax incentives, permitting tax-free expatriation of dividends for the first five years of operation, followed by a flat tax rate of 10 percent for the subsequent 15 years.[86]

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[85] "Financial Stability Report." Banco de Cabo Verde, 2022, https://www.bcv.cv/en/O%20Banco/Sectores/Documents/2022/LBSF_EnglishVersion.pdf..

[86] "Investment Climate Statements 2023: Cabo Verde." U.S. Department of State, https://www.state.gov/reports/2023-investment-climate-statements/cabo-verde/.

Operating under a liberalized foreign currency regime, Cabo Verde enables the full conversion and transferability of capital abroad. Article 9 of Cabo Verde's External Investment Code[87] confers foreign investors with the right to transfer abroad, in freely convertible currencies, all proceeds from duly registered foreign investment operations conducted within the country.

2. Judiciary Framework

The Cabo Verde Investment Law[88] serves as a pivotal framework aimed at expediting and streamlining investments within Cabo Verde while outlining the associated rights, assurances, and incentives extended to investments poised to bolster the nation's socio-economic advancement. It mandates that covered investments must contribute tangibly to the country's socio-economic progress.

Cabo Verde's legal framework stands out regionally for its commitment to transparency and sound governance. The judiciary operates with transparency and autonomy, free from governmental influence. Cabo Verde has modern commercial and contractual laws, drawing inspiration from Portugal's civil law system and European Union regulations. Importantly, the law accords equal rights, legal protection, and obligations to all investors, irrespective of nationality.

Arbitration emerges as a preferred mechanism for resolving investment disputes between the Government of Cabo Verde and foreign investors, utilizing both national and international dispute resolution protocols. Additionally, the courts uphold and enforce foreign arbitral awards.

However, the jurisdiction faces a challenge in its developing capital market due to a limited number of specialized legal professionals experienced in Investment Vehicles laws and structuring. Although the country produces a significant number of general law graduates each year, there remains an opportunity to enhance the capacity for training professionals in Fund investment law.

With regards to compliance with international protocols on AML/CFT, it has been deemed compliant as of February 2024 and does not feature on the FATF List of Countries identified as having strategic AML deficiencies.

3. Operational Efficiency

Due to the nature of the economy and the early development of its Investment Vehicles ecosystem, the jurisdiction currently has a limited range of skilled professionals and support services for investment funds. However, it does have a well-established banking and financial market featuring seven reputable banks. Additionally, two of the big four audit firms, EY and PwC, are present, equipped to meet the demands of the banking sector.

The country has implemented digitized business registration systems, enabling investors and Fund managers to streamline their registration processes and access government services more easily. However, applications still require physical, notarised copies. In a proactive effort, the government of Cabo Verde has introduced a digitalization master plan aimed at enhancing the business environment. Currently, both the Central Bank and Tax Administration services have achieved full digitization. Additionally, a strong legal framework has been established

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[87] "Cabo Verde - Trade Financing." International Trade Administration, https://www.trade.gov/country-commercial-guides/cabo-verde-trade-financing.

[88] "Cabo Verde Investment Law." United Nations Conference on Trade and Development (UNCTAD), https://investmentpolicy.unctad.org/investment-laws/laws/316/cabo-verde-investment-law.

to support the digitalization of public services, with a mandate set to have 60% of its public services digitized by 2026 with the goal to surpass 80% by 2030.[89]

Cabo Verde has one of the highest levels of access to regulators, legal, and civil services. This achievement can be attributed not only to its modest population size but also to the nation's unwavering commitment to upholding transparency and good governance principles.

Regarding accreditation standards for Fund managers, the jurisdiction has instituted rigorous processes outlined in the legal framework. The process of accrediting and registering Fund managers may take up to six months or longer due to the comprehensive due diligence mandated by regulations. This is especially true for complex Investment Vehicles, which involve careful scrutiny of shareholders, beneficial owners, and other relevant details.

4. Enabling Environment

Cabo Verde has a modest financial sector that is overseen and regulated by the Central Bank of Cabo Verde (BCV). According to data from BCV, banking represents over 80 percent of the assets in the Cabo Verdean financial landscape. Notably, two banks, Banco Comercial do Atlantico (BCA) and Caixa Economica de Cabo Verde (CECV), collectively held over 56.9% of the market share in 2021, according to the latest released BCV data.[90]

Cabo Verde has a developing stock market, with its stock exchange established in 1988. Currently, the stock exchange lists six companies and has facilitated the issuance of 10 private securities and 1 IPO. Although the alternative investments market is still emerging, rigorous regulation ensures compliance with international governance standards. Furthermore, the market provides modern services, including electronic payment systems and swift financial transfer mechanisms, in line with global norms.

The country is recognized as one of the most stable democracies in West Africa. Its electoral mechanisms have consistently functioned effectively, enabling the peaceful transfer of power between the two dominant political factions. Cabo Verde exemplifies political stability, characterized by a longstanding tradition of smooth transitions of authority without significant political, social, or religious conflicts. Civil liberties are generally protected, although the effectiveness of the justice system is challenged by a heavy caseload.

Cabo Verde has witnessed significant economic progress since 1990, driven in large part by the rapid development of tourism (25 percent of GDP), coupled with considerable social development due to strong social policies since the 1970s.[91] However, this was heavily impacted by COVID-19 and the economic impact of the Ukraine crisis. Despite geographical challenges and limited resources, the country has experienced economic success driven by structural reforms, political stability, high tourism flows, and sustained foreign direct investment and remittances.

Cabo Verde’s exchange rate fluctuation risk is low. Since 1998, Cabo Verde has maintained a pegged exchange rate system with the Euro, fixing the Cape Verdean Escudo at 1 EUR = 110.265 CVE. This system has guaranteed

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[89] Digital Transformation in Cabo Verde: The New Horizon, https://www.worldbank.org/en/news/feature/2024/10/23/afw-digital-transformation-in-cabo-verde-the-new-horizon

[90] "Investment Climate Statements 2023: Cabo Verde." U.S. Department of State, https://www.state.gov/reports/2023-investment-climate-statements/cabo-verde/.

[91] Institute for Security Studies. "Cape Verde." Future Directions International, https://futures.issafrica.org/geographic/countries/cape-verde/.

the convertibility of the Escudo, fostered price stability and safeguarded the domestic currency's value against fluctuations. The peg is supported by a credit facility from the Portuguese government.

The Securities Market General Audit (Auditoria Geral do Mercado de Valores Mobiliários) (AGMVM) regulates Fund establishment in the country. Currently, the regulator provides a one-month timeline for Fund setup and demonstrates a strong commitment to supporting funds through the setup. However, this process has yet to be fully tested, as only one PE Fund has been completely set up.

Summary:
Cabo Verde is known for its small but growing economy, mainly driven by tourism. However, the country is aiming to expand its economic horizons by promoting sectors like FinTech, maritime trade and logistics, and the blue economy. Driven by its national strategy, the country also aims to establish itself as an IFC, an ambition that is favourably supported by a stable currency, favourable tax policies, a transparent government with strong governance, and a motivated government-led ecosystem.

The Cabo Verdean government has fostered a dynamic entrepreneurship ecosystem by establishing four state-owned enterprises and funds, including Pro-Empressa, Pro-Capital, Pro-Impacto, and the Sovereign Wealth Fund. These institutions provide support and financing to help businesses in Cabo Verde grow. While these initiatives are promising, the financial sector faces challenges due to low demand, limited investment opportunities, and limited visibility.

Nevertheless, Cabo Verde has opportunities for growth, especially in developing its FinTech industry and leveraging its location for maritime trade. Investing in infrastructure like fibre cables and tech facilities could further boost its economy.

To fully leverage these opportunities, Cabo Verde could benefit from enhancing trust in its investment offerings, improving marketing and promotional efforts, and increasing collaboration with neighbouring countries. Additionally, developing a clear national domiciliation strategy and investing in the training and development of investment professionals would further position the country as an attractive destination for investments and Fund domiciliation.

4.2.2 Côte d'Ivoire

1. Regulatory Framework

Côte d'Ivoire is a part of the 8-member WAEMU and is the largest economy in the bloc, contributing approximately 40 percent of its GDP. As a member of this subregional economic group, Côte d'Ivoire operates within WAEMU's legal and regulatory framework, which includes the regional capital markets authority (AMF-UMOA), the regional stock exchange Bourse Régionale Valeurs Mobillières (BVRM), and the regional central bank, Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).

As a key member of the WAEMU economic zone, Côte d'Ivoire often leads in introducing reforms and innovations for the bloc. However, achieving policy, legal, and regulatory harmonization across member states can be challenging, as alignment is required from all. Côte d'Ivoire would benefit from a comprehensive legal and regulatory framework, along with fiscal incentives, to support the growth and development of its Investment

Vehicles industry, including Fund domiciliation. The domestic industry association, Association Ivoirienne des Investisseurs en Capital Risque - AIIR, has initiated efforts to develop a comprehensive framework for the industry that covers fiscal incentives, Fund domiciliation, regulation, and compliance. The association has proposed recommendations to enhance the legal framework and fiscal incentives for industry development in Cote d'Ivoire. Discussions are also underway with the AMF to establish a regulatory framework that facilitates direct investment in domestic funds by both domestic and international investors.

Due to the harmonized nature of operations within WAEMU, the economic bloc has yet to fully adopt a comprehensive regulatory, oversight and enforcement framework that works for all its member states. At present, the fiscal/tax regime lacks predictability and is not particularly favourable for domestic Fund domiciliation and management. Côte d'Ivoire stands out as one of the few jurisdictions with minimal restrictions on domestic content policies – national content policies have only recently been enacted in the extractive industries and in the aviation handling sector. Consequently, it permits 100 percent foreign ownership of businesses and companies.

Côte d'Ivoire has signed several bilateral investment treaties with countries and multilateral organizations, including Belgium, Canada, China, the EU, Germany, Ghana, Italy, Luxembourg, Mauritius, the Netherlands, Singapore, Sweden, Switzerland, Tunisia, Turkey, and the United Kingdom. However, the country was added to the FATF Grey List in its release of October 2024. This places a huge and pressing responsibility on the authorities to work with the FATF to address deficiencies in the country's AML/CFT regime.

The country ratified the Economic Partnership Agreement (EPA) with the EU in September 2016 and joined the AfCFTA, trade activities started in January 2021.

Côte d'Ivoire has 9 DTTs with Belgium, Canada, France, Germany, Italy, Morocco, Norway, Switzerland, and The United Kingdom.

The country's currency (West African CFA Franc or XOF) is pegged to the Euro, and together with other subregional members, it has a few restrictions on foreign exchange transfers outside the WAEMU bloc. Investments made in Cote d'Ivoire/ WAEMU by a non-resident should be declared to the foreign exchange authority, and the revenues may be repatriated abroad along with the invested amount when such an investment is terminated.

2. Judiciary Framework

The country has a comprehensive legal framework aimed at promoting investment. However, it does not fully address the specific needs of the funds industry, as there is no dedicated legal and regulatory framework tailored specifically for funds.

Foreign companies are free to invest and list on the Regional Stock Exchange (BVRM). Foreign investors generally have access to all forms of remunerative activity on terms equal to those enjoyed by Ivoirians. There are no general economy-wide limits on foreign ownership or control, although, in most cases of privatization, the state reserves an equity stake in the new company.

The Abidjan-based regional Common Court of Justice and Arbitration (CCJA) serves as a comprehensive platform for resolving the Treaty of Organisation for the Harmonisation of Business Law in Africa (OHADA) related matters but for all the other disputes. The investor community uses the local judicial system because of its reputation of being efficient. The arbitration tribunal within the CCJA is renowned for its swift dispute resolution process and efficient enforcement of arbitral awards. Established under the OHADA, the CCJA is dedicated to resolving disputes through arbitration for member countries of the WAEMU and Central Africa, serving as a key institution in business law harmonization efforts.

Some members of the legal profession observe a growing acceptance of commercial courts for dispute resolution, even as efforts to promote Alternate Dispute Resolution (ADR) mechanisms continue. Commercial courts are valued for their speed and efficiency in settling disputes. However, there is a recognized need to improve technology, infrastructure, and personnel training at the Arbitration Centre. Together, these provide two viable pathways for resolving commercial disputes.

Côte d’Ivoire’s education system benefits from strong ties with France and a large, educated diaspora with regionally competitive law firms in various fields. Nonetheless, Cote d’Ivoire has been added to the FATF grey list (effective October 2024), implying that the country doesn’t completely meet the FATF’s standards for combatting money laundering, terrorism financing, and proliferation financing—but she is earnestly trying to do so.

3. Operational Efficiency

Côte d'Ivoire has a well-developed Fund ecosystem supported by a dynamic industry association, Association Ivoirienne des Investisseurs en Capital Risque (AIIR). This association represents private capital providers, including DFIs, private equity and venture capital funds, family offices, and impact investors. The country also benefits from a pool of skilled investment professionals, accountants, and tax professionals to support the Fund investment ecosystem.

The country is actively embracing technology and digitization in both the public sector and private sector, aimed at boosting operational efficiency, unlocking investment opportunities, and fostering connectivity. The market is moving towards digitization with online trading platforms. Licenced stockbroking companies already execute most investors’ trades through an automated trading system. This has further seen FinTech and other technology-enabled services take centre stage in the digital revolution.

Access to regulators remains challenging on account of public service bureaucracy; legal and civil services are still largely inaccessible and quite costly to many business organisations.

Accreditation standards for Fund managers have not been set, given the absence of any specific legal and regulatory framework. However, despite the lack of regulated accreditation standards, notable progress is being made, guided by the precedents established through the operations of various funds in the country. This ongoing work aims to ensure a robust and effective system for accrediting Fund managers, considering the valuable experience gained from existing practices within the financial sector.

4. Enabling Environment

Côte d’Ivoire is a regional economic and transportation hub, a net energy exporter, and acts as the sub-region’s energy hub. The country also has a relatively well-diversified economy with competitive sectors.

Côte d’Ivoire has a relatively competitive banking system in terms of assets and penetration. As of December 2021, the country had 29 commercial banks and 2 credit institutions, with 725 branches nationwide and 41 percent of the population holding a bank account. However, many Ivoirians prefer mobile money over traditional banking.

Abidjan hosts the BVRM, the regional stock exchange serving the eight countries of the WAEMU, with 46 listed companies, 34 of which are Ivorian. Other financial services, such as pension funds, insurance, and payment systems, are steadily growing in importance, further supported by a growing FinTech industry poised to modernize the financial system.

The country has the potential to build a more competitive macroeconomic environment due to its– relatively strong fundamentals. Côte d'Ivoire has also enjoyed relative political stability over the past decade, marked by peace and steady economic growth, reductions in poverty, and strengthened regional competitiveness.

However, in the absence of a clear legal framework addressing the specific needs of Fund management and domiciliation, the jurisdiction remains less competitive for Fund setup.

Summary:

Côte d'Ivoire is a key economic, transportation, and energy-exporting hub in the region, with a well-diversified economy and competitive sectors. As the largest economy in the 8-member Francophone West Africa (WAEMU) economic bloc, it accounts for roughly 40 percent of the bloc's GDP. The country also has a relatively competitive banking system in terms of assets and penetration, is home to the BVRM (the regional stock exchange), and continues to see steady growth in other financial services, including pension funds, insurance, and payment systems. The emerging FinTech sector is further accelerating this modernization trend.

Aligned with regional regulations, Côte d'Ivoire collaborates with institutions like the regional capital markets authority (AMF-UMOA), the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), and the regional stock exchange, Bourse Régionale des Valeurs Mobilières (BVRM). With various bilateral investment treaties and memberships in international agreements like the AfCFTA and the EPA with the EU, the country aims to become a preferred Fund domicile within the Francophone community.

Supporting this goal are institutions like the Abidjan-based regional CCJA, which provides a platform for resolving disputes under the OHADA framework. Backed by a robust educational system and a sizable, educated diaspora, Côte d'Ivoire nurtures an environment conducive to growth. Additionally, the well-developed Fund ecosystem and vibrant industry association for private capital providers (AIIR) underscore its commitment to financial prosperity.

Despite Côte d'Ivoire's leading role in driving reforms within the bloc, challenges persist in harmonizing policies, legal frameworks, and fiscal regulations across the region, particularly concerning Fund management and domiciliation. Addressing issues such as foreign exchange restrictions beyond the WAEMU region, bureaucratic hurdles in accessing regulators, and the imperative to fortify technology, infrastructure, and personnel training at the Arbitration Centre are essential. Nonetheless, with its unwavering commitment to progress and stability, Côte d'Ivoire remains steadfast on its trajectory toward becoming a compelling regional Fund domiciliation hub.

4.2.3 Ethiopia

1. Regulatory Framework

In July 2021, Ethiopia embarked on a significant economic transition with the enactment of the Capital Market Proclamation No. 1248/2021.[92] This landmark legislation represents a major step towards shifting from a primarily FDI destination to a capital market-oriented economy. The aim is to promote broad-based investment participation, foster private sector engagement, and establish Ethiopia as a domicile for various asset classes, including private equity.

Under the Proclamation, regulatory oversight is vested in the Ethiopian Capital Market Authority (ECMA). Since its establishment, the ECMA has been tasked with supervising all capital market operations, including the licensing of Fund managers and other market intermediaries. Recently, the ECMA took decisive action to operationalize the Proclamation by issuing the Capital Market Service Providers Licencing and Supervision Directive Number 980/2024 in January 2024.[93]

This Directive serves as a comprehensive framework for licensing Capital Market Service Providers, outlining detailed regulations on activities requiring a licence, prerequisites for obtaining a licence, and the responsibilities of licenced service providers. Notably, Part Two of the Directive enumerates fifteen (15) types of Capital Market Service Providers subject to licensing, supervision, and regulation, including Custodians and Collective Investment Scheme Operators, encompassing private equity and venture capital funds management. Directive on Fees (No. 996/2024) and Directive on Licensing, Operations, Supervision of Securities Exchanges, Derivatives Exchanges and Over-The-have also been enacted in March 2024 and July 2024 respectively.

Despite the comprehensive regulatory framework established by the Directive, Ethiopia has yet to implement a specific incentive regime tailored to promote the private equity and venture capital industry. However, the Authorities are currently working on directives that specifically relate to funds, which are broadly referred to as “collective investment schemes” in the local legislation, with the aim of presenting these directives for public consultation in early 2025. Currently, businesses and companies can apply to the Minister of Finance for individualized benefits and waivers of specific taxes and obligations.

Challenges persist within Ethiopia's fiscal and tax regime, particularly concerning domestic Fund domiciliation and management. The current capital gains tax rate of 30% is perceived as a significant disincentive for Fund domiciliation. Moreover, the existing incentive framework primarily favours the manufacturing industry, aligning with Ethiopia's ambition to become Africa's manufacturing hub. Yet, the ECMA and Ethiopian Investment Commission (EIC) have been empowered to propose unique incentive structures for specific sectors, subject to the Minister of Finance's approval.

[92] Federal Democratic Republic of Ethiopia. "Capital Market Proclamation No.1248/2021." Law Ethiopia, 2021, https://www.lawethiopia.com/images/federal_proclamation/proclamations_by_number/Capital-Market-Proclamation-No.1248-2021-unlocked.pdf.

[93] "Capital Market Supervision and Licensing Directive No. 980/2024." Ethiopian Capital Markets Authority, 2024, https://ecma.gov.et/wp-content/uploads/2024/01/CMSP-Licensing-and-Supervision-Directive-No-980-2024.pdf

Foreign exchange regulations pose additional hurdles, with stringent restrictions on offshore transfers and prolonged waiting times due to forex shortages. However, foreign investors can maintain forex accounts and remit dividends, profits, and other payments in accordance with regulatory directives. Additionally, strategic investments may qualify for offshore account openings. Ethiopia currently maintains DTTs with 20 countries, expanding its international economic relations and potentially facilitating foreign investment inflows, even from non-traditional capital sources.

2. Judiciary Framework

Ethiopia has a relatively well-developed investment-related legal framework, historically emphasizing investment promotion, particularly FDI from China, rather than PE or VC for SMEs. The nation's policy direction and incentive framework have long prioritized establishing a manufacturing hub, leading to substantial investments in constructing industrial parks. However, recent shifts in the operating environment and other sectors have made diversification into various industries imperative.

The passage of the 2021 Capital Markets Proclamation and accompanying Directives represent a significant milestone in supporting the development of guidelines, rules, regulations, and relevant institutions to underpin dispute resolution and judicial reforms. The Proclamation includes provisions for conflict resolution, self-regulatory organizations, and the establishment of an Administrative Tribunal to adjudicate decisions of the Capital Markets Authority (CMA). The imminent gazetting and activation of the current draft directive on Recognition of Self-Regulatory Organisations are anticipated in the short term. Moreover, the Proclamation promotes the use of Alternate Dispute Resolution (ADR) mechanisms and enforces arbitral awards as final. Notably, the presence of the Addis Ababa Arbitration Centre, focused on resolving investment and business-related disputes, serves as a significant facilitator.

Since the 2022 decision to permit the registration and operation of law firms, Ethiopia has seen early steps in developing its legal sector, with some individual lawyers practicing individually. However, as Fund management and domiciliation are emerging areas, the judicial system, including domestic law firms, courts, and judges, is still building its capacity to effectively support dispute resolutions. Ethiopia's adoption of the New York Convention in March 2020 and the enactment of Arbitration and Conciliation Proclamation No 1237/2021[94] signify efforts to establish Addis Ababa as an arbitration-friendly jurisdiction. While notable progress has been made, further development in skills, expertise, training, and technological infrastructure would bolster Ethiopia's capability in this regard. The country is also a committed signatory to numerous international protocols and conventions, with ongoing efforts toward full compliance.

3. Operational Efficiency

Ethiopia's Fund ecosystem currently includes a small number of private capital providers, including DFIs, private equity and venture capital funds, and impact investors. Despite this growth, most Investment Vehicles remain domiciled offshore due to the lack of a supportive legal and regulatory framework. The country is gradually building a base of skilled investment, accounting, and tax professionals to support the emerging Fund investment

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[94] Federal Democratic Republic of Ethiopia. "Federal Income Tax Proclamation No. 286/2013." Law Ethiopia, 2013, https://www.lawethiopia.com/images/latest%20proclamations/1237_2013%20%E1%8B%A8%E1%8C%8D%E1%88%8D%E1%8C%8D%E1%88%8D%20%E1%8B%B3%E1%8A%9D%E1%8A%90%E1%8B%B5%20%E1%8A%A5%E1%8A%93%20%E1%8B%A8%E1%8B%95%E1%88%AD%E1%89%85%20%E1%8A%A0%E1%88%A0%E1%88%AB%E1%88%AD%20.

ecosystem. Additionally, Ethiopia is leveraging its extensive diaspora community to bring in skilled talent, helping to develop a stronger network of professionals and support services aimed at advancing the ecosystem.

Despite being a historically 'closed economy,' Ethiopia is embracing technology and digitization in both the public (projects on E-governance across government entities) and private sectors, aiming to boost operational efficiency, unlock investment opportunities, and foster connectivity.

Despite a shift toward improved accessibility, regulatory, legal, and civil services in Ethiopia often remain challenging and costly due to persistent bureaucratic hurdles. The recent enactment of a number of Directives under the Proclamation holds promise for the Fund ecosystem, offering a robust framework for licensing and regulating Fund managers and associated ecosystem players.

4. Enabling Environment

Ethiopia has a large economy and one of the largest populations in Africa—126.5 million people as of October 2023 (more than 75 percent youth), which is a growth driver due to a huge workforce and increased consumer spending.[95] The country has a well-diversified economy with competitive sectors and a progressively deepening financial system. Despite being a relatively closed economy, Ethiopia boasts of a relatively competitive banking system in terms of assets and penetration, one of the oldest commodities exchanges in Africa, a large pension system with huge assets and coverage, and a budding insurance industry. The nation aims to gradually open foreign involvement in specific key sectors. In 2023, Safaricom gained access to the Ethiopian telecom sector. Additionally, there are ongoing efforts to allow foreign participation in the banking sector.

The country maintains political stability, despite domesticised conflicts in some regions. However, it grapples with significant macroeconomic challenges including high inflation and currency depreciation. Moreover, intermittent domestic conflicts have led to occasional imposition of economic sanctions.

Given the absence of a clear legal framework that speaks to the unique realities of Fund management and domiciliation, the jurisdiction is less competitive in terms of 'ease of Fund set-up'. The establishment of Capital Markets law, institutions, regulations, and guidelines is a recent development.

The full implementation of the Capital Markets Proclamation is expected to catalyze the Fund management industry and promote the potential for domiciliation, among other things.

Summary:

Ethiopia, ranked as Africa's fifth-largest economy, presents compelling opportunities for Fund domiciliation with its substantial population of over 126.5 million people (as of October 2023), 75% of whom are youth, fuelling a large workforce and increased consumer spending. Its moderately diversified economy includes competitive sectors and a robust banking system, as well as Africa's oldest commodities exchange and an extensive pension with substantial assets and coverage. Recent liberalization in telecom and banking, relative political stability, a strong drive towards digitization, and a vast network of DTTs with over 20 countries further enhance its appeal.

[95] "World Population Data." United Nations Population Fund (UNFPA) Ethiopia, 2023, https://www.unfpa.org/data/world/population

Compliance with international protocols and frameworks, including a favourable FATF classification, underscores Ethiopia's commitment to fostering a competitive investment environment.

Ethiopia's Capital Market Proclamation No. 1248/2021" marks a pivotal shift from a focus on FDI to an economy increasingly oriented towards capital markets. The legislation aims to encourage diverse investment participation, boost private sector engagement, and position Ethiopia as a domicile for various asset classes, including venture capital and private equity. The recently approved Directive of licensing for fifteen classes of capital markets service providers (as of January 2024), alongside the draft Directives on Self-Regulatory Organisations (SROs), Fees and Levies, and Licensing of Trading Platforms, lays out a structured regulatory and supervisory framework to operationalize the Proclamation and establishing Ethiopia as a promising capital market.

Despite these recent positive developments, Ethiopia is yet to implement a specific incentive regime tailored to promote the private equity and venture capital industry and challenges persist within Ethiopia's fiscal and tax regime, particularly concerning domestic Fund domiciliation and management. Foreign exchange regulations pose additional hurdles, with stringent restrictions on offshore transfers and prolonged waiting times due to forex shortages. There are only a handful of private equity and venture capital funds and management companies, and, in the absence of an enabling legal and regulatory framework, nearly all the vehicles are domiciled offshore. The country grapples with significant macroeconomic challenges, including high inflation and currency depreciation. Moreover, intermittent domestic conflicts have led to the occasional imposition of economic sanctions.

4.2.4 Ghana

1. Regulatory Framework

Ghana has progressed significantly in establishing itself as a potential domicile for private equity, venture capital, and impact investing funds in the country. The SEC has published the Private Funds Guidelines to regulate private funds, providing clarity on the regulatory requirements for funds and shortening the period for licensing. The SEC is also working with the recently established industry association, the Ghana Venture Capital & Private Equity Association (GVCA), to develop a law to permit and regulate limited partnerships in Ghana. This will expand the permissible Fund structures available in Ghana.

Investor-friendly regulations and policies are being implemented in the country to attract foreign and domestic investments. The country has also made efforts to improve corporate governance practices, making it an attractive destination for private equity investments. Ghana has a healthy and tested regulatory framework for venture capital and private investment funds built progressively over the past twenty years starting with the Venture Capital Trust Fund Act, 2004 (Act 680). Subsequent to that, the Private Funds Guidelines (2018) and, recently, the Crowd Funding Guidelines have been issued to further strengthen the regulatory environment for capital. Ghana has completed the strategy document for the Accra International Financial Centre, which will come with a range of incentives for financial services.

The Ghana pensions regulator has passed guidelines permitting domestic pension funds to invest a percentage of their assets in private funds, under the regulation of the SEC. This has the potential to increase the number of funds domiciled in Ghana, since that is a prerequisite for the investment by domestic pension funds. With over USD 6.3 billion in AUM, the pension funds industry has become increasingly active and serves as a viable source of capital. In response to their expanding AUMs, pension funds are actively diversifying their portfolio holdings.

Several types of Fund structures are permissible in Ghana, including money market funds, angel investments, fixed-income funds, venture capital, private equity, private debt, growth and equity funds, real estate investment trusts (REITs), family offices, permanent vehicles (investment companies), domestic currency funds, and Fund of funds tool. However, despite the growth of venture capital and private equity in Ghana, the absence of a Limited Partnership Act restricts the growth of the industry and requires these Fund structures to be run as LLCs.

Ghana has a stable mechanism for the regulation and supervision of funds, requiring every individual establishing a scheme or managing a portfolio to be licenced by the SEC. Every scheme that intends to sell securities to the public is required to file a prospectus with the SEC and provide each purchaser with a summary disclosure document. The SEC has also established regulations that govern investments and marketing practices. The SEC supervises and monitors the activities of licensees in collective investment schemes to ensure that they maintain proper standards of conduct and acceptable practices.

The country offers various tax incentives for private equity funds, including exemptions or reduced rates on corporate income tax (5 percent), capital gains tax (0 percent), withholding tax on interest and dividends (1 percent), and stamp duty (0 percent).

The country currently has Double Tax Agreements (DTAs) with 14 countries: Belgium, Czech Republic, Denmark, France, Germany, Italy, Mauritius, Morocco, The Netherlands, Qatar, Singapore, South Africa, Switzerland, and the United Kingdom. These agreements provide relief from double taxation on income earned in Ghana. With several DTAs awaiting negotiation, signing, or ratification, Ghana is working to have 36 DTAs by 2025.

Recent (post Covid) issues regarding currency conversion restrictions and exchange rate volatility (2021/22?) have been resolved through the relaxation of restrictions and improvement in the macroeconomic indices. However, the cumulative effect of exchange rate fluctuation remains a major issue for foreign currency-denominated funds for the exit of investors. Funds and Investment Vehicles that register their investments with the domestic investment promotion agency at the time of investment are permitted to freely transfer funds for servicing interest, dividend payments, and repatriating both principal investment and returns.

2. Judiciary Framework

The primary dispute resolution mechanism for resolving commercial disputes in Ghana is litigation, which is based on the common law system. Alternative dispute resolution is gaining prominence as a preferable alternative to litigation due to the cost and delays associated with litigation. Ghana has a stable and adequate legal framework, with mechanisms for alternative dispute resolution (mediation, conciliation, and arbitration) under the Alternative Dispute Resolution Act of 2010 (Act 798).

Ghana is a party to numerous international treaties that provide a framework for resolving disputes covering various areas such as investment protection, trade, human rights, and environmental matters. Disputes under these treaties may be resolved through mechanisms provided within each specific treaty.

Ghana has entered into several bilateral and multilateral agreements with other countries and international organizations, which often provide mechanisms for dispute resolution. These agreements may establish arbitration, conciliation, or other dispute resolution methods.

Ghana is a member of several regional organizations, such as the Economic Community of West African States (ECOWAS) and the African Union (AU). These organizations have established dispute resolution mechanisms, including regional courts and tribunals, to address conflicts among member states. Ghana's legal framework incorporates these regional mechanisms for resolving disputes.

Ghana has also enacted domestic laws that govern international dispute resolution. For instance, the Ghana International Arbitration Centre Act regulates arbitration proceedings, while the Foreign Judgments (Reciprocal Enforcement) Act deals with the enforcement of foreign court judgments.

Ghana has an independent judiciary, and mechanisms have been put in place, including the establishment of a Commercial Court, fast-track court, and specialized courts, to ensure the speedy resolution of commercial disputes.

The relative maturity of the private equity and investment Fund ecosystem means that there is a small number of legal professionals who are experienced in providing legal services to Fund managers and investors. However, there are sufficient professionals to support the current activities.

3. Operational Efficiency

Ghana has a well-developed Fund ecosystem with a vibrant industry association known as the GVCA, which consists of specialised practitioners engaged in the business of private equity and venture capital. The GVCA plays a huge role in promoting the Fund ecosystem in Ghana. The role of the association is to provide a strong voice for industry practitioners through stakeholder engagement and advocacy, drive the growth of the industry, and develop the capacity of practitioners.

Ghana has a relatively mature ecosystem for private equity and investment funds, encompassing custodians, investment banking firms, auditors, banks, law firms, FinTech, and robust payment systems. This infrastructure adequately supports Fund activities within the country.

The government of Ghana is committed to improving its existing digital financial services (DFS), regulated by the Payment Systems and Services Act 2019 (Act 987). These advancements in technology are facilitating the entry of new financial providers into the market. The anticipated impact of FinTech is to revolutionize the design, delivery, and user experience of financial services in Ghana. Over the coming years, Ghana's retail and wholesale DFS is projected to evolve into a sophisticated, automated, and interactive market player that has the potential to support the investment funds industry more efficiently.

The key regulators of the financial system in Ghana are the Bank of Ghana, the National Pensions Regulatory Authority, the National Insurance Commission, and the Securities and Exchange Commission. In general, these regulatory authorities are viewed to be accessible along with the legal and civil service.

There are high accreditation standards for Fund managers in Ghana. Fund managers need to be licenced by the SEC as Investment Advisers under the Securities Industry Act, 2016 (Act 929) and SEC Guidelines for Private Funds (2018).

4. Enabling Environment

Ghana's financial system has experienced rapid growth and structural transformation. The number of intermediaries and the scale of the operations over the past years have increased, particularly in banking, insurance, capital markets, and microfinance, supporting its ambition to become one of the financial hubs on the continent. Ghana is considered an attractive investment destination in Africa by international investors. The range of financial structures has increased, including complex corporate structures. Foreign shareholding in domestic businesses has increased substantially, particularly from other countries within Africa. The country has made efforts to improve its business environment by implementing reforms to simplify procedures and promote foreign investment through the Ghana Investment Promotion Centre Act.

The country has a stable political environment, vibrant electoral democracy, and a growing economy, which offers numerous investment opportunities for funds. Macroeconomic conditions have been stable in recent years, with moderate pre-COVID-19 inflation rates and consistent GDP growth. While there has been significant inflation due to restrictions on the supply chain triggered by sanctions on the back of the Ukraine-Russia war, many Fund managers have responded by considering opportunities in sectors that have been impacted during these events. They have focused on the sectors that will be the key drivers for growth, namely the Agrotechnology, FinTech, and Health sectors.

The financial services sector in Ghana is expanding rapidly, offering opportunities for investors interested in banking, insurance, microfinance, and FinTech. The government's efforts to strategically promote infrastructure development, particularly in transportation, energy, and telecommunications, have also created opportunities for investors in these sectors.

Funds can be set up relatively easily and licenced by the SEC, with a licensing process typically taking 3 months once all requirements are met. However, there is potential to reduce the timeline for licensing funds to ensure quicker registration overall.

Ghana's strategic location within West Africa provides access to a large regional market with over 350 million consumers. Domiciling a private equity Fund in Ghana allows investors to tap into these markets and benefit from regional integration initiatives.

Ghana stands out among regional nations. It has consistently experienced peaceful elections and maintained political stability for an extended period despite facing challenges such as election-related court cases and protests, which create uncertainty.

Summary:

Since 2004, Ghana has progressively built an ecosystem which is suitable for Fund domiciliation. This has been done mainly through strengthening the regulatory framework for private funds and Fund managers operating in the country and providing tax incentives for funds meeting the criteria. Several other laws have been passed approving the establishment of REITS and regulating crowdfunding activities, which have further opened opportunities for capital mobilization by Investment Vehicles to support businesses in Ghana. Also, the passing of the guidelines to enable Ghana's pension funds to invest 15 percent of their AUM in private funds has created the potential to further deepen domiciliation efforts for first-time Fund managers and smaller funds, as well as catalyze the growth in the number of funds domiciled domestically. The jurisdiction has actively built the regulatory environment to attract and protect domestic and foreign investors.

The country also has the potential to scale its support services to match increased demand for such professionals to support Fund administration, as it has a significant number of well-trained professionals in investment banking, banking, accounting, and lawyers. Overall, Ghana has shown significant potential to become a domicile of choice for investment vehicle in West Africa, with a mature ecosystem ready for domiciliation of foreign and Pan-African Investment Vehicles.

While Ghana presents an attractive environment for Fund domiciliation, it lacks a unified and coordinated approach across institutions compared to countries that are more proactive in this regard. Enhancing coordination among regulatory bodies and effectively marketing Ghana as a preferred regional domicile could significantly advance its Fund ecosystem. To drive progress, Ghana should focus on passing a limited partnership law and a trust law, which would broaden the legal structures available for funds and provide alternatives for Fund managers and investors in terms of their Fund structuring. Ghana will also benefit from having an international financial centre to provide a dynamic business environment and adaptable regulatory frameworks, a complete ecosystem, for financial services and related activities like domiciliation of Africa focused Investment Vehicles.

4.2.5 Kenya

1. Regulatory Framework

Kenya has remained one of the big four private capital destinations in Africa, next to Egypt, Nigeria, and South Africa,[96] owing to its steadily improving and open investment environment for foreign direct investments. It has also continued to play a more prominent role in Africa's private equity landscape by offering a relatively stable regulatory environment, a sophisticated regulatory and business environment, and a private sector-led economy.

The country has a well-developed and stable capital markets regulatory environment regulated by the CMA. Notably, in November 2023, the country introduced fresh regulations governing AIF.[97] These regulations aim to establish a regulatory framework for various privately pooled Fund classes, encompassing PEVC, impact funds, and other alternative vehicles. As this regulatory framework is still developing, its potential to stimulate investment inflows into these asset classes remains to be observed. In Kenya, a PEVC Fund may be established as a private company limited by shares (or an LLC) under the Companies Act (Cap. 486),[98] a Limited Liability Partnership (LLP) or a Limited Partnership under the Limited Liability Partnership Act (Cap. 30).[99]

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[96] African Private Equity and Venture Capital Association (AVCA). "Funds and Fund Management Services in Africa: Part 1." AVCA, https://www.avca.africa/data-intelligence/research-publications/funds-and-fund-management-services-in-africa-part-1/.
[97] "Capital Markets Regulations, 2023 (LN NO. 170 OF 2023, LN NO. 171 OF 2023, LN NO. 172 OF 2023 AND LN NO. 173 OF 2023)." Parliament of Kenya, 2024, http://www.parliament.go.ke/sites/default/files/2024-03/Capital%20markets%20regulations%2C%202023%20%28LN%20NO.%20170%20OF%202023%2C%20LN%20NO.%20171%20OF%202023%2C%20LN%20NO.%20172%20OF%202023%20AND%20LN%20NO.%20173%20OF%202023%29-compressed.pdf.
[98] Companies Act - Kenya Law
[99] Kenya - Limited Liability Partnership Chapter 30

The country provides some tax incentives for PEVC firms that register with CMA and meet specific requirements of the Income Tax Act. It has also established 15 DTTs with Canada, Iran, South Korea, Denmark, Norway, Sweden, France, Qatar, United Arab Emirates, Germany, Seychelles, United Kingdom, India, South Africa and Zambia. However, Kenya's tax policy regime has been perceived as unattractive for both domestic and international investors, due to frequent changes that render it unpredictable and inconsistent.

Kenya operates a liberalized capital account that allows for the free repatriation of profits and capital without restrictions. The country also allows full convertibility of the Kenya Shilling and does not have foreign currency controls or restrictions. Generally, the country has been able to maintain relatively stable exchange rate stability and liquidity within the framework of a floating exchange rate regime.

2. Judiciary Framework

The country has a strong legal framework based on the British common law framework, which generally adheres to international laws and regulations. A wide body of laws exists, with a broad set of regulatory and enforcement agencies and competent legal professionals who can address a wide range of criminal, civil, economic, and commercial complaints and disputes. Since the promulgation of a new constitution in Kenya in 2010, the country has conducted several legal and institutional reforms to strengthen its legal framework and institutions.

The primary regulations governing foreign direct investments are found in the Investment Promotion Act of 2004 (revised in 2014)[100] with supporting legal framework for foreign direct investments from the 2010 Constitution of Kenya, the Companies Ordinance, the Private Public Partnership Act (2013), the Foreign Investment Protection Act (1990), and the Companies Act (2015).

The country does not have a history of many investment disputes involving international investors and companies, and due to this, many investors point to the absence of enough legal precedent in Kenyan law, particularly since the adoption of a new constitution in 2010, as creating uncertainties on how disputes could be handled or interpreted and lack of predictability around how courts may rule. It is important to acknowledge that international investment contracts commonly designate international courts as the preferred venues for resolving disputes. Consequently, many decisions rendered may not offer jurisprudential insights within the context of domestic laws.

The country has established dispute settlement mechanisms, including the Kenyan Arbitration Act and the Nairobi Centre for International Arbitration (NCIA), which serve as an independent arbitration organization. The Kenya Revenue Authority also operates an Alternative Dispute Resolution (ADR) mechanism as a voluntary facilitated mediation process for settling tax and customs disputes between the authority and taxpayers. The country has entered into reciprocal enforcement agreements with Australia, the United Kingdom, Malawi, Tanzania, Uganda, Zambia, and Seychelles.

The country has a wide pool of competent legal professionals, with many established firms with the expertise to handle complex legal issues related to Fund operations and setup.

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100 "Investment Promotion Act, 2004." Government of Kenya, 2004, https://eregulations.invest.go.ke/media/InvestmentPromotionAct6of2004.pdf

Kenya adheres to international regulatory standards and is a member of various bodies, including the World Trade Organization (WTO), the United Nations Conference on Trade and Development's (UNCTAD) international network of transparent investment procedures, the International Centre for Settlement of Investment Disputes (ICSID), the 1958 New York Convention on the Enforcement of Foreign Arbitral Awards, the EAC, COMESA, and IGAD.[101]

3. Operational Efficiency

Kenya has increasingly undertaken reforms and various actions to position itself as a domicile and investment destination. The CMA has been conducting various reforms, benchmarking Kenya against other markets—specifically Luxembourg, South Africa, Mauritius, Australia, and Singapore to develop a sense of best practices in the industry. Additionally, the CMA has been working closely with the East African Venture Capital Association (EAVCA) and its members to address and integrate feedback on its proposed reforms from the industry itself.

Kenya has an extensive, well-educated labour force with high literacy levels in many occupations and at all levels of expertise. The country boasts of a broad range of competent and reasonably priced investments, accounting, audit, legal, and administrative professionals who are trained and competent enough to support the Fund investment ecosystem. The country also has a broad range of reasonably priced Fund service providers including Fund administrators, custodial, and depositary service providers.

Over the last decade, Kenya has launched a series of digitization efforts aimed at increasing efficiency, transparency, and ease of doing business. These efforts have resulted in over five thousand public services being digitized and accessible online.[102] These reforms have significantly improved Kenya's digitization of the business registration and licensing processes, digitization of other government services, and easing tax payments through the KRA iTax platform, among other things.

However, there is a pressing need to enhance public officials' support for businesses, funds, and investors. The country continues to experience high levels of bureaucracy, and services from public service providers are slow and often lack transparency.

The country does require Fund managers to be accredited as Fund managers by the CMA.

4. Enabling Environment

As an economic hub for East Africa, Kenya provides a relatively strong investment environment that has made it attractive to investors and international firms seeking to enter Africa through the Eastern, Central, and Southern African markets. Within East Africa particularly, Kenya has become an increasingly important investment destination for private equity investors and ranks among the top countries in Sub-Saharan Africa in terms of private equity transactions next to South Africa and Nigeria.

The country's banking and financial system is well-regulated, relatively sophisticated, and meets international standards of governance. Electronic payment systems and Fund transfer mechanisms are modern and robust, and

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[101] "2022 Investment Climate Statements - Kenya." U.S. Department of State, 2022, https://www.state.gov/reports/2022-investment-climate-statements/kenya/

[102] "Kenya's Government Services Digitisation: What's Next?" Kenya ICT Action Network (KICTANet), https://www.kictanet.or.ke/kenyas-government-services-digitisation-whats-next/#:~:text=There%20has%20been%20much%20impetus,an%20otherwise%20lengthy%20bureaucratic%20process.

investment transactions can be conducted without regulatory restrictions. The relatively stable regulatory environment and monetary policy regime have created a stable macroeconomic environment for investments and Fund domiciliation.

The country has made significant political reforms over the last decade that have contributed to political stability, social development, and sustained economic growth. However, political tensions during election cycles have created periods of relative instability and reduced investments.

The relatively stable regulatory environment and monetary policy regime have fostered a stable macroeconomic environment conducive to investments and Fund domiciliation.

As part of its strategic economic initiatives to boost investments and private sector capital flows, Kenya established the Nairobi International Financial Centre (NIFC). The NIFC seeks to provide investors and funds an operating environment with tax and regulatory benefits, and other support services to ease Fund set-up.

Summary:
Kenya serves as the economic epicentre of the East Africa region, boasting a large diverse economy and a sophisticated financial services sector. It also has a strong enabling environment for investment in terms of regulations and infrastructure. These factors combined provide a conducive environment for the country to champion a strong international financial centre and domiciliation strategy. However, past governments have not prioritized this agenda sufficiently.

Establishing the NIFC took a considerable amount of time, particularly in creating the regulatory framework and setting up the NIFC Authority and its Steering Council. Additionally, there are overlaps in the functions of various state agencies, such as the NIFC and KenInvest, which has contributed to a lack of coordination in advancing the domiciliation agenda. Kenya's tax regime has undergone frequent changes, resulting in unpredictability for long-term investments.

A new tax policy has been proposed to address this issue, that will recommend, among other measures, to create term limits for proposed tax policies. This would address the unpredictability that exists with the current tax regime. Capacity building and institutional strengthening may be needed for NIFC as the lead institution driving the domiciliation strategy. Deepening engagements with Treasury officials may help elevate the agenda of domiciliation. The current government has shown openness to support the full establishment of the NIFC and its Steering Council.

Kenya also boasts a substantial pension funds pool. Following the recent adoption of the AIFs regulation, the jurisdiction has a great opportunity to drive greater domestic capital mobilization by developing policy incentives to encourage pension Fund managers to increase their investments into alternative vehicles from the current 1 percent, which is a far cry from the regulatory limit of 10 percent.

4.2.6 Mauritius

1. Regulatory Framework

The regulatory framework for funds in Mauritius is primarily established under the Securities Act 2005 and the Financial Services Act 2007, which provide the legal foundation for Fund establishment, operation, and regulation. The FSC is entrusted with oversight, ensuring the sector's integrity and stability. Compliance entails registration with the FSC and adherence to governance, audit, and reporting standards.

Mauritius accommodates various Fund structures, including closed-ended funds and collective investment schemes (CIS) or open-ended funds. Options such as Companies, Trusts, LPs, Protected Cell Companies (PCC), and Variable Capital Companies (VCC) cater to diverse investor profiles and regulatory requirements. Notably, the FSC has embraced FinTech initiatives, recognizing digital assets like cryptocurrency for investment by alternative investment funds (AIFs) such as expert funds and professional CISs. Recent additions to Fund categories include special purpose funds and real estate investment trusts (REITs).[103]

To establish a Fund in Mauritius, obtaining a Global Business Licence from the FSC is important. Post-licensure, ongoing regulation, and supervision by the FSC ensure compliance through regular inspections and periodic reporting requirements.[104]

Furthermore, Mauritius imposes anti-money laundering and counter-terrorism financing regulations on funds, complemented by favourable tax and exchange control regulations. This comprehensive framework, coupled with a favourable tax regime—no capital gains tax, withholding tax on dividends, or stamp duty on investment transactions—solidifies Mauritius's status as an attractive jurisdiction for Fund managers and investors.

Mauritius's appeal is further bolstered by its removal from the EU grey list, signalling its commitment to a robust regulatory environment. As the country evolves in compliance, financial reporting, tax, and corporate governance, it continues to strengthen its position as a preferred destination for funds.

2. Judiciary Framework

Mauritius boasts a robust legal framework, particularly in the realm of commercial and business activities, offering investors and Fund managers a secure environment for their ventures. The country provides multiple avenues for dispute resolution, including mediation, arbitration, and litigation, ensuring a fair and efficient process for resolving conflicts.

In the judicial sphere, Mauritius maintains an impartial forum for dispute resolution, with the Supreme Court serving as the apex judicial body. Notably, even after transitioning to a Republic, Mauritius retains the privilege of appeal to the Judicial Committee of the Privy Council of the United Kingdom, reinforcing the confidence of investors in the independence of the judicial system.

In line with international standards, Mauritius has ratified the UNCITRAL Convention on Transparency in Treaty-Based Investor-State Arbitration, signalling its commitment to fostering a conducive environment for arbitration. The enactment of the Mauritian International Arbitration Act 2008 establishes a robust framework for arbitral proceedings, further bolstered by collaborations with esteemed entities like the Permanent Court of Arbitration

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[103] Chambers and Partners. "Investment Funds 2024: Mauritius." Chambers Practice Guides, 2024, https://practiceguides.chambers.com/practice-guides/investment-funds-2024/mauritius
[104] Ibid.

and the London Court of International Arbitration, which led to the establishment of the Mauritius International Arbitration Centre (LCIA-MIAC).

Moreover, the presence of the Ombudsmen for Financial Services, an independent, neutral body that helps investigate and resolve complaints made by individuals against financial services providers, offers an additional layer of recourse for individuals with complaints against financial service providers, ensuring accountability and fairness within the sector.

Mauritius's proactive approach to regulatory compliance is evident in its swift exit from the Financial Action Task Force (FATF) list in 2021, ahead of the set deadline, following its placement on the list in January 2020. The country was also rated compliant with all 40 FATF recommendations, Mauritius demonstrates its commitment to upholding international standards and safeguarding its financial integrity.

In conclusion, Mauritius embodies a reassuring presence of legal stability and steadfast commitment to regulatory adherence, providing investors and Fund managers with the confidence and security necessary for successful business operations.

3. Operational Efficiency

Mauritius shines as a hub of innovation and competitiveness in the Fund industry and financial services sector, providing an inviting regulatory environment that attracts Fund managers to create a variety of Fund structures. Under the oversight of the FSC, Mauritius ensures both the stability of its financial landscape and the protection of investor interests through stringent regulatory standards encompassing capital adequacy, risk management, and compliance with international norms.

Domestic service providers in Mauritius effectively navigate the evolving regulatory landscape while offering seamless support to both domestic and foreign Fund structures. By leveraging a rich ecosystem of firms and service providers, Fund managers and investors benefit from a spectrum of specialized services tailored to various Investment Vehicles, including hedge funds, private equity funds, real estate funds, and venture capital funds.

Operational support services in Mauritius include comprehensive Fund administration, which covers evaluation, accounting, financial reporting, and regulatory compliance. Fund custodial services are diligently managed by various banks and financial institutions. Service providers offer essential support in meeting regulatory requirements, including AML and know-your-customer (KYC) compliance, alongside the provision of legal and tax advisory services specific to investment funds.

In Mauritius, operational support and services for funds encompass Fund administration, including day-to-day management such as valuation, accounting, financial reporting, and regulatory compliance. Fund custodial services are provided by various banks and financial institutions, offering safekeeping of assets, transaction settlement, and investor servicing. Service providers assist funds in meeting regulatory requirements set by the FSC, including AML and KYC compliance, investor identification and verification, ongoing monitoring, and reporting of suspicious activities. Additionally, legal and tax advisors offer specialized advisory services tailored to investment funds, aiding in navigating the legal and tax landscape, structuring, registration, and ongoing compliance.

Furthermore, anecdotal evidence suggests that, despite initiatives such as the Electronic Transaction Act (2000) and the Digital Mauritius 2030 strategic plan, digitization efforts are lagging behind peers such as Cabo Verde, leading to slower application and registration processes. While these issues are not "deal killers," they underscore the need for Mauritius to diligently monitor its competitiveness against both domestic and international alternatives, including Delaware.

Mauritius has a sound legal and regulatory framework for accreditation and licensing of CIS managers, governed by the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008, as amended, which has been tested over 15 years.[105]

The culmination of these operational attributes has forged a robust and proficient environment for Fund domiciliation in Mauritius.

4. Enabling Environment

The Mauritian financial market has undergone significant transformative changes over the years, aligning itself with modern financial markets in more advanced jurisdictions across multiple facets. Notably, it boasts well-developed insurance and pension sectors, along with a substantial offshore financial services industry. The banking system stands out for its profitability, strong capitalization, and overall soundness. By leveraging its state-of-the-art infrastructure, modern legal framework, and business-friendly environment, Mauritius has solidified its position as a reputable and resilient IFC. Within this framework, Mauritius offers a competitive financial ecosystem for funds domiciled in the country.[106]

Mauritius possesses a robust economic foundation, underpinned by its low inflation rate and bolstered by consistent financial policies. The accommodative stance of monetary policy further fosters economic activity. The Investment Promotion Act of 2000 serves as a cornerstone, offering a comprehensive regulatory framework aimed at enhancing the investment climate and fostering business growth. Notably, the economy showcases increasing diversification, with significant private-sector engagement in key industries such as sugar, tourism, economic processing zones, and financial services, particularly in the realm of offshore enterprises.

Mauritius offers a blend of political and economic stability, coupled with its strategic geographical location and cultural affinity with African and Asian nations. This positioning makes it an attractive choice for establishing holding structures and accessing emerging markets across these continents. Despite encountering economic challenges stemming from the COVID-19 pandemic, including a shortfall in tax revenues due to reduced economic activity, Mauritius remains politically stable. Even the legal challenges to the Prime Minister's election in 2019, subsequently dismissed by the appellate court, have not impacted the country's overall stability.

Mauritius provides a politically and economically stable environment, along with its geographical and cultural proximity to various countries in Africa and Asia. This strategic positioning makes it a preferred destination for establishing holding structures in the emerging markets of these continents. However, like many other African nations, Mauritius encountered economic challenges due to the COVID-19 pandemic, leading to a shortfall in tax

[105] Ibid.
[106] African Private Equity and Venture Capital Association (AVCA). “Mauritius as an IFC of Choice for Fund Local and Foreign Funds Business.” Afri-Spective Blog, 2024, https://www.avca.africa/news-insights/afri-spective-blog/mauritius-as-an-ifc-of-choice-for-fund-local-and-foreign-funds-business/.

revenues from diminished economic activities that exerted significant pressure on the economy. Despite facing a challenge to the Prime Minister's election by an opposition politician in 2019, which was subsequently dismissed by the appellate court, Mauritius has maintained political stability.

Summary:
The Mauritian financial services industry has experienced significant transformational changes over the years, aligning itself with modern financial markets found in more advanced jurisdictions. It has a well-developed insurance and pension sectors, and a sizeable offshore financial services sector. The banking system is profitable, well-capitalized, and generally sound. By leveraging its state-of-the-art infrastructure, modern and innovative legal framework, and ease of doing business, the country has positioned itself as a reputable and resilient IFC. Mauritius provides a competitive financial ecosystem for funds domiciled in the country. The combination of all the above has created a well-developed and highly efficient environment for Fund domiciliation in Mauritius that has evolved over three decades.
The economy is increasingly diversified, with significant private-sector activity in sugar, tourism, economic processing zones, FinTech, and financial services, particularly in offshore enterprises, which has supported consistent GDP growth.

Mauritius has been relatively inaccessible for small funds with sizes of ≤$10m due to stringent entry requirements and higher cost of professional services compared to other similar jurisdictions. However, it possesses significant potential to support funds at various stages and sizes if regulatory requirements and the costs of professional services can be streamlined for smaller funds. Mauritius is considered a preferred Fund domicile for Africa-focused and Pan-African funds.

4.2.7 Morocco

1. Regulatory Framework

Morocco has established a robust regulatory and oversight environment regulated by the Moroccan Capital Market Authority (AMMC). The authority supervises all capital markets, including private equity and venture capital markets, and provides licences to Fund managers to operate in the country. The jurisdiction is open to various Fund structures and has various regulatory regimes for investment funds, including UCITS (collective investment in transferable securities), OPCCs (Organisations for Collective Investment in Capital/Private equity funds), FPCT (collective investment funds in securitization including grants and guarantee financing), and OPCIs (Real Estate Collective Investment Organisation). Under these regulations, various Fund structures are permissible within the jurisdiction

The jurisdiction has a specific law governing the regulation of PEVC investment funds. The OPCC's regulatory regime establishes a framework for the registration and regulation of approved OPCC management companies. These funds are collectively held in the form of units or shares by investors. On March 8, 2023, the country amended Moroccan Law No. 58-22, which amends and supplements Law No. 41-05 on undertakings for (OPCC. The amendment was made to broaden the scope of the law to cover the entire private equity business, to strengthen investor protection, and to improve the provisions governing the operation of the private equity business. It also aimed at enhancing the attractiveness of the legal and regulatory framework for Moroccan private equity and to further strengthen the role of private equity in supporting economic development, enhancing the competitiveness of SMEs, and facilitating the operationalization of the Mohammed VI Fund for Investment (M6FI).[107]

The country has a stable and predictable tax regime and offers favourable fiscal incentives to funds that are domiciled domestically. For instance, it permits tax-free transfer of income (such as dividends, attendance fees, rental income, benefits, or interest) from foreign investments financed in foreign currency without restrictions on amount or duration. Moreover, it extends further incentives for companies and funds registering within the Casablanca Finance City (CFC), Morocco's premier business and financial centre. These incentives include exemption from capital gains tax and corporate income tax for the initial five years post-registration at the CFC, followed by a reduced rate of 8.75 percent in subsequent years[108]. With 50 DTTs in place, offering an array of tax benefits, Morocco strengthens its appeal as a preferred domiciliation jurisdiction, thus bolstering its competitive edge.

The country maintains some foreign currency controls, with capital transactions requiring authorization from the Ministry of Economy and Finance – Foreign Exchange Office. However, investors are allowed to repatriate invested funds and profits, given the investment was filed and registered appropriately. The nation upholds complete currency convertibility for capital transactions, ensuring unrestricted transfer of profits and the free repatriation of invested capital under the convertibility agreement. Notably, in January 2024, the country enacted fresh regulations allowing funds to allocate 50 percent, a significant increase from the previous 10 percent, of their resources for overseas investment without requiring explicit authorization.

2. Judiciary Framework

The country's legal system is a hybrid of civil law (French system) and some Islamic law. The law provides a comprehensive investment legal framework, and as of December 2022, the government of Morocco adopted a new framework Law on Investment Charter, which, amongst other things, strengthens the country's legal framework for investment protection and dispute settlement, promotes equal treatment of investors regardless of their nationality, and offers a number of guarantees to investors, including provisions on funds transfer and intellectual property protection. The charter further introduced several reforms, including the simplification of procedures and administrative formalities, the creation of the Mohammed VI Fund for Investment, and the adoption of the framework law on tax reform.

The country has a well-established commercial court system vested with jurisdiction over commercial cases. Additionally, it is a signatory to more than 70 bilateral treaties[109] affirming the recognition of binding international arbitration for trade disputes. Moreover, domestic arbitration awards are enforceable, provided that an enforcement order is issued by the President of the Commercial Court. However, disputing parties have expressed concerns about the high costs associated with the domestic arbitration centre and the lengthy process of settling disputes through Alternative Dispute Resolution.

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[107] "The Growth of the Moroccan Private Equity Sector in Light of Recent Changes to the Statutory Regime." DLA Piper, 2024, https://www.dlapiper.com/es-pr/insights/publications/2024/02/the-growth-of-the-moroccan-private-equity-sector-in-light-of-recent-changes-to-the-statutory-regime.

[108] "Tax Credits and Incentives - Morocco." PricewaterhouseCoopers (PwC), https://taxsummaries.pwc.com/morocco/corporate/tax-credits-and-incentives

[109] "2023 Investment Climate Statements - Morocco." U.S. Department of State, 2023, https://www.state.gov/reports/2023-investment-climate-statements/morocco/.

Morocco has built an ecosystem of competent and expert legal professionals, with several international law firms successfully operating within the country.

3. Operational Efficiency

Morocco boasts a robust Fund ecosystem anchored by the dynamic Moroccan Private Equity Association (AMIC), featuring more than 30 active full members and 29 associate members. The nation benefits from a substantial pool of adept and skilled professionals in investments, accounting, and tax, providing crucial support to the flourishing Fund investment landscape.

Moreover, Morocco has made substantial investments in digitalization over the past decade, spanning both public and private sectors. This strategic move aims to unlock diverse investment opportunities, foster enhanced connectivity, and facilitate access to legal and civil services.

The regulatory landscape has undergone significant transformation with the introduction of reforms in 2013. These reforms streamlined documentation requirements and expedited visa/permit processing under the regulator's purview. Additionally, the recent form initiated by Law no. 58-22 introduced several provisions, including legal time limits for the AMMC to rule on approval applications from management companies and OPCCs. These new time limits are shorter than those previously observed under the old regime. Notably, AMMC reduced the licensing and regulatory approval processing period from 30 days to a more efficient 20 days.

In addition to accommodating various Fund and investment vehicle structures, Morocco offers dual regulatory pathways. It provides robust regulations for funds and Fund managers, which are overseen by the AMMC.

4. Enabling Environment

Morocco has a strong economy and is recognized as a leading financial hub in Africa. The country is home to the Casablanca Stock Exchange, which is one of the best-performing stock exchanges in the MENA region, as well as one of the oldest stock exchanges in Africa, having been founded in 1929. It is also the third-largest stock exchange on the continent. Morocco has a strong banking and financial system with the active presence of well-capitalised reputable international and domestic banks, a vibrant private equity and venture capital industry, an industry association, a well-developed ecosystem, and mature and stable regulations.

The nation has benefited from a sustained period of political stability. As a millennium-old monarchy, Morocco operates under a democratic, social, parliamentary constitutional framework that emphasizes the separation, equilibrium, and collaboration of powers alongside citizen participation and democracy, good governance principles, and a nexus between responsibility and accountability. This system has been instrumental in maintaining stability within the country, even during the tumultuous events of the Arab Spring in 2010 and 2011.

The country has a well-developed macroeconomic environment and one of the most stable currencies in Africa due to a relatively diversified economy and prudent economic policies, including its adoption of a fixed exchange rate regime with the Moroccan Dirham pegged to the Euro and the US Dollar, which has historically fluctuated within a band of +/-5 percent.[110]

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[110] "2023 Investment Climate Statements - Morocco." U.S. Department of State, 2023, https://www.state.gov/reports/2023-investment-climate-statements/morocco/

Further, the jurisdiction offers a number of incentives through the Casablanca Finance City Authority, including benefits to Fund managers to establish their regional headquarters in Morocco and administrative support for Fund set-up. The country has also created the M6FI, which intends to raise 30 billion dirhams in addition to its initial capital of 15 billion dirhams and aims to catalyze between MAD 120 and 150 billion in investments.[111] The Fund is expected to be a key driver of growth in the funds market.

Summary:

Morocco has a well-established financial sector and is seen as a leader in North Africa in terms of stability and development. Morocco is adopting strategies to attract both domestic and international investment, including the establishment of the Mohammed VI Fund, which aims to mobilize domestic investment. There is an emphasis on the need for a clear business case for domiciliation strategies, indicating a pragmatic approach to domiciliation promotion.

Morocco is actively working to create an enabling environment for domiciliation, which includes aligning policies and incentives with the goal of attracting capital. Despite its successes, Morocco faces challenges in terms of regulatory restrictions, especially regarding regional investment strategies. There are bureaucratic hurdles related to foreign currency controls, requiring authorizations for transactions.

Morocco's substantial pension funds offer stability and a sizable pool of capital, creating investment opportunities both domestically and regionally, particularly in Francophone Africa.

Morocco needs to address external perception issues, particularly regarding AML concerns, to enhance its appeal as an international domicile.

Morocco's strategic location and ties to Francophone Africa make it an attractive domiciliation destination with potential regional influence and a domiciliation preference for Francophone-focused funds.

4.2.8 Nigeria

1. Regulatory Framework

Nigeria has made strides in developing a regulatory and oversight environment for its capital markets, overseen by the SEC. The SEC regulates various Fund structures, including Mutual Funds, REITs, infrastructure, private equity funds, and venture capital funds. According to industry players, Nigeria offers a broad range of Fund and investment vehicle structures comparable to those found in more 'sophisticated' jurisdictions. The regulator is often receptive to new structures, provided they are well-justified and meet all required criteria.

Licensing for Fund managers is a requirement by the SEC, and ongoing supervision is maintained. Given the unique size and growth in diverse investment opportunities across multiple sectors, Nigeria continues to attract both domestic and foreign investment capital through the entire spectrum of the funding value chain. Research and

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[111] "African Development Bank, Mohammed VI Investment Fund Join Forces to Strengthen Investment Financing in Morocco." African Development Bank, https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-mohammed-vi-investment-fund-join-forces-strengthen-investment-financing-morocco-65761

ratings agency Agusto & Co. has estimated that Nigeria's AUM, as of the end of 2023, grew by 44 percent to N 5.9 trillion (USD 3.6 billion). This makes Nigeria the third largest investment management zone in sub-Saharan Africa, after South Africa and Morocco.

This increasing investment interest has resulted in greater interface with regulators, motivating an ongoing push to improve its regulatory environment for Fund domiciliation and management.

The SEC has implemented specific initiatives to streamline licensing processes for Fund managers, exemplified by the "Fast-Track Licensing Program," launched in 2021. This initiative aims to reduce the time required for regulatory approvals, reflecting the regulator's responsiveness to industry needs.

In 2017, Nigeria enhanced its regulatory framework for Real Estate Investment Schemes (REISs), providing them with pass-through status and imposing specific requirements to align with international standards. To benchmark Nigeria REISs with international jurisdictions, the amended regulations mandate REISs to allocate 90 percent of their portfolio to income-generating real estate and related assets, with an obligation to distribute 75 percent of earned incomes annually. This strategic move not only incentivizes real estate investment schemes but also ensures tax advantages for entities structured as Trusts or companies.

Following the implementation of regulations on infrastructure funds and shelf registration, there has been a notable increase in the number of funds expressing interest in registering as infrastructure funds. The AUM as of Q2 2024 for Private Equity Funds was N 69.1 billion (USD 41.7 million), and for Infrastructure Funds was N 265.4 billion (USD 160.3 million).[112]

From Q4 2023 to March 2024, about 5 new infrastructure Funds have applied for authorization and registration under the SEC, with one Fund having a ₦ trillion Fund target under the Shelf Program.

Some other enabling incentives include rules on shelf registration, which allows funds to register a large Fund size but issue small portions of its equity in series/tranches; the removal of double taxation of funds and REITs by, according to them, “pass-through” status such that the Fund itself is not subject to income tax; rules on foreign funds which permit funds registered in other countries to offer a class of their shares to qualified investors in Nigeria through an existing SEC-registered representative (this means the foreign manager of the Fund does not need to be domiciled and registered in Nigeria).

We are aware that sometime in H1 of 2024, the SEC released, for a limited period of time, two (2) exposure drafts to its rules on funds and CISs. The first exposure draft provided for amendments in relation to green, social, sustainability, sustainability-linked and transition bonds in addition to the registration requirements for commodity brokers, CISs and private equity funds, while the second exposure draft provided for the definition of venture capital funds and the requirements for SEC authorization and prospectus contents. Whilst we note that the amendments seem to provide clearer guidelines which can improve operational efficiency and enhance investor protection, it is uncertain as to if, when and the mode through which the amendments will become operational.

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[112] “Quarterly Update on Private Equity and Infrastructure Funds”. *Securities And Exchange Commission (SEC) Nigeria*, n.d., https://sec.gov.ng/quarterly-update-on-private-equity-and-infrastructure-funds/.

With the Nigeria Finance Act 2019, 2020, 2021 and 2023, the government continues to introduce reforms in response to the needs of various stakeholder groups.

The tax regime has been relatively stable, with some incentives, including for domestically domiciled funds. For example, the Finance Acts of 2019, 2020, and 2021 established the Pass-Through status for REITs, which exempts rental and dividend income from taxation at the trustee level. This means that the tax liability is transferred solely to unitholders upon distribution, thereby addressing the double taxation issue and enhancing the investment appeal of REITs. To maintain this exemption, REITs must distribute at least 75% of their dividend and rental income to unit holders within 12 months after the financial year in which the income was earned. Furthermore, REITs must deduct withholding tax (WHT) when redistributing income to unit holders.

However, there is room for improvement in providing more competitive fiscal incentives to enhance the country's attractiveness. Nigeria does not impose capital gains tax at the Fund level, but investors are subject to capital gains tax. Foreign currency controls exist, with the need for authorization from the Central Bank of Nigeria for certain transactions. Nigeria's limited network of DTTs and bureaucratic processes may impact its competitiveness as a domiciliation jurisdiction.

Despite several reforms, Nigeria still faces challenges in terms of tax competitiveness. The recent establishment of the Presidential Enabling Business Environment Council (PEBEC) in 2016 and its recent focus on tax reforms is a positive step in this direction.

2. Judiciary Framework

Nigeria's legal system is a composite of English common law, customary law, and statutes. The federal structure divides legal authority between the central government and the states. This framework impacts the regulation and oversight of the Fund management sector. The judicial hierarchy is organized into a multi-tiered system. The Supreme Court serves as the apex court, followed by the Court of Appeal, the Federal High Court and various state-level courts that have coordinated jurisdiction. Understanding this hierarchy is crucial for funds navigating legal processes and ensuring fair resolution of disputes. Nigeria also has a comprehensive judicial framework for investment, including the Investment and Securities Act (ISA) of 2007, which is the principal legislation governing Fund management. It provides the legal foundation for the operation of CIS, offering investor protection and defining the roles and responsibilities of funds.

The legal environment was bolstered by recent reforms to strengthen its investment environment, such as the establishment of the Lagos Court of Arbitration in 2020 and the recent passage into law of the Arbitration and Mediation Act 2023, contributing to fair and effective dispute resolution. The Investment and Securities Tribunal (IST) set up under the Investment and Securities Act 2007, also has a dedicated fast-track civil court for the resolution of disputes in the Nigeria Capital market. Additionally, the Nigerian Investment Promotion Commission (NIPC) has been actively involved in promoting investor-friendly policies.

The country's legal professionals are highly competent, with several international law firms operating within the jurisdiction. The judicial framework is designed to ensure fair and effective dispute resolution, supported by the presence of arbitration centres. However, compliance with international protocols could be further improved. Observers note that despite Nigeria’s robust legal and judicial ecosystem, systematic gaps in the legal infrastructure hinder the rule of law, making enforcement of legal disputes and administration of justice more challenging and costly.

3. Operational Efficiency

Nigeria's Fund ecosystem is growing, with the influence of the African Private Equity and Venture Capital Association and the presence of the Nigerian Private Equity and Venture Capital Association supporting the industry. Close collaboration with regulatory bodies has also led to the development of standardised legal documents, promoting compliance with Anti-Money Laundering/Combating the Finance AML/CFT, Data Protection, and Know-Your-Customer (KYC) regulations.

The country has made progress in digitization, enhancing accessibility to legal and civil services. Recent regulatory reforms have streamlined processes, reduced documentation, and speed up approval timelines. These initiatives aim to reduce processing times and improve overall industry efficiency.

Digitization efforts, including the introduction of the SEC's e-Dividend Mandate Management System, have contributed to accessibility and transparency.

Industry players generally believe there is a need for improvement in accessing regulators. Firms and investors, with the support of legal and other professional services, may find it relatively easier to access regulators due to established relationships between these service providers and the regulators. However, this may not be the case for several small and first-time Fund managers.

A National Investors Protection Fund (NIPF) was established by the SEC in 2015 to compensate investors in the event of financial loss arising from insolvency, bankruptcy, or fraud by a capital market operator. This enhances investor confidence and mitigates risks associated with Fund management. Notable initiatives have been introduced to improve the ease of doing business, including Fund set up. However, as Nigeria's financial market continues to grow in size and sophistication, new challenges regularly emerge for both regulators and players, ultimately impacting Fund setup turnaround times, negatively.

Nigeria, as part of WAEMU, contributes to collaboration for regional integration and unified external tariffs. The country's banking sector is highly automated with top-of-the-range FinTech solutions, making banking and financial transactions relatively easier. The sector boasts of its position as a strong regional financial hub, with numerous regional banks and institutions headquartered in Nigeria.

4. Enabling Environment

The government's focus has been on facilitating business creation, simplifying property registration, easing access to credit, and enhancing contract enforcement mechanisms. A dedicated unit for reforms and an Investment Climate Unit has been established to coordinate reform efforts across ministries.

However, Nigeria faces challenges in terms of tax competitiveness. The recent establishment of the PEBEC in 2016 and its focus on tax reforms was a positive step. Yet, specific measures, such as reducing capital gains tax rates for investors in domiciled funds, could further enhance the attractiveness of Nigeria as a Fund jurisdiction. A newly appointed Presidential Committee on Tax Reforms and Fiscal Policy was inaugurated in 2023 and has made its recommendations, one of which is to streamline about 200 taxes down to 10 tax heads. Nigeria has taken commendable steps forward in terms of business competitiveness. The recent passage into law of the Business Facilitation (Miscellaneous Provisions) Act 2023 amended critical extant laws related to business and investment, aligning them with present-day business realities to further promote the ease of doing business in Nigeria. Additionally, the Nigeria StartUp Act, passed into law in 2022, aims to develop an enabling environment for technology-enabled startups in Nigeria and position the country's startup ecosystem as a leading digital technology centre in Africa.

As a major regional economy, Nigeria plays a key role in Africa. The Nigerian Exchange Group is highly influential in the region. Despite its substantial regional presence, observers express concerns about the country's macroeconomic and political stability, particularly with rising inflation, high levels of unemployment, and the volatility of its domestic currency against major global currencies.

Nigeria’s banking system is well-established and robust, significantly facilitating domestic and international financial transactions. Nigeria actively promotes investment through various frameworks and strategies, positioning itself as a financial hub in Africa. As early as 2007, the CBN implemented the Payment Systems Vision 2020, resulting in a significant transformation of the financial system. This initiative has made the ecosystem highly robust, facilitating smoother integration with international financial institutions. The Sovereign Wealth Fund, with a focus on domestic Fund managers, is a positive development for market growth, while the Investment Climate Unit has been established to coordinate reform efforts across ministries. The country has maintained a democratic government since 1999.

Summary:
Nigeria, with its vast domestic market and robust economy, naturally operates as a regional hub for many investment and Fund vehicles, albeit without a visible strategy to position itself as a Fund domiciliation jurisdiction. Despite challenges in navigating its business environment, Nigeria's entrepreneurial spirit remains strong and international investors demonstrate a willingness to invest despite inherent risks. Collaborative efforts between the SEC and other bodies signal a trend towards increased coordination, potentially enhancing regulatory efficiency.

One of Nigeria's standout opportunities lies in mobilizing its immense reservoir of domestic capital, particularly through institutional funds such as the growing pool of Nigerian pension funds. Leveraging these resources through appropriate Investment Vehicles presents a significant avenue for crowding in complementary international capital toward market growth and economic development.

Moreover, Nigeria's burgeoning retail sector, including the informal pool of resources, presents another compelling opportunity for Fund mobilization. By tapping into this sector's potential, Nigeria can unlock new avenues for capital accumulation and investment, fostering grassroots economic empowerment and inclusive growth. The launch of its guidelines on crowdfunding in 2021 underscores Nigeria’s proactive approach to retail domestic capital mobilization.

In summary, Nigeria stands at a pivotal juncture with unparalleled opportunities for Fund domiciliation. By strategically harnessing both institutional funds and the retail sector's informal resources, Nigeria can not only bolster its position as a regional hub for Fund domiciliation but also catalyze international capital, enhancing access to finance for its predominantly youthful population, thereby creating sustainable development and prosperity across diverse sectors of its economy.

4.2.9 Rwanda

1. Regulatory Framework

Rwanda has embarked on an ambitious initiative, spearheaded by the KIFC under Rwanda Finance Limited (RFL), to establish itself as the premier investment destination in Africa, particularly as an international financial hub. This vision of becoming a world-class financial centre is overseen by regulatory bodies such as the CMA and the National Bank of Rwanda (BNR). CMA plays a pivotal role in supervising capital markets, including private equity and venture capital sectors. Fund managers are mandated to obtain licences from the CMA, ensuring compliance with regulatory standards and ongoing oversight to uphold market integrity.

Rwanda's jurisdiction accommodates various Fund structures facilitated by the KIFC, which permits the establishment of private equity funds, venture capital funds, and other collective Investment Vehicles.[113] The regulatory framework aims to foster a diverse and dynamic investment landscape that adheres to international standards, thereby promoting growth in the financial sector. KIFC offers a degree of flexibility in Fund design, from corporate vehicles to unit trusts to limited partnerships and private trusts. Additionally, several other licensing applications are presently under review.

Significant strides have been made in Rwanda's legal and regulatory framework, accommodating Fund structures such as holding companies, special purpose vehicles, trusts, foundations, and partnerships commonly utilized in the private equity and venture capital industry.[114] Despite this progress, the Rwandan Government continues to enact new laws and amend existing ones to address gaps or enhance the existing framework, with over 25 laws amended to date. KIFC is proactively updating the Rwandan laws and regulations, continuously aligning with evolving international best practices and ensuring a forward-thinking regulatory environment.

The CMA is currently reviewing its legal framework to adapt to market changes and intends to introduce a specific Fund administration licence in 2025. Meanwhile, service providers offering solely Fund administration services have been granted special approval from the CMA. Once the law is amended, they will be eligible to apply for a licence.

Rwanda's commitment to becoming an investment domicile of choice is underscored by its pursuit of a robust tax structure and policies.[115] By leveraging DTTs, Rwanda strategically eliminates tax barriers, enhancing its appeal for investment Fund domiciliation. Rwanda currently has 15 DTAAs in force, including with global hubs like Singapore, Mauritius, Belgium, and the United Arab Emirates, aligning with its ambition to emerge as a global financial centre. With several DTAs awaiting ratification, Rwanda aims to surpass 25 agreements by 2025. Additionally, Rwanda has 15 DTAs with countries like China, France, Luxembourg, and Qatar, as well as key African nations such as Nigeria, Angola and Ethiopia.

Rwanda's tax landscape is further accentuated by its investor-friendly policies and incentives. Investors operating within the KIFC enjoy significant advantages, including exemptions from the standard withholding tax rate and capital gains tax on select transactions, bolstering Rwanda's appeal as an investment destination[116]. Moreover, the country offers enticing fiscal incentives such as equity investment participation and favourable tax treatment at both corporate and individual levels. With an open policy on foreign currency exchange and capital transfers, Rwanda presents a conducive environment for investment growth.

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[113] Kigali International Financial Centre. "Law Governing Companies." Kigali, 2023, https://kifc.rw/wp-content/uploads/2023/01/15.Law_governing_companies.pdf.
[114] Kigali International Financial Centre. "Resources." Kigali, 2023, https://kifc.rw/resources/
[115] Kigali International Financial Centre. "Law on Investment Promotion and Facilitation." Kigali, 2023, https://kifc.rw/wp-content/uploads/.
[116] Kigali International Financial Centre. "Law on Income Tax." Kigali, 2023, https://kifc.rw/wp-content/uploads/2023/01/18.Law_on_Income_Tax.pdf

Rwanda has also demonstrated its commitment to improving tax practices and transparency by joining the multilateral Convention on Mutual Administrative Assistance in Tax Matters and the Eastern and Southern Africa Anti Money Laundering Group, which implements the recommendations of the inter-governmental Financial Action Task Force.

In summary, Rwanda's deliberate emphasis on fostering collaboration, embracing digitalisation, enacting regulatory reforms, and cultivating a conducive financial ecosystem positions the nation as a rising player in Fund domiciliation.

2. Judiciary Framework

Rwanda's evolving judiciary framework provides a solid foundation for investment Fund domicile. The legal system offers robust protection and clear dispute-resolution mechanisms, supporting both domestic and foreign investors. Continuous legal reforms demonstrate Rwanda's commitment to maintaining a progressive legal environment in line with international standards. Alongside legislative advancements, specialized institutions for arbitration and mediation, such as the KIAC, ensure fair and efficient dispute resolution processes, bolstering investor confidence.

Despite KIFC's strengths, the legal community is yet to acquire expertise with the new regulations. However, the government's efforts to attract experienced professionals and legal firms from Europe and other regions have strengthened the ecosystem and enhanced investor confidence. Rwanda's judiciary framework aligns with global benchmarks, emphasizing equal treatment for all investors and guaranteeing the protection of their rights.

Overall, Rwanda's judiciary framework plays a pivotal role in fostering an investment-friendly environment. By offering legal certainty and protection, it facilitates the domiciliation of investment funds, positioning Rwanda as an attractive destination for investors.

3. Operational Efficiency

Rwanda is emerging as a prominent Fund domicile, prioritise operational excellence with support from Rwanda Finance Limited and the Capital Market Authority. The country's Fund ecosystem emphasizes collaboration and a skilled workforce, ensuring operational efficiency at all levels. Investments in digitalisation have propelled Rwanda as a technologically advanced hub, offering streamlined processes and seamless connectivity for Fund managers.

The implementation of an eRegulations system provides investors with transparent access to detailed information on administrative processes through a digital database. Moreover, Rwandan laws and regulations are officially published by the Government of Rwanda in the online Official Gazette, ensuring accessibility to pertinent information. While government institutions generally have well-defined rules and procedures, there is room for improvement in the implementation and enhancement of certain areas.

Rwanda's proactive regulatory reforms, characterized by streamlined processes, minimized documentation requirements, and expedited visa/permit processing, foster a business-friendly environment. The country's stringent compliance standards in AML/CFT and KYC regulations inspire investor confidence and contribute to a robust operational framework. Additionally, the establishment of the Financial Intelligence Centre underscores Rwanda's commitment to regulatory integrity and preventing financial crimes.

Rwanda's developing economy, modern banking system, and advancing financial infrastructure further bolster operational efficiency, solidifying its position as an attractive destination for Fund domicile.

4. Enabling Environment

Rwanda's business environment is characterized by a burgeoning and diverse economy, positioning the nation as a rising star in the African financial landscape. Political stability and a sound macroeconomic environment contribute to an investor-friendly atmosphere. Despite not reaching the scale of larger financial centres, Rwanda is actively promoting the KIFC, aiming to provide additional benefits to registered entities. Ongoing developments in the KIFC underscore the country's commitment to enhancing its financial infrastructure.

The Rwanda Development Board (RDB) offers one of the fastest business registration processes in Africa, allowing new investors to register online or in person at RDB offices in Kigali. The streamlined process includes the automatic generation of company tax identification and employer social security contribution numbers upon receiving a certificate of registration. The RDB "One Stop Centre" further facilitates the establishment process by assisting firms in acquiring visas, work permits, and essential utilities while providing support with environmental impact assessments.

Rwanda actively promotes investment through various government initiatives and policies aimed at attracting foreign capital. A robust legal framework established for Fund management enhances the ease of establishing and managing investment funds. Additionally, Rwanda offers a comprehensive licensing process, with numerous corporate service providers available to assist Fund managers seamlessly. With a promising business environment and a growing economy, Rwanda remains steadfast in its commitment to attracting foreign investments.

Summary:

The Global Finance Index Report 2022[117] has identified Rwanda, particularly KIFC, as a promising contender in the global financial arena. As of March 2024, KIFC has significantly improved its global standing in the Global Financial Centres Index (GFCI). Recognized as the second most competitive financial centre in Sub-Saharan Africa, just behind Mauritius, KIFC is quickly establishing itself as a rising star in the global financial landscape. In the broader Middle East and Africa region, KIFC ranks sixth, underscoring its growing prominence as a hub for financial activities and investments across the continent.

Building on this momentum, KIFC is well-positioned to solidify its reputation as a leading financial hub. With continued enhancements to regulatory frameworks, infrastructure, and a business-friendly environment, Kigali is attracting a growing number of investors and financial institutions. By maintaining a strong focus on innovation, reliability, and efficiency, KIFC is set to inspire even greater confidence among global investors, cementing its status as a premier destination for financial activities in Africa.

Drawing insights from established Fund domiciles, Rwanda can capitalize on its strategic geographical location to attract investors targeting neighbouring countries and regions. By customizing investment products to meet regional demands and maintaining rigorous regulatory standards, Rwanda can foster familiarity and trust among Fund managers and investors. Furthermore, Rwanda should aim to create a reliable business environment

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[117] ZYen. "Global Financial Centres Index 32 Report." London, 2022, https://www.longfinance.net/media/documents/GFCI_32_Report_2022.09.22_v1.0_.pdf

conducive to Fund domiciliation and management, positioning itself as the premier destination for both regional and international investors.

Rwanda has already demonstrated its commitment to innovation with the establishment of a sustainable finance roadmap and the implementation of a taxonomy. Funds targeting niche and impactful audiences, such as Rising Tide Africa, which focuses on female-led investment funds, have already been established. The national pension Fund manager, Rwanda Social Security Board (RSSB), plans to launch an SME Fund by the end of 2024. Continued efforts to facilitate new thematic funds, such as climate funds, gender-lens funds, and SME funds, will further solidify Rwanda's status as a dynamic and progressive financial centre.

4.2.10 Senegal

1. Regulatory Framework

Senegal is part of the 8-member Francophone West Africa (WAEMU) economic bloc and the second-largest economy in the economic union. As a member of the subregional economic group, the country is enjoined to operate within the bloc's legal and regulatory framework and infrastructure, including the regional capital markets authority (Autorité des Marchés de l"Union Monétaire Ouest Africaine (AMF-UMOA) and regional stock exchange (Bourse Régionale des Valeurs Mobilieres (BVRM), both located in Abidjan, Côte d'Ivoire with the regional central bank headquartered in Dakar, Senegal.

The country currently does not have a comprehensive legal, regulatory, and fiscal framework for funds and Investment Vehicles. Although some member countries of WAEMU have led a consultative process to develop a comprehensive framework for the industry that covers fiscal incentives, Fund domiciliation, regulation, and compliance. This framework has not yet been implemented as several member countries have yet to ratify it. There is, therefore, no existing framework that allows for the registration and supervision of multiple Fund structures. Existing private equity funds and management companies operating in Senegal are either domiciled offshore (mainly Mauritius and Delaware in the USA) or incorporated in Senegal as 'regular' companies.

As a member of the WAEMU, Senegal's currency (CFA Franc) is pegged to the Euro, and, like other member countries, there are considerable restrictions on foreign exchange transfers outside the WAEMU region. This is particularly notable as numerous companies overlook proper registration procedures during investments, worsening currency convertibility concerns.

2. Judiciary Framework

Senegal has a comprehensive investment-related legal framework and judicial system that underscores its policy of using international diplomacy to underpin investment promotion in general, although the unique needs of Investment Vehicles and funds management may not be separately covered under this framework.

Based on the French civil-law model, the legal system guarantees all the right to own and transfer private property. Foreign companies are free to invest and list on the Regional Stock Exchange (BVRM). Foreign investors generally have access to all forms of remunerative activity on terms equal to those enjoyed by Senegalese. The Senegalese government encourages foreign investment, including investor participation in state-owned firms, and there are no general, economy-wide limits on foreign ownership or control and few sector-specific restrictions.

The Abidjan-based regional CCJA provides a comprehensive means of solving contractual disputes. The arbitration tribunal offers a speedier dispute resolution process and can enforce awards quickly.

The CCJA was established under the Treaty of Organisation for the Harmonisation of Business Law in Africa (OHADA—Organisation pour harmonization en Afrique du droit des Affaires) for member countries of the WAEMU as the main business law and aims to resolve disputes through arbitration.

Playing host to international banks and financial institutions, the country has competent and reputable law firms and professionals, court systems complemented by arbitral institutions and structures as described above, and regional law firms in various fields. However, an ecosystem of legal professionals with specific competence in Fund management is less developed.

The general availability of legal professionals is underpinned by the country's strong education system, thanks to its direct links to France and a large, educated diaspora community.

Senegal is a member and signatory to several international treaties and protocols, including the WAEMU, ECOWAS, OHADA, and ILO. Senegal has successfully addressed issues surrounding its AML-CFT regime, culminating in its removal from the FATF grey list, effective October 2024. This landmark achievement carries significant implications for Senegal in the face of the global financial system players, including enhanced investor confidence, bolstering reputational dividends, and reaffirming commitment to sound global governance practices.

3. Operational Efficiency

Senegal has a nascent Fund ecosystem with only a few funds and Fund management companies and a less vibrant industry association. The country has many impact investors and FinTechs. The country is embracing technology and digitisation in both the public and private sectors, aiming to boost operational efficiency, unlock investment opportunities, and foster connectivity while seeking to position itself as a "FinTech hub" for the WAEMU subregion.

The country boasts of competent and capable investment professionals, accountants, and tax professionals to support the Fund investment ecosystem. Licenced stock broking companies already execute most investors' trades through an automated trading system.

Public bureaucracy and over-centralization of public services could make civil services largely inaccessible and costly to many business organizations.

There are no clear or deliberate accreditation standards for Fund managers, given the absence of any specific legal and regulatory framework for funds.

4. Enabling Environment

Hosting the Central Bank of West African States (BCEAO), the regional central bank of WAEMU, Senegal has a relatively well-developed financial system comprising domestic, regional, and international banks and financial institutions. As the second largest economy in the WAEMU region, Senegal is active on the regional stock exchange, BVRM, the Abidjan-based regional stock exchange for the WAEMU. Other financial services like pension, insurance, and payment systems are steadily growing in importance.

Senegal has enjoyed relative political stability for the past decades, with the peaceful transfer of political power after elections. Recent street protests and agitations in 2023 subsided after the President publicly announced his decision not to seek re-election for a third term. However, the cancellation and subsequent delay of the general elections originally scheduled for February 25, 2024, reignited political tensions, leading to renewed protests and demonstrations. It remains uncertain whether these recent disturbances will have any lasting implications for the country's political stability.

Given the absence of a clear legal framework that speaks to the unique realities of Fund management and domiciliation, the jurisdiction is less competitive in terms of ease of Fund setup and domiciliation. Nonetheless, the government has created the requisite instruments to support investors, particularly the FONGIP (Rapid Investment Guarantee Fund) and the DER (Rapid Entrepreneurship Delegation), which supports project managers to de-risk before committing investment funds.

Summary:

As the second largest economy in the WAEMU region, hosting the regional Central Bank of West African States (BCEAO), and boasting as a diplomacy hub for the sub-region, Senegal has a relatively well-developed financial system comprising domestic, regional, and international financial institutions. Besides being quite active on the regional stock exchange, BVRM, other financial services like pension, insurance, and payment systems are steadily growing in importance thanks to Senegal's regional leadership in the FinTech domain.

Operating within the legal and regulatory framework of the WAEMU bloc, Senegal aligns with regional institutions including the Autorité des Marchés de l'Union Monétaire Ouest Africaine (AMF-UMOA) and the BVRM, headquartered in Abidjan, Côte d'Ivoire. Additionally, the regional Central Bank, based in Dakar, Senegal, underscores the country's commitment to regional financial integration. Senegal's participation in international protocols, bilateral investment treaties, and multilateral agreements, coupled with its extensive 16 DTTs, positions it as a compelling Fund domicile within the broader African Francophone community.

Senegal benefits from supportive structures, such as the Abidjan-based regional CCJA, which serves as a comprehensive platform for resolving contractual disputes under the OHADA framework; a strong education system thanks to its direct links to France and an educated diaspora; and a comprehensive investment-related legal framework and judicial system (French civil law model). Senegal has a nascent Fund ecosystem with only a few funds and Fund management companies and a less vibrant industry association, but the country has many impact investors and Fin-Techs.

However, Senegal faces challenges that require urgent attention. Despite its historical stability, the country has recently experienced some political fragility; nevertheless, its institutions are solid and robust, with considerable democratic engagement among the population. Restrictions on foreign exchange transfers outside the WAEMU region pose hurdles for businesses. The absence of a clear legal framework tailored to Fund management and domiciliation adds complexity. Public bureaucracy and centralized public services may hinder accessibility and increase costs for businesses. Moreover, the lack of accreditation standards for Fund managers exacerbates regulatory uncertainties. Companies seeking to invest beyond the WAEMU region encounter numerous government approvals, particularly concerning foreign exchange regulations. Addressing these issues is crucial to enhance Senegal's attractiveness as an investment destination.

4.2.11 South Africa

1. Regulatory Framework

South Africa has established a robust regulatory and oversight framework for investment funds' domiciliation, overseen primarily by the Financial Sector Conduct Authority (FSCA). This regulatory body plays a crucial role in supervising all aspects of capital markets, including private equity and venture capital sectors. Fund managers are required to obtain licences from the FSCA, which grants them permission to operate and subjects them to ongoing oversight to ensure the effective control of funds in the market.

The jurisdiction in South Africa is accommodating to various Fund structures,[118] allowing for the establishment of UCITS (collective investment in transferable securities), private equity funds, venture capital funds, and other collective Investment Vehicles. The regulatory framework is designed to facilitate a diverse and dynamic investment landscape, promoting growth in the financial sector.

South Africa maintains a stable and predictable tax regime, offering favourable fiscal incentives to funds that choose to domicile domestically. Domestically set up and regulated funds are subject to corporate income tax at the vehicle level if the Fund is set up as a company. However, most PE and VC funds are En Commandite Partnerships, also known as a limited partnership, with “Pass-through” status. A pass-through entity refers to a business that does not pay income taxes on its own, and taxes of the entity flow through to the owners’ individual tax returns, benefitting tax-exempt investors such as pension funds. Discussions are ongoing to streamline tax structures, potentially revising policies related to capital gains tax (CGT) and withholding taxes (WHT) to align with International best practices.

In the pursuit of creating a conducive business environment, South Africa is exploring options for financial hubs that could offer additional benefits to registered entities. These benefits may include exemptions from certain taxes during the initial years of registration.

Although South Africa upholds a relatively liberalized foreign exchange regime, it also implements measures to ensure responsible and monitored capital transactions.[119] Authorities are proactively involved in facilitating the repatriation of invested funds and profits if businesses comply with proper filing and registration procedures within the stipulated timeframe. To expedite the process, businesses have the option to obtain blanket approval for foreign exchange, enabling the availability of repatriated funds within 1-2 business days.

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[118] African Private Equity and Venture Capital Association (AVCA). "Funds and Fund Management Services in Africa: Part 2." AVCA, https://www.avca.africa/data-intelligence/research-publications/funds-and-fund-management-services-in-africa-part-2/.
[119] Ibid.

Despite these efforts, there is a pressing need for South Africa to modernise its exchange control policy, transitioning towards a fully liberalised open account system aligned with international best practices. This update is essential to enhance competitiveness with peer nations and streamline capital transactions.

To further enhance South Africa's competitiveness as a domiciliation jurisdiction, the country is actively engaging in developing and expanding DTTs. These agreements aim to eliminate tax barriers and improve the regulatory landscape, addressing any bureaucratic challenges that may impede the attractiveness of South Africa for investment Fund domiciliation.

2. Judiciary Framework

South Africa boasts a robust and comprehensive judiciary framework conducive to investment funds' domiciliation. The legal environment is anchored by a well-established legal system, offering substantial protection and a clear dispute-resolution mechanism for investors. The legal framework is continually evolving to enhance investment protection and create an environment that encourages both domestic and foreign investors.

The country has implemented various laws and regulations to fortify the legal framework for investment protection. These include legislation addressing Fund transfer, intellectual property protection, and overall dispute settlement mechanisms. Recent legal reforms and updates underscore South Africa's commitment to maintaining a progressive legal environment that aligns with international standards.

In addition to legislative advancements, South Africa has institutions dedicated to arbitration and mediation, providing alternative dispute resolution channels. These institutions, such as the South African Institute of Arbitrators and other specialized bodies, play a crucial role in overseeing investment disputes. They contribute to a fair and efficient resolution process that is essential for maintaining investor confidence.

South Africa's legal community is characterized by competent and expert legal professionals. The presence of reputable law firms, both domestic and international, further contributes to the strength and reliability of the legal infrastructure. These legal professionals bring a wealth of experience, ensuring that investors have access to high-quality legal services and expert advice.

The judiciary framework in South Africa aligns with global benchmarks, reflecting the government's commitment to fostering an investment-friendly environment. The legal system is designed to uphold principles of equal treatment for investors, regardless of nationality, and provides the necessary guarantees for the protection of their rights.

Despite South Africa's proactive measures to establish an enabling legal framework for investment funds and foster a supportive regulatory environment, the country finds itself on the FATF watchlist due to identified non-compliance issues in a recent audit. In response, the South African government has formed a cabinet-level committee dedicated to addressing the systemic challenges highlighted in the audit report. However, the process of rectifying this status is anticipated to take some time to complete.

Overall, South Africa's judiciary framework is a key pillar in creating an enabling environment for investment funds' domiciliation, offering legal certainty and protection.

3. Operational Efficiency

Bolstered by the Southern African Venture Capital and Private Equity Association (SAVCA), the country's Fund ecosystem thrives on industry collaboration and a skilled workforce, ensuring operational efficiency at every level. Significant investments in digitalization over the past decade position South Africa as a technologically advanced hub, offering streamlined processes and efficient connectivity for Fund managers.

Proactive regulatory reforms, led by the FSCA, create a business-friendly environment with streamlined processes, minimized documentation, and expedited visa/permit processing. While South Africa faced compliance challenges that led to its placement on the grey list by the end of 2023, the country’s leadership is working with FATF to address its action plan as of June 2024 plenary meetings in Singapore, which say the country’s status update is listed on the progress for “jurisdictions under increased Monitory. To further note, the country's AML/CFT and KYC regulations are deemed robust according to international standards. This has effectively maintained high levels of international investor interest and confidence in the South African economy.

South Africa's well-diversified economy, competitive banking system, and advanced financial infrastructure further enhance operational efficiency. In summary, South Africa's strategic focus on industry collaboration, digitalization, regulatory reforms, and a supportive financial ecosystem establishes it as a leading contender as an investment Fund domicile, given its operational excellence and strategic foothold in the African market.

4. Enabling Environment

South Africa's business environment stands out with a robust and diverse economy that positions it prominently in the African financial landscape. Hosting the Johannesburg Stock Exchange (JSE), one of the largest and most liquid exchanges globally, South Africa boasts a thriving financial sector characterized by stringent regulatory frameworks and a significant presence of both domestic and international banking institutions.

While the economy exhibits diversification, managing inflation remains an ongoing consideration, impacting the cost of doing business. The flexibility of the South African Rand's exchange rate allows for adjustments, contributing to adaptability in response to economic conditions. However, foreign exchange controls and bureaucratic delays in obtaining necessary approvals for capital transactions can pose challenges for investors.

While the country has witnessed phases of political stability, which have contributed to sustained economic growth, occasional political uncertainties have emerged. However, there is a looming risk of losing the progress made over time if urgent action is not taken to address pressing social concerns. These include high levels of youth unemployment, particularly among the black population, low literacy rates, soaring crime rates, and significant economic disparities. Failure to tackle these issues promptly could jeopardize the country's socio-economic development trajectory. South Africa actively promotes investment through various government initiatives and policies aimed at attracting foreign capital. However, in some instances, there have been reports of delays in the administrative processes for establishing businesses, including Fund management entities, which can be intricate and time-consuming. The absence of a specialized legal framework for Fund management presents a notable gap that needs attention to enhance the ease of establishing and managing investment funds.

In conclusion, South Africa presents a compelling business environment with a diverse economy, sophisticated financial markets, and a commitment to attracting foreign investment. However, challenges related to foreign exchange controls and bureaucratic delays could impact the decision-making process for investment Fund domiciliation.[120]

Summary:

South Africa boasts a highly developed financial market, positioning itself as a pioneer on the African continent.[121] The availability of qualified professionals and a supportive environment for FinTech investments further enhance its competitive edge. South Africa's financial market has advanced significantly compared to its African counterparts, attracting numerous top global firms due to its sophisticated infrastructure and technological advancements. Notably, the Johannesburg Stock Exchange holds the largest market capitalization in Africa, reflecting the country's prominence in the private capital market.

Investors in South Africa benefit from access to a wide array of financial products and services facilitated by many Fund managers and professional services firms. Johannesburg emerges as a pivotal jurisdiction for FinTech investment, as evidenced by its top ranking as the leading financial centre for FinTech in Africa, according to the GFCI. The South African Reserve Bank plays a crucial role in fostering innovation and FinTech through initiatives such as the Intergovernmental FinTech Working Group (IFWG) and the establishment of a regulatory Sandbox in 2020.

Despite its remarkable potential, South Africa's journey towards becoming a premier African and international Fund domicile faces some challenges, notably currency controls. To fully realize this opportunity, a focused and deliberate government strategy is needed to address and remove these obstacles. Industry associations like the SAVCA have a crucial role to play in advocating for supportive government and industry policies conducive to fostering an environment for Fund domicile and competitiveness on the global stage.

4.2.12 Togo

1. Regulatory Framework

Togo has embarked on a significant trajectory of growth, dedicated to implementing policies aimed at enhancing the economic landscape and fostering overall development. Key areas of focus include facilitating business creation, simplifying property registration requirements, improving access to credit, and enhancing contract enforcement through the adoption of laws regulating mediation as an alternative dispute resolution mechanism.

Togo has established a reforms and investment climate unit within the Presidency, tasked with coordinating reform efforts across ministries to attract investment. Unlike some jurisdictions, Togo does not mandate a specific type of company for creating a Fund. However, for reasons of efficiency and governance, companies limited by shares, such as simplified stock companies or public limited companies, are favoured for opening capital to new shareholders.

Individuals holding a Fund management licence can manage a Fund, or alternatively, companies registered for Fund management, whether licenced or not, are permitted to do so. Operating in capital markets requires a licence

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[120] African Private Equity and Venture Capital Association (AVCA). "Funds and Fund Management Services in Africa: Part 1." AVCA, https://www.avca.africa/data-intelligence/research-publications/funds-and-fund-management-services-in-africa-part-1/.

[121] Ibid.

from the Ministry of Finance, though it is not mandatory for other activities. Public-private partnerships, like those with Togo Invest, a government-invested company, are also in place.

Togo boasts private equity and venture capital funds managed by firms like Joliba Capital, Cauris Management, and Kifema Capital. Fund setup costs are relatively low, with Fund sizes typically ranging from USD 50 million to 100 million. Some funds, like Kifema Capital, are domiciled in Togo and primarily invest in the region, while others, such as Cauris Management, are domiciled outside of Togo but invest in the country and beyond. Fund registration typically takes between two weeks and two months, with the process potentially extending to two months for funds focusing on regulated sectors.

Togo's competitiveness in terms of tax regulations for investment funds is closely tied to the legal framework within the WAEMU. Since 1998, Togo has had legislation in place offering tax incentives for investment funds (Loi No 98-009 du Mai 1998 portant régime fiscal des Sociétés de Capital Risque). This law presents an attractive tax incentive package for investment Fund companies engaged in venture capital, development capital, and turnaround capital activities, featuring favourable rates for personal income tax, corporate income tax, and capital gains tax upon exit.

Furthermore, the 2011 WAEMU directive (Directive no. 02/2011/CM/UEMOA portant Harmonisation de la Fiscalité applicable aux entreprises d'investissement à capital fixe au sein de l'UEMOA) establishes a ceiling that regulates the tax benefits member states can provide. Togo also benefits from double tax treaties with France and seven WAEMU partners, including Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Niger, Mali, and Senegal. Notably, there are no restrictions on funds transferred to other FCFA-zone countries or to France. However, transfers exceeding FCFA 500,000 (approximately USD 1000) outside the FCFA-zone necessitate explanatory documents, such as a pro forma invoice, as requested by banking authorities.

Togo operates within an exchange system devoid of restrictions on payments and transfers for international transactions. The nation's currency is the CFA Franc, shared among the eight WAEMU countries, with a fixed rate of 656 FCFA to 1 Euro. Togo is subject to the WAEMU Unified Foreign Exchange Regulations.

2. Judiciary Framework

Togo has a comprehensive investment legal framework. The legal system, rooted in the French Legal System, operates within a code-based structure, with the judiciary functioning independently of the executive. As a member of the Organisation for the Harmonisation of Business Law in Africa (OHADA), Togo upholds a transparent, efficient, and equitable legal process, predominantly administered through the national court system.

In 2011, a Court of Arbitration and Mediation was created which legally enforces contracts. Togo has gone a step further in ensuring the protection of commercial interests by creating three commercial chambers within one tribunal in 2013. These commercial chambers have specialized magistrates that have exclusive jurisdiction over contract enforcement and business disputes.

Togo, which has been party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention/Washington Convention) since 1967, underscores its commitment to international standards for resolving investment disputes.

There are highly skilled and competent Fund lawyers in Togo. The compact size of the jurisdiction enables the lawyers to provide transactional advice efficiently and effectively. However, the broader support ecosystem concerning funds requires more skills training. While the country currently boasts highly skilled Fund legal experts, a deliberate effort is required to train and cultivate more Fund professionals specifically. This proactive approach will not only fortify the existing legal talent pool but also create a robust system of support services capable of facilitating the increasing volume of commercial transactions.

3. Operational Efficiency

Togo is emerging as a promising investment hub in West Africa, demonstrating significant economic potential and a commitment to fostering a favourable business climate to encourage both domestic and foreign investment. The presence of regional banks headquartered in Togo presents significant potential that could be further maximized. Additional measures are needed to incentivize digital services development, including government initiatives to promote the acceptance of digital payments adoption and ensure e-banking. The regulatory environment also requires enhancements to align with the growing FinTech sector.

To improve the ecosystem for Fund domiciliation, measures need to be put in place to digitize the tax administration, declarations, and payments. There needs to be a continuation of the implementation of land registries and the facilitation of property title transfer in cities.

The regulatory environment for Distributed File System (DFS) technologies beyond mobile money needs to be improved. This will increase online purchases and payments, increase the use of e-commerce and marketing technology, and increase the supervision capacity of regional banks.

There are skilled professionals and support services available in Togo, but these are currently limited due to the size of the market. With regards to access to regulators and civil service, Togo can be bureaucratic in its administration, and it can take some time to gain access to regulators. With regard to access to legal services, there are readily available legal services for transactional advice. However, with regard to litigation, depending on the nature of the claim, this can be a lengthy process.

In Togo, accreditation is supervised by the High Authority for Quality and Environment (HAUQE) and institutions such as the Comite Togolais d'Agrement (COTAG), an entity in charge of handling certification and accreditation processes undertaken by businesses, public, and private bodies. The Togolese Minister of Trade, Industry, and Domestic Consumption recognizes that encouraging accreditation for fund managers is important to attract more foreign investment and gain more access to international markets.

4. Enabling Environment

Togo has been working together with other WAEMU member countries towards greater integration in the region and unified external tariffs. Common accounting systems have been established by WAEMU, and the macroeconomic policies of member countries are periodically reviewed based on convergence criteria, the legal and regulatory framework for a regional banking system, and a regional stock exchange. Pursuant the IMF Article VIII, the Togolese government and central bank do not restrict international payments and transfers. There is access provided to a diverse range of credit instruments if sufficient security is made available. The IFC has invested USD 15 million in the Joliba Fund I, which is managed by Abidjan-based private equity firm Joliba Capital. Most of the facility will be used to support the growth of SMEs in several countries, including Togo. In Togo, the IFC has directly invested USD 300 million into various projects in the energy, telecommunications, and infrastructure sectors.

The Togolese banking sector and government have been striving to establish Togo as a regional financial hub. There are a considerable number of regional banks that currently operate in Togo. Furthermore, the ECOWAS Bank for Investment and Development (EBID), the West African Development Bank (BOAD) for WAEMU, Ecobank Transnational Inc (ETI), and the Ora group are all headquartered in Togo. Togo has a modern financial system that is also striving to improve its digitization.

The banking sector is gradually developing, with USD 25 to 30 billion worth of assets held by the largest banks in Togo. The Central Bank of West African States (BCEAO) manages Togo's monetary policy and banking regulations.

Togo is one of the most politically stable countries in the region. The GDP growth in Togo declined to 5.5 percent in 2022 from 6.0 percent in 2021 due to the Ukraine war and the security crisis in the far north of the country. As a result, there was inflation from 4.6 percent in 2021 to 7.8 percent in 2022 which was driven by higher food and energy prices. COVID-19 and the Russia-Ukraine crisis brought about an increase in the GDP deficit from 0.9 percent in 2021 to 3.7 percent in 2022 due to the increased cost of imported goods. Various measures were taken by WAEMU to support banks in restoring their ability to finance the economy.[122]

In its pursuit of improving the business environment, the Government of Togo has taken steps to facilitate the establishment of funds through the adoption of the Investment Code in 2019. The Investment Code stipulates equal treatment between investors and foreign companies, free management and movement of capital for foreign investors, and protection of private property. Most of the incentives are provided for companies in the export-free zones, such as a tax exemption for the first ten years and a rate of 15 percent from the eleventh year. The Business Climate Unit was created in 2017 to enhance the business climate for the private sector.

Summary:

Togo's economic, judicial, and political stability enables the jurisdiction to be strategically positioned to operate as a sub-regional hub for investment Fund domiciliation. Togo has existing regional development banks of international status that currently host multiple Fund structures for domestic and international investors. This means that Togo possesses the requisite ecosystem to cater for Fund domiciliation in the UEMOA, as they share the same currency, the same regulator, and the same central bank.

Togo has additional advantages related to ease of Fund set-up and low cost of Fund registration, which make it an ideal location for domestic, regional, and international funds to domicile in the jurisdiction. Togo should be supported by private and public stakeholders in its development towards becoming a regional domiciliation hub for the WAEMU region.

Global and regional sensitization should be conducted through strategic marketing regarding Togo's Fund structure flexibility, low-cost Fund registration, and ease of Fund set up to accelerate the domicile of funds in the country.

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[122] "Togo Economic Outlook". *African Development Bank Group*, n.d., https://www.afdb.org/en/countries/west-africa/togo#:~:text=Togo-,Togo%20Economic%20Outlook,higher%20food%20and%20energy%20prices.

Challenges that Togo has with regard to delays in the transfer of funds from foreign banks can be remedied through streamlined internal processes for compliance and conversions. Increased regional integration can be achieved by improved logistical networks, streamlined procedures for customs in the region, and increased security at the border areas.

4.2.13 Uganda

1. Regulatory Framework

Uganda's regulatory landscape for Investment Vehicles is shaped by various laws and regulatory bodies aimed at promoting a conducive environment for both domestic and foreign investors. Commendable strides have been made in establishing a regulatory and oversight environment overseen by regulatory bodies such as the CMA, Bank of Uganda (BoU), and Uganda Investment Authority (UIA). CMA supervises all capital markets operations, encompassing the licensing of Fund managers and other market intermediaries, ensuring ongoing control and compliance within the market.

Recent amendments in the regulatory framework, notably the licensing of private equity and venture capital firms, reflect Uganda's commitment to adapting and enhancing its regulatory landscape to accommodate evolving market dynamics. Furthermore, the amendments expanded the powers of CMA to improve oversight and enforcement, including stricter penalties for non-compliance. The law has also made provisions for new instruments like derivatives and Real Estate Investment Trusts (REITs) to diversify investment options. However, challenges still exist, particularly concerning the legally permissible Fund structures, a matter currently under review through proposed amendments and stakeholder engagements.

While Uganda's fiscal and tax regime potentially presents challenges for domestic Fund domiciliation and management, there are fiscal incentives, benefits, and tax waivers offered by the Government of Uganda. The Income Tax (Amendment) Act (2024) offered exemptions for income derived from or by private equity and venture capital funds regulated by the Capital Market Authority. The country also benefits from a harmonized fiscal regime within the East African Community, contributing to regional financial cohesion and has a fully liberalized capital account and foreign exchange environment, with few restrictions for foreign investors. Investors are granted the ability to repatriate their profits, and Uganda has demonstrated commitment by signing various international frameworks and protocols.

Despite having signed 9 DTTs, Uganda recognizes the need for more comprehensive agreements to enhance competitiveness. There is a call for a fundamental review and upgrade of the existing regulatory and oversight infrastructure to align with emerging industry demands and global standards. This proactive approach will contribute to Uganda's sustained attractiveness as an investment Fund domicile.

2. Judiciary Framework

Uganda has a legal framework focused on promoting investment and protecting investors across major economic sectors but also designed to foster a stable and transparent investment environment. This framework emphasizes equal treatment for investors, regardless of nationality, and provides various incentives, particularly to foreign investors, although there is a need for an explicit focus on the investment funds domain.

While Uganda has established domestic frameworks for dispute resolution, there are noticeable areas of enhancement in enforcement, attributed in part to perceived challenges in consistent implementation. Challenges such as regulatory complexity, lack of clarity on incentives, limited enforcement, and market development issues – once effectively addressed - could play a significant role in enhancing the country's overall competitiveness.

Uganda's education system is recognized continentally for producing legal professionals and fostering regionally competitive law firms. However, the nation faces a gap in expertise specific to Fund management within its legal profession, and this lack of expertise poses a risk should legal interpretations be required.

The country has demonstrated commitment as a signatory to numerous international protocols, showcasing a relatively high level of compliance, though continued improvements are necessary. Uganda has effectively tackled issues surrounding AML-CFT, leading to its removal from the FATF grey list, effective 2024. This milestone carries significant implications for the economy, encompassing a range of benefits such as bolstering investor confidence, fortifying reputation, nurturing economic expansion, and reaffirming dedication to sound governance practices.

In summary, while Uganda's legal framework prioritizes investment promotion, the nation faces challenges in consistent enforcement and specialized legal expertise in the field of Fund management. Further alignment with international best practices as a financial system and enhancing legal competence can significantly contribute to Uganda's standing in the global investment landscape. Addressing these challenges requires continuous efforts from government, regulatory bodies, and industry associations to streamline regulations, enhance enforcement mechanisms, and improve investor education. A more transparent and supportive legal framework can significantly enhance the attractiveness of Uganda as an investment destination.

3. Operational Efficiency

Uganda's emerging Fund ecosystem is supported by a dynamic industry association, the EAVCA, which represents a diverse range of private capital providers. While the nation boasts a relatively strong education system, including a growing community of capable investment professionals, accountants, and tax experts, its Fund investment ecosystem is in its early stages.

Uganda has been proactive in embracing digitization for over a decade, aiming to enhance operational efficiency, unlock investment opportunities, and foster connectivity. Although progress has been made, the full impact of this initiative is yet to be realised across the wider civil service.

In the past decade, there has been a noteworthy shift in the regulatory approach, moving away from traditional public service bureaucracy to a more business-oriented mindset. Access to regulators has improved, and legal and civil services are becoming more accessible due to advancements in legal education and practice.

The Capital Markets Authority in Uganda plays a pivotal role in regulating and overseeing capital markets, including the activities of Fund managers. Current regulations cover licensing, capital adequacy, reporting obligations, and investor protection. Fund managers are subject to qualification requirements, financial stability assessments, and adherence to ethical and professional standards.

The rapid growth of digital financial services in Uganda is mainly driven by FinTech companies. With over 29 licenced entities operating under the purview of the National Payment Systems Act 2020, Uganda's FinTech landscape is undergoing rapid expansion. These forward-looking ventures are reshaping the financial services landscape, extending inclusive access to banking, payments, and lending services. Through the strategic application of digital technologies, FinTech firms are catalyzing business empowerment, fostering financial inclusion, and propelling economic growth. Concurrently, Uganda's e-commerce sector is experiencing a surge, with forecasts projecting its value to soar to USD 2.5 billion by 2025.[123]

While commendable strides have been made in fortifying Uganda's Fund ecosystem and enhancing regulatory frameworks, there are opportunities for further optimization. Embracing digital advancements to streamline operational processes is a pertinent avenue for enhancement. Moreover, ongoing educational and training initiatives tailored to professionals within the Fund management sector could serve to fortify Uganda's stature as a preferred jurisdiction for Fund domiciliation. By proactively embracing these measures, Uganda can solidify its position as a dynamic player in the global financial arena.

4. Enabling Environment

Analysing Uganda's economic landscape reveals a diversified economy, with agriculture playing a pivotal role and contributing significantly to regional competitiveness.

The financial sector exhibits notable vibrancy, characterized by a competitive banking industry, active securities and commodities exchanges, and a robust pension system spearheaded by the National Social Security Fund (NSSF). These factors collectively enhance Uganda's prospects as an emerging economic hub.

Despite global economic fluctuations, Uganda has displayed resilience through prudent macroeconomic management, effectively mitigating inflationary pressures and exchange rate volatilities. This resilience is further underscored by the nation's political stability, a crucial driver of sustained economic growth and market expansion since political stability engenders policy stability, which is good for both the country and the investment ecosystem. Political stability serves as a catalyst for policy consistency, which in turn nurtures a favourable environment for both the country and its investment ecosystem.

Nevertheless, challenges persist, particularly concerning Fund domiciliation and regulatory frameworks governing Fund management. Existing legislation, while foundational, lacks the requisite granularity, posing obstacles for investors and Fund managers navigating the complexities of Fund establishment.

Addressing these challenges requires refining the legal framework to align with contemporary Fund management practices. By enhancing regulatory precision and procedural clarity, Uganda can enhance its attractiveness as a destination for Fund domiciliation, thereby catalyzing investment inflows and strengthening its burgeoning financial ecosystem.

Summary:

With over two decades of prudent macroeconomic management, considerable political stability, and a diversified economy—where agriculture plays a pivotal role in regional competitiveness—Uganda has positioned itself as a compelling regional hub and a catalyst for Fund domiciliation. These strong fundamentals are further supported

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[123] "About Uganda's Evolving FinTech." Daily Monitor, 2024, https://www.monitor.co.ug/uganda/oped/commentary/about-uganda-s-evolving-FinTech.

by a vibrant financial sector characterized by a competitive banking industry, active securities and commodities exchanges, and a robust pension system led by the NSSF.

Uganda has made commendable progress in establishing a regulatory and oversight environment under the supervision of the CMA. Recent regulatory amendments, including the licensing of private equity and venture capital firms, demonstrate Uganda's commitment to adapting and enhancing its regulatory landscape to meet evolving market dynamics. Uganda's progress has been equally demonstrated by the impressive performance in the Absa Africa Financial Markets Index,[124] which places Uganda at number 4 out of the 28 countries in the index. These economies represent over 80% of Africa's GDP, effectively making Uganda the most efficient and conducive financial market in the Eastern and Central African region. In Africa, Uganda is only behind South Africa, Nigeria, and Mauritius.

The country enjoys a harmonized fiscal regime within the East African Community, contributing to regional financial cohesion and has a fully liberalized capital account and foreign exchange environment, with few restrictions for foreign investors. Uganda's emerging IVs ecosystem is supported by a dynamic industry association, the EAVCA, representing a diverse range of private capital providers. Uganda has been proactive in embracing digitization for over a decade, aiming to enhance operational efficiency and unlock investment opportunities largely driven by FinTech.

In addition to demonstrating a commitment by signing various international frameworks and protocols, Uganda has effectively addressed issues related to AML-CFT, resulting in its removal from the FATF grey list in February 2024. This milestone achievement has significant implications for the economy, as it bolsters investor confidence, strengthens Uganda's reputation, supports economic growth, and reaffirms its dedication to sound governance practices.

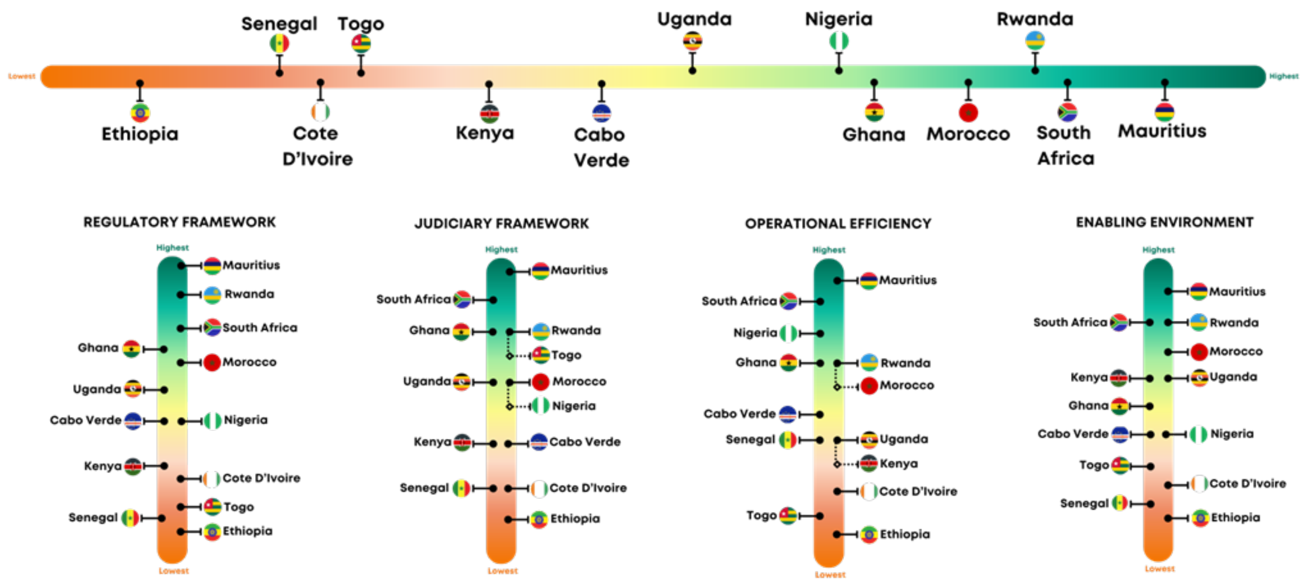
Uganda's education system is recognized across the continent for producing skilled legal professionals, regionally competitive law firms, and other professional support services. However, the country faces a gap in expertise specific to the IVs ecosystem. Challenges remain regarding permissible Fund legal structures, r currently under review through proposed amendments, though there is a need for a more explicit focus within the legal framework on the investment funds sector.

There is a need to expand the network of DTTs through comprehensive global agreements to enhance competitiveness and leverage its strategic location in the heart of Africa. Additionally, intentionality, concerted efforts, and coordination among regulators and ecosystem enablers are essential for Uganda to effectively compete in IVs domiciliation at both continental and global levels.

[124] "Absa Africa Financial Markets Index 2023 - Valuable African insights, border to border", Absa, 2023, https://cib.absa.africa/wp-content/uploads/2023/10/AFMI-2023-Final.pdf

4.3 Domiciliation maturity of African jurisdictions

FIGURE 23: DOMICILIATION MATURITY OF AFRICAN JURISDICTIONS



Source: *Developed by the authors for the purpose of this report*

The maturity scale, in the context of the domiciliation of IVs, refers to the stage of development and stability that a country has achieved in developing an ecosystem suitable for the domiciliation of IVs. It is typically assessed based on factors such as regulatory framework, judicial framework or rule of law, operational efficiency, and the overall enabling environment.

Countries have been classified into different colour categories based on their maturity level for domiciliation of IVs as follows:

Green: These are countries that have strong regulatory frameworks, with a favourable regulatory regime which offers structures that are comprehensive and clearly organised to a high standard. In terms of judicial framework, there are judicial and alternative dispute resolution mechanisms that are efficient, reliable and provide the needed recourse in case of disputes. These countries permit investors to repatriate funds without heavy restrictions and delays arising from illiquidity or capital controls.

These jurisdictions have shown strong viability for building a Fund domiciliation ecosystem and have shown strong potential to attract Africa-focused and Pan-African funds to domicile in their country. Examples include Mauritius, South Africa, Rwanda, Morocco, and Ghana.

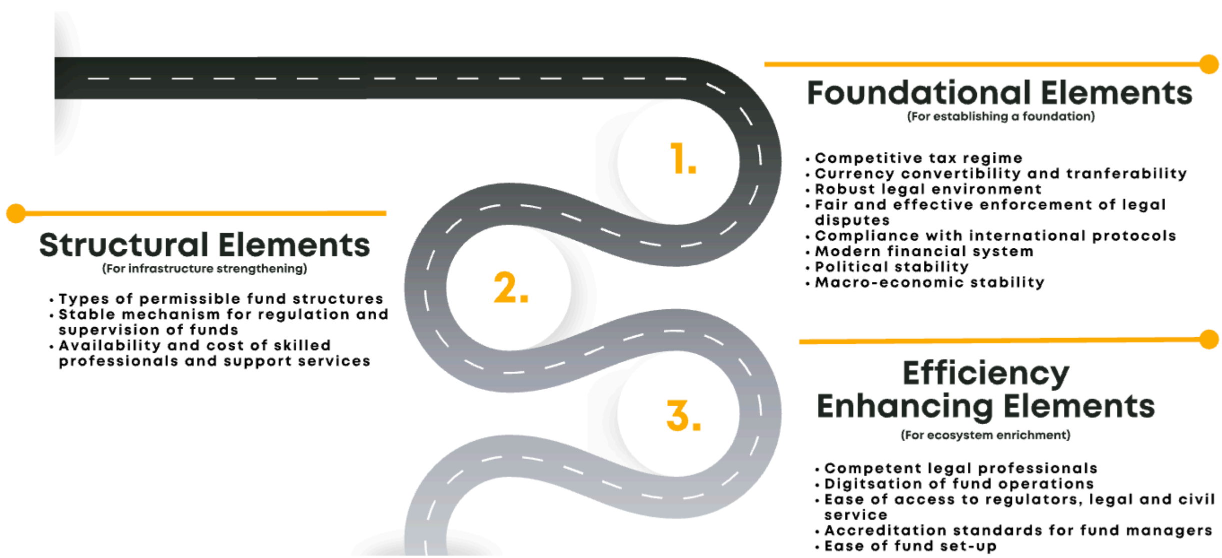
Yellow: These are countries that have less developed systems but are on a trajectory to develop a favourable ecosystem for the domiciliation of IVs. Such countries may have limited regulatory frameworks, tax incentives and available Fund structures. However, they show a commitment to improve their systems and policies to make them more favourable for IVs. The jurisdictions show moderate viability for building a Fund domiciliation ecosystem and have some potential to attract IVs to domicile in their country. Examples include Nigeria, Uganda, Cape Verde and Kenya.

Orange: These countries are in the early stages of development of an ecosystem favourable for the domiciliation of IVs and have nascent Fund ecosystems in place. They, however, have some potential to develop within several years and will require consistent and deliberate effort from the Government, regulators, and ecosystem enablers to develop the requisite frameworks favourable for the domiciliation of IVs. The jurisdictions show low viability for building a Fund domiciliation ecosystem and little potential to attract IVs to domicile in their country in the immediate term. Examples include countries in Côte d'Ivoire, Togo, Senegal, and Ethiopia.

This framework acknowledges the specific challenges and opportunities present in African jurisdictions and provides a systematic progression tailored to the continent's unique context and challenges. In creating a domiciliation-friendly ecosystem, the FDMDT parameters may be implemented in a phased manner across stages.

Each stage builds upon the foundation established in the preceding stage, creating a seamless progression towards a mature and competitive Fund domicile ecosystem in African jurisdictions. Political and economic stability forms the bedrock upon which regulatory frameworks and infrastructure are built. As the infrastructure consolidates, efforts to enhance the overall ecosystem are undertaken, resulting in a comprehensive and attractive environment for Fund managers and investors alike.

FIGURE 24: DOMICILIATION PATHWAY



Source: *Developed by the authors for the purpose of this report*

It is also important to note that the domiciliation maturity of a country is not static. It can change over time due to various factors such as regulatory reforms, judicial reforms, improvement in operational efficiency, and the deliberate development of a favourable enabling environment through legislation, frameworks, and policies.

4.4 Domiciliation opportunities in Africa

FIGURE 25: UNDERSTANDING THE OPPORTUNITIES FOR AFRICAN DOMICILIATION

*With their inclusion in the FATF "grey list" as of October 2024, countries included in this Study like South Africa, Nigeria, Kenya and Côte d'Ivoire will need to prioritise efforts for compliance with global standards to build investor confidence.

Source: *Developed by the authors for the purpose of this report*

In reviewing Africa's opportunities for investment vehicle domiciliation, it is evident that the continent's landscape is diverse and nuanced. We have selected countries that have the strongest potential and categorized them into four distinct groups based on their domiciliation potential and developmental trajectories.

While Mauritius stands out as an established domicile for international capital, symbolizing stability, reliability, and a trusted environment for international investors, other countries, such as Ethiopia, Kenya, Morocco, Nigeria, and South Africa, hold significant promise for domestic capital mobilization. These nations possess substantial pools of domestic capital, positioning them to drive domiciliation initiatives from within. Their focus should lie on harnessing local resources to fuel economic growth and create self-sufficient ecosystems for Fund domiciliation.

High-potential jurisdictions like Cabo Verde, Ghana, Uganda, and Rwanda demonstrate a proactive approach to building regulatory environments conducive to attracting foreign investment. They prioritize creating ecosystems that foster foreign and pan-African Investment Vehicles, signalling readiness to capitalize on domiciliation opportunities for economic advancement. Lastly, regional integration catalysts such as Côte d'Ivoire, Morocco, Senegal, and Togo leverage their strong regional connections to foster cross-border domiciliation policies. By aligning with the concept of domiciliation, these countries promote seamless investment flows within their respective regions, facilitating economic integration on a broader.

In essence, the concept of domiciliation is not a one-size-fits-all approach but rather a dynamic framework that adapts to the unique circumstances and developmental trajectories of African jurisdictions. By understanding the alignment of each group with the concept of domiciliation, stakeholders can navigate the domiciliation landscape effectively, unlocking its full potential for inclusive growth and prosperity across the continent.

5 Recommendations and path forward

5.1 Strategic recommendations for enhancing the attractiveness of African countries as domiciliation jurisdictions.

5.1.1 Overall recommendations by FDMDT parameters

This section aims to primarily offer strategic recommendations to enhance countries' Investment Vehicles domiciliation appeal and to cultivate an environment conducive to efficient Fund management in Africa. By drawing insights from successful jurisdictions, the recommendations are organized into strategic sections aligned to key parameters underlying the FDMDT, each addressing pivotal aspects that significantly influence private investment and the overall health of the Fund management ecosystem.

PARAMETERS	RECOMMENDATIONS
Regulatory environment, oversight, and enforcement	Streamline regulatory processes • Implement initiatives to expedite regulatory approval timelines. • Regularly review and update licensing processes to align with Industry needs, catering to a diverse pool of Fund types.
	Diversify Fund structures • Explore opportunities to introduce new and innovative Fund structures to attract a broader range of investors, given the size and diverse opportunities in the market. • Consider incentives for funds focused on emerging sectors like SMEs and renewable energy to foster economic growth.
	Develop a sophisticated corporate law framework • Integrate learnings from more advanced and sophisticated jurisdictions and establish legal frameworks offering diverse structuring options and Investment Vehicles for international projects.
	Establish Regulator-to-regulator agreements • Formulate agreements with other financial service regulators to manage multi-jurisdictional investment funds and enhance procedural efficiency domestically and internationally. • Encourage regional integration initiatives and the development of unified standards and regulations to facilitate cross-border transactions and attract more capital to the African continent.
	Enhance Tax competitiveness • Evaluate and enhance existing tax incentives to boost global competitiveness. • Explore options for reducing capital gains tax rates for investors in domiciled funds.
	Expand DTTs

	• Actively engage in negotiations to expand networks of DTTs. • Leverage DTTs to provide clarity and favourable conditions for international investors.
	Uphold regulatory consistency • Establish a regulatory review board comprising industry experts to ensure consistency and relevance. • Establish a policy of providing a minimum notice period for any regulatory changes to allow businesses to adjust. • Involve individual stakeholders in the regulatory review process through significant and ongoing engagement.
	Design regulated vehicles for smaller Fund managers • Design specialized regulated vehicles to meet the lower cost and complexity needs of smaller Fund managers across Africa to be competitive with other global jurisdictions that allow for such mechanisms.
Judicial framework	Establish independent legal systems • Ensure independence of legal, administrative, and fiscal systems from political influence. • Re-invigorate the specialized commercial courts with fast-track procedures for business-related cases. • Invest in training and technology for the judiciary to expedite case resolution. • Conduct regular reviews with market stakeholders to identify and address bottlenecks in the legal system. • Actively participate in legal staff exchange programmes with more advanced jurisdictions.
	Create Alternate Dispute Resolution • Establish an independent body for mediation and arbitration to facilitate quick dispute resolution, instil investor confidence, and maintain compliance with international standards. • Increase collaboration with international jurisdictions to foster sustained confidence.
	Enhance international protocol compliance • Enhance visible compliance and integration of international protocols relating to the financial sector into the ecosystem. • Actively promote the integration of ESG and responsible financing standards. • Focus on the effective implementation of a sustainable finance law, incorporating clear and widely communicated reporting standards.
Operational efficiency	Impose Currency stability measures • Implement policies to stabilize the currency and manage FX exchange risk.

	• Work with the Central Bank to develop and communicate a clear foreign exchange plan. • Collaborate with industry players and subject matter experts to design hedging instruments for the market, especially for investors.
	Set Regional integration and unified standards • Collaborate closely with RECs (Regional Economic Communities) for regional integration and unified external tariff. • Align regulatory standards with regional partners to facilitate cross-border transactions.
	Enhance digitization and blockchain integration • Explore the strategic integration of blockchain technology in Fund management for enhanced transparency and security, in collaboration with FinTech companies.
Enabling environment	Prioritise Infrastructure development • Prioritise substantial investment in infrastructure development- power, road network, internet connectivity, and the cost of logistics. • Establish centralized information centres to provide investors with essential business-related information, fostering transparency and efficiency. • Ensure interventions are efficiently managed and market-friendly to overcome inherent market failures. Use successful models from jurisdictions as benchmarks. Address Bureaucratic hurdles and red tape • Streamline administrative processes and reduce bureaucratic hurdles, especially where the touch points are between ministries and agencies. • Increase and build upon initiatives aimed at eliminating delays and streamlining business processes for enhanced efficiency. Prioritise Security enhancement • Enhance additional investment in technology and intelligence gathering to combat criminal activities. • Communicate and publish success stories of improved security measures to reassure potential investors. • Enhance strategic interactions and economic intervention initiatives at the community level to empower the underserved and vulnerable.

Jurisdictions vying to build a strong domiciliation ecosystem actively will need a strong incentivisation mechanism. The general aim of investment incentives is to influence the decisions of investors to invest in a particular jurisdiction and, in the context of this report, to encourage Fund managers to domicile a Fund in a country. Investment incentives may also be provided to channel investment into areas or industries considered by a government to need investment. For example, investment incentives may be granted to domestically based companies for investing in specific priority areas or to foreign investors to encourage investment in the country.

Such incentives could include financial, fiscal, or operational incentives. For example:

1) Reduced tax rates (Corporate tax, Capital Gains tax, Employment Tax, etc.)
2) Tax holidays and tax exemptions financial incentives (For example, Loss carry forward, Investment allowances and accelerated depreciation)
3) Double tax treaties
4) Establishment of International Financial Centres (IFC) with separate regulatory requirements and preferential treatment for companies' set-up in the IFC.
5) Subsidise physical infrastructure
6) Market preferences
7) Regulatory concessions

5.1.2 Overall recommendations by stakeholder type

Any effort requires concerted and intentional actions by various stakeholder groups and agents of advocacy leading and supporting tangible efforts towards the growth of developing African jurisdictions as domiciliation destinations require concerted and deliberate actions by various stakeholder groups and advocacy agents. These groups must lead and support tangible efforts to grow Investment Vehicles domiciliation as a targeted strategy for further enhancing Africa's economic development. Building on the "health diagnostic" analysis of the countries considered for this report and the recommendations across the key parameters, this report lays out the path forward for actions needed by various critical stakeholders to influence the direction.

STAKEHOLDER TYPE	RECOMMENDATIONS
National Policy Makers	• **Understand the relevance of IVs domiciliation in national strategies t**o build capital investment in support of African innovators and entrepreneurs. This will need to be complemented by the political will and commitment to support and invest in the development of a Fund domiciliation ecosystem in the country.
	• **Support the development of a "mature" domestic Fund domiciliation ecosystem** by partnering on policies that draw significant capital from domestic, regional, and international investors. This could include reviewing legal, regulatory, and tax frameworks to overcome barriers and limitations identified in this report, such as tax competitiveness, establishing DTTs, and upholding currency stability and capital convertibility, amongst others.
	• **Leverage IFCs and other innovative policy tools** to attract long-term capital from the private and philanthropic sectors.
	• **Implement proactive measures to reduce red tape and promote ease of IVs set-up** and doing business by streamlining approval timelines, documentation, and processes.
	• **Actively promote the integration of ESG and responsible financing standards** consistent with the SDGs and the Paris Agreement.
	• **Create targeted incentivization mechanisms for funds focused** on historically disadvantaged segments such as women and youth-owned and -led funds.
	• **Countries need to intentionally create a conducive environment** for domestic investment crowdfunding (equity crowdfunding, peer-to-peer lending or domestic institutional co-investing) and unlock opportunities for small businesses and start-ups to access capital from a wider pool of investors to contribute to overall economic growth.
Regulators	• Streamline regulatory approval timelines and licensing processes while allowing for a variety of Fund structures catering to a diverse pool of global and regional investors.
	• **Attract and support a robust financial services sector** in collaboration with policymakers through enhancing the capacity of professionals in the banking, investment, and finance sectors.
	• Work in close **coordination with industry bodies** and experts to keep close to the "pulse" of the industry and ensure the relevance of regulations.

	• **Encourage regional integration initiatives** and the development of unified standards.
	• **Explore the strategic integration of technology** in Fund management and the use of innovative mechanisms like accelerators to support specific sectors and Fund instruments.
Fund Managers and Investors	• **Recognise the long-term opportunities available in Africa in the flow of investment capital and Fund domiciliation**. The benefits to private and philanthropic capital are significant, particularly in light of ESG requirements.
	• For those investors with a social impact mandate, consider **partnering with willing African jurisdictions to invest in Fund domiciliation** as a tool to support efficient capital flows to Africa. Larger global investors and Fund managers could use their position to act as advocacy agents with policymakers.
	• For larger global investors and Fund managers, leverage their position to **act as advocacy agents with policymakers.**
International Development Finance Institutions	• Support and partner with willing African jurisdictions to **develop Fund domiciliation ecosystems.**
	• Support willing African jurisdictions in **developing capacity in regulatory, legal, and financial services sectors**.
	• Assist willing African jurisdictions in **exploring whether regional strategies (e.g. East Africa or West Africa) could be considered** to enhance the reputation of and confidence in Africa as a financial services and Fund domiciliation centre.
Ecosystem Builders	• **Engage with national policymakers to gain the political will and commitment to supporting the implementation of domiciliation-focused initiatives and the mobilization** of domestic capital.
	• Garner government support for projects from relevant ministries to avoid overlap of initiatives. **Work with IFCs** as a medium to build programmes to position jurisdictions as viable domiciliation options.
	• Assist national policymakers in deepening their sectoral expertise and support in capacity-building **programmes** to strengthen their internal capacity in delivering domiciliation support.
	• Develop capacity-building programmes to create in-country expertise and a **pool of skilled service providers** for Fund support services.
	• Engage with industry bodies and associations to **develop partnerships that could lead to joint advocacy efforts** with government and regional bodies and policymakers.
	• **Collaborate with Investment Promotion bodies** and industry associations to promote the domiciliation potential of select jurisdictions through networking sessions, investor education sessions, industry events, et al.

5.2 Country specific recommendations

5.2.1 Cabo Verde

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Develop a clear "*National Domiciliation Strategy*" linked to the Cabo Verde Ambition 2030 plan, to be driven by a newly established steering committee within the State Department of Business Development. • Position the country as an upcoming domicile through rigorous marketing and promotion, targeting funds focused on trade and logistics, technology, and the blue economy. • Invest in training and developing an adequate pool of skilled legal professionals versed in investment vehicle laws and structuring, as well as other professionals and support services for Investment Vehicles. The diaspora could be leveraged in this regard. • Initiate benchmarking and knowledge exchange engagements with other high-potential jurisdictions, such as Ghana in West Africa and Rwanda in East Africa, to learn about initiatives being undertaken by these countries in their domiciliation strategies.	• State Department of Business Development • Cabo Verde TradeInvest • AGMVM
Regulatory environment, oversight, and enforcement	• Include English in regulatory guidelines/documents, in addition to Portuguese, and as an important language of communication between the Capital Market regulator and international investors/Fund managers, as English is the widely accepted *lingua franca* in the Fund investment ecosystem.	• Banco de Cabo Verde (BCV)
	• Make information resources relating to investment and regulatory requirements for international investors easily accessible, as a lack of information in the English language may also act as an informal barrier to entry for many investors.	• AGMVM
	• Establish a steering committee to provide inter-regulatory coordination and act as a liaison between regulators, investors/Fund managers and other financial sector actors and professionals.	• State Department of Business Development
Judicial framework	• Continuously enhance critical systems aimed to detect and combat any AML vulnerabilities and ensure strict adherence to AML regulations and standards.	• Banco de Cabo Verde (BCV)
Operational efficiency	• Launch training and development initiatives to build competent domestic Fund legal and professional service providers to support funds seeking to domicile in the country.	• State Department of Business Development
	• Conduct learning and benchmarking missions to understand best practices from both mature Fund	• State Department of Business Development

	domiciles and other high growth-potential domiciles that could be adopted or tailored for the jurisdiction.	
	• Champion regional cooperation and collaboration between Lusophone and West African states, as well as the harmonization of tariffs for cross–border transactions.	• Ministry of Finance
Enabling environment	• Identify and prioritize infrastructure development projects that will need to be developed to establish an IFC within the jurisdiction, including investments in technology, transport, and logistics. • Establish centralized information centres to provide investors with essential business-related information, fostering transparency and efficiency.	• State Department of Business Development
	• Rigorous marketing and promotion of the country as a domiciliation jurisdiction. Promotional campaigns should be very targeted to investors and Fund managers and should focus on the technical, fiscal, and regulatory benefits of setting up funds in the jurisdiction, requirements for Fund setup, processes, and timelines.	• Cabo Verde TradeInvest

5.2.2 Côte d'Ivoire

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Use growing pension assets to catalyze capital market development and domestic capital mobilization for long-term investments in funds and other Investment Vehicles. • Initiate and lead a UMOA-wide consultation to accelerate the adoption and implementation of the industry associations' recommendations (See Section 4.2.2) for a comprehensive framework and incentives for the ecosystem.	• Association Ivoirienne des Investisseurs en Capital – AIIC • Autorité Des Marchés Financières De L'Union Monètaire Ouest Africaine (AMF – UMOA)
Regulatory environment, oversight, and enforcement	• Use the country's leadership position to pursue active dialogues with sister member countries of the UMOA region to expedite the adoption of the recommendations on the capital markets framework for implementation.	• Autorité Des Marchés Financières De L'Union Monètaire Ouest Africaine (AMF – UMOA) • Association Ivoirienne des Investisseurs en Capital - AIIC • Ivorian Private Equity Association and regional PEVC Industry Associations (where they exist)
	• Benchmark with more mature and relatively developed African jurisdictions (e.g. Mauritius and Morocco) to establish legal frameworks offering diverse structuring options and Investment Vehicles.	
	• Work to reform 'differential policies" relating to capital account and forex flows, which imposes regulatory and administrative restrictions on non-UMOA region transactions such as transfer of foreign exchange and repatriation of capital and progressively liberalize the zone's capital account to allow for-profit repatriation outside the UMOA region and improve access to foreign exchange for business purposes.	• Autorité Des Marchés Financières De L'Union Monètaire Ouest Africaine (AMF – UMOA) • Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) • Ministries of Finance in the economic bloc
Judicial framework	• Given Cote d'Ivoire's criticality in the WAEMU region, there is an urgent need to direct efforts towards tackling the loopholes in her AML-CFT regime that have seen the country be placed on the FATF grey list. This will go a long way in enhancing both reputation and investor confidence as a compelling and responsible jurisdiction for Fund management and domiciliation. • Deepen and empower specialized commercial courts with fast-track procedures for business-related cases, particularly the Capital Markets Tribunal.	• National Unit for the Processing of Financial Information in Cote d'Ivoire (CENTIF-CI) • Ministry of Justice • Association Ivoirienne des Investisseurs en Capital - AIIC • Local/Regional Bar Association
	• Lobby and dialogue with UMOA member governments to provide more resources in technology, infrastructure (logistics) and human capital training to enhance the Abidjan-based Regional Court of Justice and Arbitration (CCJA) to facilitate and deepen Alternate Dispute Resolution for	

	commercial dispute resolution, enhancing investor confidence.	
Operational efficiency	• Pursue the enactment of the legal framework and the incentive structure for the Fund management ecosystem.	• Association Ivoirienne des Investisseurs en Capital – AIIC • Autorité Des Marchés Financières De L'Union Monètaire Ouest Africaine (AMF – UMOA)
Enabling environment	• Promote public education on the registration requirements for new investments, especially by "non-UMOA investors," to enhance compliance and understanding of requirements for successful foreign exchange transfers. • Authorities to work with the FATF to address the deficiencies in the jurisdiction's AML/CFT/CPF regimes to facilitate its removal from the FATF Grey List which was added in the FATF's October 2024 release.	• Association Ivoirienne des Investisseurs en Capital – AIIC • National Chambers of Commerce in the economic bloc • Ministry of Finance and

5.2.3 Ethiopia

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Use the assets held by Ethiopian Investment Holdings (in excess of USD 43.6 billion) to catalyze private sector involvement in the economy. • Progressively increase private sector and foreign participation in banking, insurance and telecommunications to deepen the operational environment for funds. • Mobilise the vast and growing domestic pension assets to catalyze capital market development for long-term investment in funds and other Investment Vehicles. • Leverage the huge diaspora community to encourage the creation of specialist Investment Vehicles and funds to invest in agribusiness, fin-tech, and other strategic sectors.	• Ethiopian Capital Markets Authority • Ethiopian Investment Commission • Ministry of Finance • Ministry of Foreign Affairs.
Regulatory environment, oversight, and enforcement	• Accelerate the enactment of the current draft Directives (January 2024) of fees, licensing of trading platforms and Self-Regulatory Organisations to complement the recently enacted Directives of licensing of service providers to give effect to and operationalize the Capital Market Proclamation No. 1248/2021 (the "Proclamation") of July 2021.	• Ethiopian Capital Markets Authority • Ethiopian Investment Commission
	• Promote and encourage industry associations as a means to achieve wider stakeholder understanding, buy-in, and transparency regarding licensing, regulations, and supervision that are being established to operationalize the Proclamation.	• Ethiopian Capital Markets Authority • Ethiopian Securities Exchange
	• Continue the programme of progressive liberalization of foreign exchange transfer restrictions	• Central Bank
	• Accelerate the process of granting fiscal incentives to enhance the development and attractiveness of the Investment Vehicles ecosystem.	• Ministry of Finance
Judicial framework	• Increase resource allocation in technology, infrastructure (logistics), and human capital training to enhance the Addis Ababa Arbitration Centre's image and work. Facilitate and deepen Alternate Dispute Resolution for commercial disputes, enhance investor confidence, and maintain compliance with international standards.	• Federal Ministry of Justice.
Operational efficiency	• Pursue intentional policies to encourage investment and business advisory firms and practices, investment banking and attracting the Ethiopian diaspora to enhance skill development to support the Investment Vehicles ecosystem.	• Ministry of Finance
Enabling environment	• Further develop other financial services sectors—banking, insurance, payments, and remittances—through progressive liberalization and privatization to stimulate growth and competition in the industry and enhance fund ecosystem development.	• Ministry of Finance • Ethiopian Investment Commission

5.2.4 Ghana

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Promulgate the Limited Partnership Law and Trust Law to expand the permissible legal structures for funds and provide alternatives for Fund managers and investors. • Establish an Accra International Financial Centre framework to provide a dynamic and investor-friendly business environment and adaptable regulatory frameworks.	• Securities & Exchange Commission • Ministry of Finance, Financial Services Division
Regulatory environment, oversight, and enforcement	• Ensure coordination and alignment of regulatory efforts among regulatory agencies like ORC, MOFEP, SEC, & GIPC.	• Ministry of Finance, Financial Services Division
	• Evaluate and expand existing tax incentives to make them more competitive globally. E.g. exemption from PAYE for Fund managers & waiver of withholding tax on management fees and other incentives.	• Ministry of Finance, Financial Services Division
	• Focus strategic investment incentives on sectors that will be key drivers of growth e.g. Agrotechnology, FinTech and Health sectors.	• Ministry of Finance, Financial Services Division
	• Implement policies to stabilize currency and manage foreign exchange risk.	• Ministry of Finance
Judicial framework	• Encourage activity in specialized commercial courts and provide the judiciary with necessary training with respect to investment-related fast-track cases.	• Ghana Venture Capital & Private Equity Association
	• Enhance and promote mediation under the Arbitration Act, 2010 (Act 798) as a less costly alternative to arbitration & litigation.	• Ghana Arbitration Centre
	• Integrate compliance with sustainability and ESG standards for Fund managers and funds.	• Securities & Exchange Commission
Operational efficiency	• Collaborate closely with ECOWAS for regional integration and create access to regional markets through AfCFTA and the speedy integration of regional payment settlement initiatives like PAPSS.	• Ministry of Finance, Financial Services Division
	• Promote strategic integration of blockchain technology in Fund management for enhanced transparency and security.	• Securities & Exchange Commission
Enabling environment	• Prioritise investment in infrastructure development to create a more viable environment for investment.	• Government of Ghana
	• Streamline and digitize administrative processes to reduce bureaucratic hurdles associated with licensing of funds and Fund managers. • Regularly review and update licensing processes to attract global investors.	• Securities & Exchange Commission

5.2.5 Kenya

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Engage the Government of Kenya to elevate the agenda of domiciliation in the country. The current government has shown openness to support the full establishment of the Nairobi International Finance Centre (NIFC) and its Steering Council. • Support institutional strengthening for NIFC as the lead authority responsible for driving the domiciliation agenda for the country. There is fragmentation between the different financial authorities in the country, creating some overlap and lack of coordination in driving the domiciliation agenda forward. • Develop incentives to increase domestic pension funds investment into PEVC. Following the recent adoption of the Alternative Investment Funds (AIFs) regulation, the jurisdiction has an opportunity to drive greater domestic capital mobilization. Policy incentives must be developed to encourage pension Fund managers to increase their investments into alternative vehicles from the current 1% to the regulatory limit of 10%.	• The National Treasury of Kenya • NIFC Authority • RBA (Retirement Benefits Authority)
Regulatory environment, oversight, and enforcement	• Develop a national domiciliation strategy/action plan to support the domiciliation agenda. Kenya has the wherewithal to establish a strong international financial centre and position itself as a preferred domiciliation jurisdiction.	• The National Treasury of Kenya
	• Evaluate and enhance existing tax incentives to boost global competitiveness, explore options for reducing capital gains tax rates for investors in Kenya-domiciled funds, and expand the country's network of DTTs.	• The National Treasury of Kenya, KRA (Kenya Revenue Authority), NIFC
Judicial framework	• Establish a Financial Services and Technology Arbitration Court to be housed within the NIFC to provide fast-track services for financial and technology-based disputes outside of the existing judicial system.	• NIFC
	• Position the Nairobi Centre for International Arbitration (NCIA) as a Centre for International Commercial Arbitration and Alternative Dispute Resolution. This should be supported by collaboration, training, and exchange programmes with international jurisdictions to sustain investor confidence and maintain compliance with international standards.	• NCIA
Operational efficiency	• Enhance NIFC's capacity to support investors and Fund managers to access regulators and legal and civil services. NIFC can play a strategic role in streamlining administrative processes and reducing bureaucratic hurdles, especially where the touch points are between government ministries and agencies. Develop and enhance centralized information centres to provide investors with essential business-related information, fostering transparency and efficiency.	• NIFC

Enabling environment	• Establish a joint task force to enhance close coordination between industry players, professionals and regulators, to address industry and regulatory issues, and continuously build capacity among actors.	• EAVCA, NIFC, CMA, RBA,

5.2.6 Mauritius

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Support initiatives such as Mauritius Impact Finance Gateway to Africa (MIFGA)[125] and other initiatives to reduce entry costs into Mauritius.	• Mauritius Finance
Regulatory environment, oversight, and enforcement	• Introduce entry requirements for smaller funds and sub-threshold Fund managers to make it easier for them to domicile first-time funds in Mauritius.	• Financial Services Commission
	• Consider reducing compliance, organizational and reporting requirements for smaller funds and sub-threshold Fund managers.	• Financial Services Commission
Judicial framework	• Actively monitor and ensure continued compliance with FATF and other requirements.	• Ministry of Financial Services and Good Governance
Operational efficiency	• Create a strategy around promoting cost-effective professional services and creating a pool of service providers to support smaller funds and sub-threshold Fund managers.	• Mauritius Finance
	• Promote strategic integration of blockchain technology in Fund management for enhanced transparency and security.	• Financial Services Commission
Enabling environment	• Develop a strategy and actively promote impact investment in Mauritius through funds domiciled in the country.	• Mauritius Finance • National Advisory Board for Impact Investing, Mauritius

[125] Mauritius Investment and Financial Services Global Authority (MIFGA). MIFGA, https://www.mifga.fund/.

5.2.7 Morocco

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Use the new amendment of the Moroccan Investment Law to strengthen the role of private equity in view of the Mohammed VI Fund for Investment (M6FI), which is aimed at catalyzing investment by mobilizing domestic and international private and public sector investors in Fund domiciliation in the country. • Promote inter-stakeholder coordination to support marketing, business and investor promotion, and Fund registration to complement the M6FI. • Initiate and implement policies that progressively target and increase limits of pension assets to invest in local private equity and venture capital funds.	• Morocco Ministry of Economy and Finance • AMMC • AMIC • AMDIE • CFC
Regulatory environment, oversight, and enforcement	• Accelerate and implement new regulations and incentives to address stakeholders' perception that the approval process is unpredictable and takes long to implement.	• AMMC
Judicial framework	• Enhance the capacity of local arbitration courts to handle investment disputes domestically.	• Casablanca International Mediation and Arbitration Centre (CIMAC)
Operational efficiency	• Review the cost structure for locating within the Casablanca Finance City (CFC) to improve cost efficiencies for stakeholders.	• CFC
Enabling environment	• Showcase “intentionality” through initiatives and policies (including incentives) to deepen the private equity asset class to leverage the huge economic potential of the country.	• AMIC • AMMC

5.2.8 Nigeria

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Utilise significant pools of institutional funds through appropriate Investment Vehicles such as private equity, venture capital, infrastructure funds, and real estate investment schemes (REISs), attracting both domestic and international investors seeking diverse asset classes. • Strengthen retail Investment channels. For example, the SEC's existing Crowd Funding policy can present a unique opportunity to mobilize the retail sector, including informal sources of domestic capital. • Promote Infrastructure Investment, as Nigeria's infrastructure deficit presents an opportunity for international and domestic institutional investors. • Encourage diaspora investment to leverage the large diaspora population with significant financial resources. • Utilise the vibrant entrepreneurial ecosystem and MSME sector to identify opportunities for domestic capital crowding-in and investments from international impact investors.	• Securities and Exchange Commission (SEC) • Central Bank of Nigeria (CBN) • Pension Commission of Nigeria
Regulatory environment, oversight, and enforcement	• Recent reforms in shelf registration, double taxation, and collaboration with industry associations enhance Nigeria's appeal. Further, strengthen these to enhance the gains currently being achieved. • Simplify tax procedures and provide more competitive fiscal incentives to attract local and foreign investors. • Implement the recommendations of the Presidential Committee on Tax Reforms and fiscal policy to streamline taxes and reduce the burden on ecosystem players. • Implement more DTTs to streamline the tax regime to be competitive.	• Securities and Exchange Commission (SEC) • Federal Inland Revenue Service (FIRS) • Presidential Committee on Tax Reforms and relevant government agencies
	• Address challenges related to currency exchange volatility, availability, and transferability, as these impact domiciliation decisions. The government should intensify its current actions to address the volatility.	• Central Bank of Nigeria • Presidential Enabling Business Environment Council (PEBEC)
	• Intensify efforts to address the current grey listing.	• Ministry of Finance (MoF) • CBN
Judicial framework	• Improve judicial infrastructure to speed up legal dispute resolution and enforcement. • Invest in the development of existing Arbitration Centres and the upskilling of the capacity of the judiciary to handle complex financial disputes.	• Ministry of Justice. Judiciary, Legislature SEC, and other relevant

	• Strengthen the Investment and Securities Tribunal (IST) window for legal disputes and arbitration within the sector to speed up dispute resolutions by deploying more resources, capacity building, and upskilling legal personnel on Fund and investment matters. This will, in turn, have a positive impact on the regulatory environment.	government agencies • The Nigerian BAR Association
	• Implement holistic solutions to the systemic challenges within the legal infrastructure to preserve the Rule of law and enhance a more efficient administration of justice, specifically on issues such as logistics, technology, connectivity, and turnaround time.	• Judiciary as a whole
Operational efficiency	• Make costs of professional services in respect of domiciliation, Fund, and investment vehicle-related fees more cost-effective and competitive, especially for small funds.	• Various industry associations as this are market-driven
	• Regulators need to create special windows to improve ease of access by players, for example, the one-stop-shop concept imbibed by some countries.	• Relevant government ministries • Relevant regulatory bodies to customize
Enabling environment	• Currency exchange volatility, availability, and transferability are major challenges affecting domicile decisions. The government must intensify its current actions to arrest the volatility. • Promote business competitiveness by fully implementing recent legislation such as the Business Facilitation (Miscellaneous Provisions) Act 2023 and the Nigeria Start-Up Act to create a more conducive environment for start-ups and businesses.	• Central Bank of Nigeria • Presidential Enabling Business Environment Council (PEBEC)
	• Leverage regional integration by being a regional hub for many funds; deepen active participation in regional frameworks such as WAEMU to harmonize regulations and promote cross-border investment opportunities.	• Ministry of Trade and Investment. • Nigeria Investment Promotion Council (NIPC)
	• Enhance the Fund set-up process by improving transparency, timelines, and cost. Expand the Fast-Track Licensing Program to further streamline licensing procedures for Fund Managers.	• SEC
	• Enhance the enabling infrastructure to support the ecosystem through access to power, logistics, connectivity, etc.	• Relevant government ministries
	• Broaden digital transformation utilization: Incorporate Blockchain technology and expand digital platforms and systems such as the SEC's e-Dividend Mandate Management System to streamline processes and improve investor experience.	• SEC (with relevant technology providers)

5.2.9 Rwanda

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Promote and position KIFC as a premier Sub-Saharan Africa investment domicile centre targeting Africa-focused impact funds and regional investors. • Target the technology-focused funds, as these have high potential. This could also drive interest in the domicile while leveraging the association factor to attract other players in the tech ecosystem and beyond.	• Rwanda Finance Limited (RFL)/KIFC
Regulatory environment, oversight, and enforcement	• Build a track record to match the regulatory and legislative regime enhancements to match or even exceed the standards set by prominent jurisdictions such as Luxembourg, Mauritius, and Delaware. This is crucial in the pursuit to establish itself as an International Finance Centre (IFC), especially considering its limited track record compared to other IFCs.	• RFL/KIFC
	• Implement a Monitoring and Evaluation system to sustain these positive developments consistently over the long term and make continuous enhancements to earn recognition from peers and competitors.	• RFL/KIFC
	• Feature an FAQ section on the KIFC website, addressing queries typical of investors or legal professionals considering KIFC as a potential Fund domicile. Examples include clarifying whether a Rwanda-based Fund must use the Kigali International Arbitration Centre for dispute resolution (answer: no), the requirement for Rwandan staff in such funds (answer: yes, at least 30% Rwandan presence), and potential legal nuances regarding resignations from company positions. Providing such detailed guidance is likely to enhance market confidence in utilizing the KIFC.	• RFL/KIFC
	• Improve Judicial Infrastructure to speed up legal dispute resolution and enforcement. • Invest in developing existing Arbitration Centres and upskilling the judiciary's capacity to handle complex financial disputes. • Strengthen the Investment and Securities Tribunal (IST) window for legal disputes and arbitration within the sector to speed up dispute resolutions by deploying more resources, capacity building, and upskilling legal personnel on Fund and investment matters. This will, in turn, have a positive impact on the regulatory environment.	• Ministry of Justice Judiciary, Legislature and SEC, and other relevant government agencies • The Rwanda BAR Association (RBA) • Capital Markets Authority (CMA)
	• Diversify Fund structures: Explore opportunities to introduce new and innovative Fund structures to attract a broader range of investors, given the size and diverse opportunities in the market.	• KIFC • Rwanda Development Board (RDB) • CMA

	• Implement initiatives to expedite regulatory approval timelines.	• CMA/RFL
Judicial framework	• Set up a competency framework and training for its judicial system, including investment in training and technology to expedite case resolution.	• MoJ/Judiciary/RFL
	• Create a programme for upskilling legal professionals to adeptly handle intricate investment vehicle structures, alongside ongoing efforts to attract both regional legal practitioners and global legal firms to the country.	• Judiciary/RFL
	• Continuously improve and enhance the credibility and acceptance of Kigali International Arbitration Centre to the Fund management industry.	• RFL
Operational efficiency	• Streamline regulatory processes by updating licensing processes for accreditation of Fund managers.	• CMA/RFL
	• Collaborate closely with RECs (Regional Economic Communities) for regional integration and unified external tariff, including reviewing and updating licensing processes. This would also facilitate the recruitment of industry experts and align regulatory standards with regional partners to facilitate cross-border transactions.	• RFL • RDB • CMA • National Bank of Rwanda (NBR)
Enabling environment	• Consider incentives for funds focused on emerging sectors like SMEs and renewable energy to foster economic growth.	• RFL
	• The present requirement mandates a Rwandan staff presence of approximately 30% for funds domiciled at KIFC, in accordance with Rwandan law, which prohibits forced resignations from companies. Offering companies flexibility such as the option to establish their own hiring policies. This flexibility is likely to boost market confidence in using the KIFC.	• RFL

5.2.10 Senegal

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Use the experience, profile and assets of FONSIS to catalyse capital markets development and domestic capital mobilisation for long-term investments in funds and other Investment Vehicles. • Actively pursue policies and measures that leverage Senegal's unique regional position within WAEMU as the technology and diplomatic hub to attract investment funds and vehicles financing fin-tech and diplomatic partners across WAEMU and the wider Francophone Africa.	• FONSIS • APIX – Agency for Promotion of Investments and Major Works (APIX-SA) • Ministry of Commerce
Regulatory environment, oversight, and enforcement	• Use the country's leadership position to pursue active dialogues with sister member countries of the WAEMU region to expedite ratification of the capital markets framework for implementation.	• Autorité Des Marchés Financières De L'Union Monètaire Ouest Africaine (AMF – UMOA)
Judicial framework	• Encourage routine use of the Abidjan-based Regional Court of Justice and Arbitration (CCJA) to facilitate quick dispute resolution.	• Ministry of Justice, Senegal • Local PE Association
	• Lobby and dialogue with member governments to provide more resources in technology, infrastructure (logistics), and human capital training to enhance the Abidjan-based Regional Court of Justice and Arbitration (CCJA), facilitate and deepen alternative dispute Resolution for commercial disputes, enhance investor confidence, and maintain compliance with international standards.	
Operational efficiency	• Work to reform 'differential policies" relating to capital account and forex flows, which imposes regulatory and administrative restrictions on non-WAEMU region transactions such as transfer of foreign exchange and repatriation of capital and progressively liberalize the zone's capital account to allow for-profit repatriation and outside the UMOA region and improve access to foreign exchange for business purposes.	• Autorité Des Marchés Financiéres De L'Union Monétaire Ouest Africaine (AMF - UMOA) • Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) • Ministries of Finance in the economic bloc
	• Promote public education on the registration requirements for new investments, especially by "non-WAEMU investors," to enhance compliance and minimize misunderstandings of the requirements for successful foreign exchange transfers.	• Local PE industry association led by AFIG Funds and Teranga Capital • National Chambers of Commerce in the economic bloc

Enabling environment	• Pursue the enactment of the legal framework and the incentive structure for the Fund management ecosystem.	• Autorité Des Marchés Financiéres De L'Union Monétaire Ouest Africaine (AMF - UMOA) • Ministries of Finance and Commerce
	• Initiate reforms and intentionally stimulate private sector business development and promotion, which remains comparatively low and has room for growth and investment.	• Ministry of Commerce • Fonds Souverain d'Investissement Stratégiques de SA (FONSIS)

5.2.11 South Africa

<table>
<tr><th>PARAMETERS</th><th>RECOMMENDATIONS</th><th>POTENTIAL IMPLEMENTATION PARTNERS</th></tr>
<tr><td>Overall recommendations</td><td>• Actively advocate for the government to implement a robust strategy aimed at positioning the country as a leading Fund domicile. Leveraging its well-established ecosystem and robust financial sector, this aggressive approach can enhance South Africa's standing in the global market.
• Allocate the nation's substantial pension assets into emerging funds focused on technology, green initiatives, or climate resilience. This strategic deployment will catalyze the formation of a new ecosystem and incentivize international investors to establish similar funds, thereby promoting growth and innovation in these sectors and creating new demand.</td><td>• Southern Africa Venture and Private Equity Association EA and other regulatory bodies
• PIC, Financial Sector Conduct Authority (FSCA)</td></tr>
<tr><td rowspan="3">Regulatory environment, oversight, and enforcement</td><td>• Address currency control limitations and bureaucratic challenges, whether real or perceived by practitioners. The negative perception from external investors persists, impacting investment sentiment.</td><td>• South African Reserve Bank (SARB) and National Treasury
• Department of Trade, Industry and Competition</td></tr>
<tr><td>• Enhance regional and international collaborations, given its unique position—it could be positioned as a regional Fund domicile supporting the smaller markets within the region.</td><td>• Financial Sector Conduct Authority (FSCA)
• South African Reserve Bank (SARB)
• The National Treasury
• Southern African Development Community (SADC)</td></tr>
<tr><td>• Take active measures to mitigate concerns related to currency volatility and repatriation procedures.</td><td>• South African Reserve Bank (SARB) and National Treasury</td></tr>
<tr><td rowspan="2">Judicial framework</td><td>• Direct urgent efforts toward resolving the current status on the FATF grey list to enhance the reputation as a responsible and appealing jurisdiction for Fund managers.</td><td>• National Treasury,
• The Financial Intelligence Centre (FIC)
• South African Reserve Bank (SARB)
• Financial Sector Conduct Authority (FSCA)
• Financial Sector Participants
• Estate Agents Affairs Board
• Various Lawyers Associations</td></tr>
<tr><td>• Enhance specialized commercial courts for faster legal resolution.</td><td>• Department of Justice and Constitutional Development (KoJ)
• Constitutional Development (CD)</td></tr>
</table>

Operational efficiency	• Strengthen promotion efforts to position South Africa as a competitive Fund domicile globally. The well-established and deep financial markets have the potential for steering domicile jurisdiction, but the government does not seem to be strategically focused on this.	• National Treasury • The Financial Sector Conduct Authority (FSCA) • The Department of Trade, Industry, and Competition (DTIC).
Enabling environment	• To improve the business environment, it's essential to tackle high legal costs and lengthy resolution times. Addressing these challenges will streamline bureaucratic processes, making it easier to do business. This will reduce costs and delays, creating a more conducive environment.	• Department of Trade, Industry, and Competition (DTIC) • Department of Justice and Constitutional Development
	• Focus on continuous improvement in digital infrastructure, including wide-scale adoption of blockchain technology.	• Department of Justice and Constitutional Development, • the Financial Sector Conduct Authority (FSCA)
	• Further and deeper collaboration with ecosystem players within this ecosystem is needed to further expose the potential.	• Southern African Venture Capital Private Equity Association (SAVCA)

5.2.12 Togo

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Togo should be supported by private and public stakeholders to develop into a domiciliation hub in the UEMOA region. This is because it has regional existing developmental banks and international status that host multiple structures for local and international investors.	• Central Bank (BCEAO) • Capital Markets Regulator (CREPMP) • Ministry of Finance
Regulatory environment, oversight, and enforcement	• Increase global awareness through marketing about its Fund structure flexibility and the ease of Fund set-up, which will encourage investors to establish more funds in the jurisdiction.	• Ministry of Finance • UEMOA Commission • Ministry of Communication and Media
	• Maintain the low cost of Fund registration to encourage the expansion of the investment Fund landscape. This can be done through regulations that preserve the low cost of Fund registration.	• Ministry of Finance • BCEAO
	• Explore opportunities to introduce new and innovative Fund structures to attract more investors. • Focus funds on emerging growth or priority sectors to promote diversification e.g. SME funds, the health sector and FinTech.	• Industry players/ Ecosystem ena blers • BCEAO
Judicial framework	• Re-invigorate the specialized commercial courts with fast-track procedures for business-related cases.	• Ministry of Justice
	• Provide continued training and capacity building to the International Centre for Arbitration and Mediation (CIAM), which is responsible for managing commercial disputes in the maritime and financial sectors.	• Ministry of Justice
	• Increase the speed and efficiency of managing investment disputes by adopting procedures similar to those used by SEGUCE (Société d'exploitation du Guichet Unique pour le Commerce Extérieur).	• Ministry of Justice
Operational efficiency	• To reduce delays in transferring funds, it's crucial to address the bottlenecks caused by inspections required for compliance with anti-money laundering and counter-terrorism funding legislation, as well as delays stemming from foreign exchange conversions. Implementing streamlined internal processes for compliance and conversions within the banking system will be essential for enhancing efficiency.	• BCEAO
	• Continue to collaborate closely with WAEMU on improving logistical networks, streamlining customs procedures in the region, and increasing security in the border areas.	• BCEAO

	• Increase the use of online payment systems.	• GIM-UEMOA • BCEAO
Enabling environment	• Prioritise investment into infrastructure (power, road network, internet connectivity and cost of logistics). • Establish information centres to provide investors with essential business-related information.	• Ministry of Infrastructure and Transport • Ministry of Commerce and Industry
	• Streamline administrative processes and reduce bureaucratic hurdles. Continue to implement reforms in public procurement passed in 2022, to harmonise regulations and provide a better investment environment.	• CREPMP • BCEAO
	• Work to simplify procedures and reduce costs for business. This process should include the promotion of more digitization and automated tax payments.	• Ministry of Finance

5.2.13 Uganda

PARAMETERS	RECOMMENDATIONS	POTENTIAL IMPLEMENTATION PARTNERS
Overall recommendations	• Leverage the large local pension assets to catalyze MSME financing and invest in MSME funds. • Tap into the sizable diaspora and develop targeted funds for them. • Expand the available Fund structure options to include GPs, LPs, and other specialist Fund structures.	• Capital Markets Authority (CMA); and Uganda Retirement Benefits Regulatory Authority (URBRA); BoU • Uganda Investment Authority; and CMA. • Ministry of Foreign Affairs; & Ministry of Finance. • Ministry of Works; Ministry of East Africa; & Ministry of Agriculture.
Regulatory environment, oversight, and enforcement	• Fast-track review of and update licensing processes to maintain responsiveness to global trends and position Uganda as a global destination for domiciliation. • Introduce best in class Fund structures sought out by investors that are currently missing in the Ugandan jurisdiction. • Establish an incentive framework for funds focusing on emerging growth or priority sectors to promote diversification.	• CMA • CMA and URBRA • Ministry of Finance; & Uganda Investment Authority (UIA)
	• Regulator-to-Regulator Agreements with other financial service regulators to manage multi-jurisdictional investment funds.	• Ministry of Finance; Bank of Uganda, Uganda Retirement Benefits Regulatory Authority, Financial Sector Deepening-Uganda; Ministry of East African Affairs
	• Evaluate and revise existing tax incentives to make them more competitive and compelling globally. • Consider creating a special regulatory free-zone area for Fund domiciliation/ management, e.g. IFCs. • Expand the available network of DTTs for Uganda to be more competitive and attractive.	• Ministry of Finance; & Uganda Revenue Authority (URA)
Judicial framework	• Ensure independence of legal, administrative, and fiscal systems from political influence. • Train judicial officers on investment officers.	• Ministry of Justice; Uganda Law Society

	• Empower specialized commercial courts with fast-track procedures for business-related cases, particularly establishing the Capital Markets Tribunal. • Invest in training and technology for the judiciary to expedite case resolution	
	• Empower the 'Centre for Arbitration and Dispute Resolution to facilitate quick dispute resolution, instil investor confidence, and maintain compliance with international standards.	• Ministry of Justice; Centre for Arbitration and Dispute Resolution (CADER).
	• Progressively integrate international protocols relating to the financial sector into the ecosystem. The country has signed numerous protocols but needs to be intentional in actively integrating them into the financial sector framework and ratifying them. • Actively promote the integration of ESG and sustainable financing frameworks and standards.	• Ministry of Justice; & CMA • Ministry of Finance; FSD-Uganda; & Civil Society Organisations
Operational efficiency	• Collaborate closely with EAC member states and COMESA on regional integration and a unified external tariff to leverage the economies of collective strategies (embedded in RECs). • Be the regional champion for the AfCFTA continental market and unified currency agenda, which holds huge promise for opening up a larger market.	• East African Community Secretariat; Ministry of East African Affairs
	• Explore the strategic integration of blockchain technology in Fund management for enhanced transparency and security in collaboration with FinTech companies.	Bank of Uganda; Blockchain Association of Uganda (BAU); Financial Technology Service Providers Association (FITSPA)
	• Prioritise considerable investment in the development of financial infrastructure, such as payment, clearing and settlement systems, internet connectivity, et al • Further stimulate the development of the wider financial sector to galvanize growth and competition in the industry—banking, microfinance, insurance, pension, payments, remittances, etc.	• Bank of Uganda; Ministry of ICT • Ministry of Finance; FSD-U; Private Sector Foundation Uganda (PSFU)
Enabling environment	• Manage the government's inclination to borrow, as this has impacted public debt management and contributed to crowding out the private sector in the debt market. • Promotion of SME Fund and fin-tech initiatives will serve to counter the unemployment rates & stimulate demand.	Ministry of Finance; Bank of Uganda

5.3 Path Forward

Mastercard Foundation's instinct to examine this topic is prescient. Africa's population is predicted to double by 2050, and steps taken today will work toward enhancing the opportunities of that future. Jurisdictions with the potential today to become attractive partners and influencers for Investment Vehicles will be better prepared to draw much-needed capital for domestic entrepreneurs and innovators. The associated ecosystem that develops around a vibrant and attractive Fund jurisdiction can be an essential part of a country's development pathway. The African countries which are now positioning themselves for this will undoubtedly see economic payoffs.

Invariably, being deliberate about Fund domiciliation on the continent will position domestic Investment Vehicles to receive a significant boost of investment capital either from the angle of channelling assets from local pension funds and institutional investors or unlocking funds from international investors. This enhances their capacity to finance African MSMEs, who in turn create jobs which are accessible to youth and women, including from rural regions.

Attractive Fund domiciliation jurisdictions will be able to achieve the following:

- **Attracting international investment capital:** Investors are always looking for opportunities to deploy capital. Attractive domiciliation jurisdictions offering the needed incentives to investors, with competent professional service providers and an efficient legal system, will draw in international investors to participate in the Investment Vehicles in such locations. Africa will be better positioned to attract its fair share of global investment assets if countries intentionally position themselves as alternatives to the current status quo.

- **Unlocking of domestic capital, particularly from pension funds, into Investment Vehicles: Pension funds in various African countries control a lot of under-deployed assets, with most of these funds investing predominantly in government-backed instruments** and real estate projects. Pension Fund assets across Africa represent highly untapped resources, providing pension Fund managers an opportunity to make alternative investments into the PE/VC sector in various African countries. This could be unlocked as the right frameworks are created for Investment Vehicles to domicile smoothly in such jurisdictions.

- **Becoming key drivers for domestic capital mobilization and inclusive economic participation:** Although domiciliation is important for attracting foreign capital flows from institutional investors, it is equally as important to accelerating the flow of domestic capital through not only domestic Pension Funds but through locally innovative pooled funding mechanisms such as sophisticated chamas, tontines, investment clubs. Being locally domiciled will allow these structures to pool local retail and institutional capital to deploy in local currency, using funding instruments that meet the needs and realities of MSMEs on the ground. The structures further increase the local economic participation of retail investors who otherwise would not be able to invest in and profit from local MSME growth, whose value is usually exported through foreign-held capital.

In conclusion, Africa has a hugely untapped potential in its youthful population and a rather urgent need to create opportunities to deploy the potential of its entrepreneurs and labour force meaningfully. Whereas Fund domiciliation on the continent is not the magic bullet to all of these challenges, it could still go a long way to unlock latent investment capital, especially from local pension funds, crowd-in international investment capital to invest in domestic Investment Vehicles, offer an unmatched supply of willing capital into Africa's entrepreneurial community for their growth and expansion, and ultimately, empower these businesses to create jobs for young people and women, lasting impact and shared prosperity.

This report shows that domiciling investment funds and vehicles can drive investment and mobilize domestic capital in Africa, promoting grassroots economic participation, local value retention, and recognition of local innovation. It is a call for investors (retail and institutional) and Fund managers seeking to capitalize on economic, sustainability, and inclusion goals. It also addresses African policymakers, regulators, and ecosystem builders interested in strengthening institutions and enabling long-term growth to work together in building an inclusive and resilient investment ecosystem for future generations on the African continent. The need now is to create an ecosystem dialogue that will inspire these stakeholders toward greater advocacy, collaborative action and system-level coordination. This will create an enabling environment for mutually reinforcing capital mobilization activities (domestic and international) to attain the end goal of creating dignified and fulfilling employment for the targeted groups.

Annexes

Annex A. Country Fact Sheet

The table presented draws upon information available in the public domain from multiple sources as of October 2024. Readers are advised that the Fund domicile environment is continuously evolving, and the facts contained here may need to be updated over time.

Countries	**Primary government & regulatory body**	**Permissible Fund structures**	**Primary law enforcement body in case of investment disputes**	**List of key applicable regulations/ laws**	**Applicable tax types and rates**	**Fiscal Incentives for funds**	**List of Double Taxation Treaties (DTTs)**	**FATF status** (Countries that successfully maintain financial systems that comply with the FATF's AML recommendations)
Cape Verde	Capital Market Commission (CMC)	Public Limited Companies (sociedade Anonima), Limited Companies (Sociedade por Quotas)	Tribunal de Commerce, First instance courts	Investment Law Decree-Law No. 34/2013	Corporate Tax: 22%, VAT: 15% Capital gains tax- taxed as ordinary business income, Dividend tax: 0%, Interest income tax: 20%, Stamp Duty - credit operations: 0.5%, Interest – 3.5%, Guarantees and security interest: 0.5%. Profits for five years relating to foreign investment - 0%, Principal and interest payments relating to foreign investments:10% after the sixth year of activity. Payroll Tax: 16.5% - 27.5% graduated	Standard Income Tax Rate: 0% (except for capital gains) Foreign Income Tax Rate: 10% (except for capital gains) Capital Gains Tax Rate: 10% Real Estate Income Tax Rate: 10% Special Capital Gains Tax Rate (for over 50% of income): Effective rate of 7.5% Venture Capital Tax Rate: Exempt from CIT Income from Securities Funds and Real Estate Investment Funds Tax Rate: Exempt from CIT	**3 Countries**. Guinea-Bissau, Macau, Portugal	Not listed (Last evaluated: December 2021)

Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status
Cote D'Ivoire	Regional Council for Public Savings and Financial Markets (CREPMF)	General Partnership (SNC), Limited Partnership (SCS), Joint Venture, Private Limited Company (SARL), Single-Member Private Limited Company	Tribunal de Commerce, Common Court of Justice and Arbitration of the Organisation for the Harmonisation in Africa of Business Law	OHADA corporate law, Ivory Coast Investment Code 2018, Ordinance No. 2018-646.	Corporate income tax: 25%, VAT: 18%, Capital gains tax: taxed at corporate income tax rate, Dividend tax:15%, Interest income tax:18% Payroll Tax: 2.8% for local, 12% for expatriate	Corporate Income Tax: Exempt Business Licence Duty and Trading Licence: Exempt VAT and Additional Tax on Imports for specific companies: Exempt Real Estate Tax: Exempt Registration Duty on Increase of Capital: Exempt Zone-Based Exemptions: Zone A: 5 years Zone B: 8 years Zone C: 15 years Reduction in Exemptions: Exemptions reduced by 50% up to 25% in the final 2 years	**17 Countries.** Belgium, Canada, France, Italy, Morocco, Norway, Portugal, Switzerland, Tunisia, United Kingdom, Benin, Burkina Faso, Mali, Niger, Senegal, Togo, Guinea Bissau	Grey list (Last evaluated: October 2024)
Ethiopia	Ethiopian Securities Exchange (ESE)	Sole Proprietorship, Local or foreign enterprise, public enterprise, Cooperative Society	Commercial Bench of High Court.	New Commercial Code (NCC), 2021, Investment Proclamation No1180/2020	Corporate Tax: 30%, VAT 15%, Capital gains tax: 30%, Dividend tax: 10%, Interest income tax: 10%, Payroll Tax: 10% - 35% graduated	Income Tax Holiday: 1 to 9 years (depending on activity and location) Regional Income Tax Deductions: 30% for 3 consecutive years after the tax holiday period ends.	**20 Countries.** China, Cyprus, Czech Republic, France, India, Ireland, Israel, Italy, Korea, Kuwait, Netherlands, Portugal, Romania, Russia, Saudi Arabia, Singapore, South Africa, Tunisia, Turkey, United Kingdom.	Not listed (Last evaluated: August 2022)
Ghana	Securities and Exchange Commission (SEC)	Private Limited Companies for private equity funds, venture capital funds, money market funds, angel investments, fixed-income funds, growth and equity funds, REITS, index funds, Crowd Funds, and Fund of funds	High Court (Commercial Division) and (Fast track)	Venture Capital Trust Fund Act, 2004 (Act 680), Securities Industry Act, 2016 (Act 929), Securities and Exchange Commission (Amendment) Regulations, 2019 L. I. 2387, Private Funds Guidelines	Corporate Tax: 25% VAT: 15%, Capital gains tax: (individuals 15%, for Companies it is taxed together with corporate income tax), Dividend: 8%, Interest income:8%, Payroll Tax: 17.5% - 35% graduated, Non-residents:25%	For VC funds - Income Tax: 5% VAT: 0%, Stamp Duty:0%, Withholding tax on Interest and dividends:1%, Loss Carry Over - 3 years	**14 Countries.** Belgium, Czech Republic, Denmark, France, Germany, Italy, Mauritius, Morocco, Netherlands, Qatar, Singapore, South Africa,	Not listed (Last evaluated: August 2022)

				(2018), Companies Act, 2019 (Act 992)			Swiss, and the United Kingdom.	

Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status
Kenya	Capital Markets Authority (CMA) Kenya	Limited Liability Company, Limited Partnerships, private equity funds	Commercial division of the High Court	Companies Act No. 17 of 2015, Finance Act, No 4 of 2023, Capital Markets (Registered Venture Capital Companies) Regulations, 2007.	Corporate Tax: 30% VAT: 16% Capital gains: 15% Dividend Tax: > 12.5% voting power :0% for resident companies, 15% for non- residents <12.5% voting power- 5% WHT for resident, 15% WHT for non- resident, Interest income tax – included in the determination of taxable income unless expressly exempted from income tax Payroll Tax: 25% - 35% graduated	Corporate Tax Holiday: 10 years Tax Rate After Tax Holiday Period: 25% for the next 10 years Withholding Tax Holiday on Dividends and Remittances to Non-Residents: 10 years (except for EPZ commercial licence enterprises) Stamp Duty : Perpetual exemption on legal instruments Investment Deduction: 100% deduction on new buildings and machinery within the EPZ VAT Registration: exempt Excise Duty: exempt VAT and Customs Import Duty on Inputs: exempt Stamp Duty: exempt Corporate tax for health sector - 10%	**15 countries.** Canada, Iran, South Korea, Denmark, Norway, Sweden, France, Qatar, United Arab Emirates, Germany, Seychelles, United Kingdom, India, South Africa, Zambia	Grey List (Last evaluated: February 2024)

Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status

Mauritius	Financial Services Commission (FSC)	Limited Liability Company, Trust, Limited Partnership, Protected Cell Company, Variable Capital Companies (VCC), Collective Investment Scheme (CIS), Closed- End Fund (CEF)	The Commercial Division of the Supreme Court	Companies Act 2001, Limited Partnership Act 2011, Securities Act 2005 (Securities Act), the Securities (Licensing) Rules 2007, the Securities (Preferential Offer) Rules 2017 (as recently amended by the Securities (Preferential Offer) (Amendment No. 2) Rules 2021, the Financial Services Act 2007 (FSA 2007), the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 (Securities Regulations 2008), the Financial Services (Peer to Peer Lending) Rules 2020, the Securities (Solicitation) Rules 2020, the Securities (Real Estate Investment Trusts) Rules 2021, and the Securities (Exemption) Rules 2021 The Variable Capital Companies Act 2020 (VCC Act)	Corporate Tax: 15% VAT: 15% Capital gains tax: 0% Dividend Tax: exempt for both resident and non -resident from tax on dividend received from resident companies, Interest income: 15%, Payroll Tax: 15%.	Income Tax Exemption: 5 years Reduced Income Tax Rate: 8.5% for 20 years after the initial exemption period Exemption from Withholding Tax on Dividends: Permanent for non-resident investors VAT and Customs Duty Exemptions: Unlimited	**46 Countries.** Australia, Barbados, Belgium, Botswana, Cabo Verde, China, Congo, Croatia, Cyprus, Egypt, Estonia, Eswatini, France, Germany, Ghana, Guernsey, Hong Kong, India, Italy, Jersey, Kuwait, Lesotho, Luxembourg, Madagascar, Malaysia, Malta, Monaco, Mozambique, Namibia, Nepal, Oman, Pakistan, Rwanda, Peoples Republic of Bangladesh, Seychelles, Singapore, South Africa, Sri Lanka, State of Qatar, Sweden, Thailand, Tunisia, Uganda, United Arab Emirates, United Kingdom, Zimbabwe	Not listed (Last evaluated: June 2021)
Countries	**Primary government & regulatory body**	**Permissible Fund structures**	**Primary law enforcement body in case of investment disputes**	**List of key applicable regulations/ laws**	**Applicable tax types and rates**	**Fiscal Incentives for funds**	**List of Double Taxation Treaties (DTTs)**	**FATF status**

Morocco	Autorité Marocaine du Marche des Capitaux (AMMC)	Two categories 1. Classic Vehicles Legal forms under Moroccan law - société Anonyme - société par Actions Simplifiées - société en Commandite par Actions Foreign Vehicles - limited partnership - limited liability company 2. OPCR Regime - Venture Capital Corporation - Mutual Risk Investment Fund	Commercial Court	Law No. 58-22, Law No. 41-05	Corporate Tax: 0- 300 000 (10%), 300 001- 1M (20%), over 1 M (31%) VAT: 20% Capital gains tax: taxable as part of corporate tax, Dividend Tax: 13.75%, Interest income tax: 20%, Payroll Tax: 10% - 34% graduated	CIT: exempt for First 5 years Applicable CIT Rate After Exemption Period: 8.75% for the following 20 years Dividends Paid to Non-Residents: exempt	**50 Countries.** Arab Maghreb Union, Austria, Bahrain, Belgium, Bulgaria, China, Canada, Czech Republic, Denmark, Egypt, Finland, Lithuania, Benin, Ghana, Madagascar, Slovenia, Japan, Russia, Serbia, Luxembourg, Lebanon, Romania, Saudi Arabia, Latvia, Qatar, United States, Korea, Portugal, United Kingdom, Jordan, Poland, United Arab Emirates, Italy, Pakistan, Ukraine, Ireland, Oman, Turkey, Norway, Syria, India, France, Singapore, Switzerland, Spain, Malta, Germany, Malaysia, Hungary, Netherlands.	Not listed (Last evaluated: **February** 2023)
Nigeria	Securities and Exchange Commission (SEC) Nigeria	Limited Partnership, Trust and Limited Liability Companies. Collective Investment Schemes (CIS) e.g. Open-ended investment companies, venture capital funds, REITS, Infrastructure and specialised funds, Unit Trusts, Mutual Funds, Fixed Income Funds, Money Market Funds, Crowd Funds, Fund of Funds	Investments and Securities Tribunal (IST), Federal High Court (FHC)	Companies and Allied Matters Act of 2020 (“CAMA”), Finance Act 2021, Venture Capital Incentives Act, Venture Capital (Incentives) Act, Rules and Regulations issued by the Securities and Exchange Commission (SEC Rules).	Corporate Tax: 30%, small companies (20%) VAT: 5% Capital gains tax: 10%, Dividend tax: 10%, Interest income tax: 10%, Payroll Tax: 7% - 24% graduated	Tax Holidays: Initially 3 years, extendable up to 2 years CIT Range: 20-30%, depending on industry Withholding Tax on Dividends: 10% VAT: 5% Capital Gains Tax Rate: 10% Exemption for Shares in Companies from Capital Gains Tax: Generally applicable Stamp Duty: Charged at various flat and ad valorem rates, maximum of 2% FTZ Taxes and Levies: Exempt from all federal, state, and local government taxes; rate 7 levies Repatriation of	**16 Countries**. Canada, Pakistan, Belgium, France, Romania, Netherlands, United Kingdom, China, South Africa, Italy (airline and shipping only), Philippines, Czech Republic, Slovakia, Singapore, Sweden, and Spain.	Grey list (Last evaluated: February 2024)

Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status
						Capital, Profits, and Dividends: 100% Pass-through tax status: IVs like trusts, limited partnerships, and Real Estate Investment Trusts (REITs): No corporate level taxation, Income taxed only at the investor level.		
Rwanda	Capital Market Authority (CMA) Rwanda	Limited Partnership, Unit Trust Schemes, Investment Company Schemes, and Contractual Schemes, REITS, and Limited Liability Company	Commercial High Court	Companies Act(Law no. 007/ 2021), Investment Promotion and Facilitation Law N° 006/2021, Law N° 063/2021 OF 14/10/2021, Governing Trusts, Law N°45/2018 of 13/08/2018, Modifying Law N°01/2011 of 10/02/2011 Regulating Capital in Rwanda as Modified to Date, Law No 24/2010 of 28/05/2010, Modifying and Complementing Law N° 16/2005 of 18/08/2005 on Direct Taxes on Income, Regulation No20 of 05/07/2016, Modifying and Complementing Regulation No14 of 05/08/2013 on The Real Estate Investments Trusts.	Corporate Income Tax rate:28%. WHT on royalty paid by Rwanda resident entities to non-residents: 15%. VAT: 18% Payroll Tax rate: 30%	KIFC investors Corporate Income Tax: 3% (preferential investors) and 15% (Fund managers) VAT: 0% PAYE tax: 0% for 5 years, Capital Gains: 0%, withholding tax on dividends, interest and royalty payments:0% CIT for relocating headquarters: 0% Preferential CIT rate for strategic sectors: 15% Capital Gains Tax: Exempt CIT holiday for large projects: 7 years Repatriation of capital and assets: Allowed. PIT rate for employees of KIFC licenced companies: 0% on foreign-sourced income for 5 years	**13 Countries.** Barbados, Belgium, People's Republic of China, Democratic Republic of Congo, Jersey, Luxembourg, Mauritius, Morocco, Qatar, Singapore, South Africa, Turkey, United Arab Emirates	Not listed (Last evaluated: September 2014)

Senegal	Regional Council for Public Savings and Financial Markets (CREPMF)	Société a Responsabilité Limitée (SARL), Société Anonyme (SA), Société Par Actions Simplifiée (SAS)	Tribunal de Commerce, Common Court of Justice and Arbitration of the Organisation for the Harmonisation in Africa of Business Law	OHADA corporate law, Code des Investissements (2004)	Corporate Tax: 30%, VAT: 18%, Capital gains tax: 30%, Dividend tax: 10%, Interest income tax: 16% Payroll Tax: 3% for nationals, 6% for foreigners	N/A	**25 Countries**. Belgium, Canada, Egypt, France, Italy, Kuwait, Lebanon, Mauritania, Mauritius, Morocco, Norway, Portugal, Qatar, South Africa, Spain, Taiwan, Tunisia, United Kingdom, Benin, Burkina Faso, Mali, Niger, Ivory Coast, Togo, Guinea Bissau	Not listed (Last evaluated: October 2024)
South Africa	Financial Sector Conduct Authority (FSCA)	Limited Liability Company, Partnership, Trust, Real Estate Investment trust (REIT), Special Purpose Acquisition Company (SPAC)	Department of Trade and Industry	Companies Act 71 of 2008, Collective Investment Schemes Control Act (CISCA), Conduct of Financial Institutions Bill (COFI Bill), Financial Advisory and Intermediary Services Act, the Financial Sector Conduct Authority (FSCA) (the Financial Sector Regulation Act)	Corporate Tax: 27-28% VAT: 15% Capital gains: 21.6% Dividend tax: (exempt for resident companies, 20% WHT to non-residents), Interest income tax: 15%, Payroll Tax: 18% - 45% graduated	Corporate Income Tax (CIT): 15% Accelerated 10-year Allowance on Buildings VAT and Customs Relief	**78 Countries**. Algeria, Australia, Austria, Belarus, Belgium, Brazil, Bulgaria, Botswana, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Cameroon, Denmark, Democratic Republic of Congo, Egypt, Ethiopia, Finland, France, Germany, Greece, Grenada, Ghana, Hong Kong, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan , Korea, Kuwait, Kenya, Luxembourg, Lesotho, Malaysia, Malawi, Malta, Mexico, Mauritius, Mozambique, Namibia, Netherlands, Nigeria, Norway, Oman, Pakistan, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Singapore, Seychelles, Slovak Republic, Spain, Sweden,	Grey list (Last evaluated: February 2024)

Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status
							Switzerland, Taiwan, Thailand, Sierra Leone, Swaziland, Tanzania, Tunisia, Turkey, Ukraine, United Arab Emirates, united kingdom, United States of America, Uganda, Zambia, Zimbabwe.	
Togo	Regional Council for Public Savings and Financial Markets (CREPMF)	Public Limited Company (SA), Simplified Limited Liability Company (SAS), Private Limited Liability Company (SARL), General Partnership (SNC), Limited Partnership (SCS), Joint Venture, De Facto Company, Economic Interest Grouping, Registered Branch of a foreign company and Representation or liaison offices	Commercial Courts of Lomé and Kara, Common Court of Justice and Arbitration of the Organisation for the Harmonisation in Africa of Business Law	OHADA corporate law, Togo Investment Code, 2019	Corporate Tax: 28%, VAT: 18%, Capital gains tax: 7%, Dividend tax: 13% to non- resident, 7% if paid by listed companies, Interest income tax: 6%, Payroll Tax: 3%	Custom Duties, VAT, Advance Payment of CIT: 5-year tax exemption. EPZ Companies: Reduced tax bill on profit for the first 20 years. 5% tax on profit for the first 5 years. Freedom to repatriate capital (dividend and other income).	**8 Countries.** France, Senegal, Mali, Burkina Faso, Benin, Guinea Bissau, Niger, Ivory Coast	Not listed (Last evaluated: June 2022)
Uganda	Capital Markets Authority (CMA) Uganda	Venture Capital Funds: Real Estate Investment Trusts, Fund of Funds, SPVs - in various forms, including single member companies, private limited liability companies, incorporated and unincorporated joint ventures, limited partnerships, and trusts.	Commercial division of the High Court	Companies Act, 2012, Investment Code Act, 2019, Capital Markets Authority (Licensing and Approval) and Regulations 2021, Regulations on private equity and venture capital funds, Income Tax Amendment Act 2021	Corporate Tax: 30% VAT: 18% Capital gains tax: taxed together with business income at 30%, Dividend tax: 15%, Interest income tax:5%, Gain or loss if a registered venture capital Fund reinvests at least 50% of the proceeds:0%, Payroll Tax: 10% - 30% graduated	Stamp Duty: Exempt Carry Forward of Assessed Tax Losses: Unlimited (subject to unspecified restrictions) Withholding Tax on Goods and Services: Exempt	**9 Countries.** Denmark, India, Italy, Mauritius, Netherlands, Norway, South Africa, United Kingdom, Zambia	Not listed (Last evaluated: September 2021)
Countries	Primary government & regulatory body	Permissible Fund structures	Primary law enforcement body in case of investment disputes	List of key applicable regulations/ laws	Applicable tax types and rates	Fiscal Incentives for funds	List of Double Taxation Treaties (DTTs)	FATF status

Dubai (DIFC)	Dubai Financial Services Authority	Limited Partnerships (LP) or Limited Liability Companies (LLC)	Court of First Instance; Court of Appeal; Small Claims Tribunal, and other specialised court divisions which cover technology and construction, arbitration, and digital economy.	Federal Law No.8 of 2004 on "Financial Free Zones in the United Arab Emirates", Law No. (9) of 2004 on the "Dubai International Financial Centre", SCA Decision No.04/BC of 2023 on the "New Foreign Funds Law", SCA Resolution 01/Chairman of 2023 on the "New Local Funds Law"	Corporate Income Tax: 9%, (Multinational Enterprise CIT: 15%) VAT:5%, Dividends: 0%, Interest: 0%, Royalties: 0%, Payroll Tax: 0%	Corporate Income Tax: 0%, VAT:5%, Dividends: 0%, Interest: 0%, Royalties: 0%, Personal Income Tax: 0%	**142 Countries.** Albania, Algeria, Andorra, Angola, Argentina, Armenia, Austria, Azerbaijan, Bangladesh, Barbados, Belarus, Belgium, Belize, Bermuda, Bosnia, Botswana, Brazil, Brunei, Bulgaria, Cameroon, Canada, China, Comoro Islands, Costa Rica, Croatia, Cyprus, Czech Republic, Egypt, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Greece, Guinea, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Kenya, Korea, Kosovo, Kyrgyzstan, Latvia Spain, Lebanon, Liechtenstein, Lithuania, Luxembourg, Malaysia, Maldives, Malta, Mauritania, Mauritius, Mexico, Moldova, Montenegro, Morocco, Mozambique, Netherlands, New Zealand, Niger, North Macedonia, Pakistan, Panama, Paraguay, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, St. Vincent & the	Not listed

							Grenadines, Sudan, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen, Zimbabwe.	
Countries	**Primary government & regulatory body**	**Permissible Fund structures**	**Primary law enforcement body in case of investment disputes**	**List of key applicable regulations/ laws**	**Applicable tax types and rates**	**Fiscal Incentives for funds**	**List of Double Taxation Treaties (DTTs)**	**FATF status**
Luxembourg	Commission de Surveillance du Secteur Financier	Limited Partnership Undertakings for collective investment company in risk capital Specialised investment funds Reserved Alternative investment funds cross-border funds (UCITS)	Justices de paix, Tribunal d'Arrondissement, Cour d'Appel, Cour de Cassation, Court of Justice of the European Union	Law of 17 December 2010 on undertakings for collective investment (the UCI Law); Law of 15 June 2004 on the investment company in risk capital (the SICAR Law); Law of 13 February 2007 on specialised investment funds (the SIF Law); Companies Law; Law of 23 July 2016 on reserved alternative investment funds (the RAIF Law); Law of 12 July 2013 on alternative investment Fund managers (the AIFM Law); Financial Sector Law; Luxembourg Civil Code; Luxembourg laws, regulations and circulars issued by the Financial Sector Supervisory Commission (CSSF) regarding anti-money	Corporate Income Tax, Solidarity Surtax, and Municipal Business Tax: 24.94%, VAT: 17%, Dividends (Portfolio): 15%, Interest: 0%, Royalties: 0%, Subscription Tax: (at various rates on their total net assets valued), Payroll Tax: 9%.	Graduated rate reduction on Subscription Tax for Undertakings for Collective Investment [UCI] regime) that invest in 'sustainable' investments	**80 Countries.** Andorra, Armenia, Austria, Azerbaijan, Bahrain, Barbados, Belgium, Botswana, Brazil, Brunei Darussalam, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Georgia, Germany, Greece, Guernsey (more info), Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Kazakhstan, Lao People's Democratic Republic, Latvia, Liechtenstein, Lithuania, Macedonia, Malaysia, Malta, Mauritius, Mexico, Moldova, Monaco, Mongolia, Morocco, Netherlands, Norway, Panama, Poland, Portugal, Qatar, Romania,	Not listed

				laundering (AML) and counter-terrorist financing (CTF)			Russia, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Vietnam. *DTTs have been signed with Albania, Argentina, Cabo Verde, Ghana, Kuwait, Kyrgyzstan, Oman, and Rwanda, but these DTTs are not yet in force.*	
Countries	**Primary government & regulatory body**	**Permissible Fund structures**	**Primary law enforcement body in case of investment disputes**	**List of key applicable regulations/ laws**	**Applicable tax types and rates**	**Fiscal Incentives for funds**	**List of Double Taxation Treaties (DTTs)**	**FATF status**
The Netherlands	Netherlands Authority for the Financial Markets (AFM)	Limited Partnership (commanditaire vennootschap, or CV), Co-operative (coöperatie, or Coop), Contractual Fund for Joint Account (fonds voor gemene rekening, or FGR) and/or a Private Limited Liability Company (besloten vennootschap met beperkte aansprakelijkheid, or BV)	The Enterprise Chamber, Netherlands Commercial Court (NCC) and appellate chamber (NCCA)	Financial Supervision Act (AFS), Alternative Investment Fund Managers Directive (AIFMD)	Corporate Income Tax: 25.8%, VAT:21%, Dividends: 15%, Interest: 25%, Royalties: 25%, Payroll Tax: 2.3% - 52% graduated	Exempt investment Fund regime (open to regulated institutions within the framework of the Dutch Financial Supervision Act) provides exemption from Corporate Income Tax and withholding tax on dividend. VAT exemption for Services provided by banks and other financial institutions in connection with payment transactions and the granting of credit facilities; insurance services; and certain transactions in shares by controlling active	**84 Countries.** Albania, Argentina, Armenia, Aruba, Australian, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Bermuda, BES Islands (the Caribbean Netherlands), Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Ghana,	Not listed

						parent companies; A 0% WHT rate applies to payments to a resident corporation when its shareholding qualifies for the participation exemption and the shares form part of a company whose activities are carried on in the Netherlands; 5% rate is applicable if the foreign company directly owns 10% of the capital of the Dutch company. The 0% rate is applicable if the dividend originates from ordinary taxed profits and the dividend is tax exempt in the hands of the recipient; A dividend WHT of 5% is due if the share in the participation is at least 10%, directly or indirectly. No dividend WHT is due if the share in the participation is at least 50% and an amount of at least USD 2 million capital has been invested in the capital of the paying company.	Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Macedonia, Malawi, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, New-Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Surinam, Sweden, Switzerland, Taiwan, Thailand, Philippines, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Venezuela, Vietnam, the former Yugoslavia, Zambia, Zimbabwe.	
Countries	**Primary government & regulatory body**	**Permissible Fund structures**	**Primary law enforcement body in case of investment disputes**	**List of key applicable regulations/ laws**	**Applicable tax types and rates**	**Fiscal Incentives for funds**	**List of Double Taxation Treaties (DTTs)**	**FATF status**

State of Delaware (USA)	Securities and Exchange Commissions (SEC)	Limited Partnerships (LP) or Limited Liability Companies (LLC)	Business Law Court System, Court of Chancery	Delaware General Corporation Law (DGCL)	Federal Corporate Tax: 21%, State Corporate Income Tax: 8.7%, Dividends: 30%, Interest: 30%, Royalties: 30%, Accumulated Earnings Tax: 20%, Personal Holding Company Tax: 20%, Payroll Tax: 22%, Branch Profits Tax:30%	Varied (lower) tax rates for dividends, interest & royalties under DTAs; Inbound investment incentives; Qualified private activity bonds, Gross Receipts Tax Credits – Gross Receipts Tax Credits must be applied monthly but can result in a reduction of 5% to 90% of gross tax receipts for eligible businesses.	**59 Countries.** Australia, Austria, Bangladesh, Barbados, Belgium, Bulgaria, Canada, China, Commonwealth of Independent States (CIS), Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Korea, South, Latvia, Lithuania, Luxembourg, Malta, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Trinidad & Tobago, Tunisia, Turkey, Ukraine, United Kingdom, Venezuela, Vietnam.	Not listed

Annex B. Fund Domiciliation Maturity Diagnostic Tool – Maturity scale for parameter ratings

PARAMETERS	SCALE
Regulatory environment, oversight, and enforcement	**1. Regulations that permit a range of different and flexible types of Fund structures:** • 1-3: Limited Fund structure options, rigid regulations, lack of flexibility. • 4-5: Some Fund structure options, evolving regulations, moderate flexibility. • 6-8: Diverse Fund structure options, clear regulations, good flexibility. • 9-10: Comprehensive Fund structure options, transparent regulations, excellent flexibility.
	2. Regulatory entities have an active, effective, and stable mechanism for regulation and ongoing supervision of funds: • 1-3: Ineffective regulatory oversight, instability in supervision, frequent changes. • 4-5: Some regulatory oversight, moderate stability, occasional changes. • 6-8: Effective regulatory oversight, stable supervision, minimal changes. • 9-10: Robust regulatory oversight, stable and active supervision, consistent standards.
	3. The jurisdiction maintains an efficient and competitive tax regime performance: • 1-3: Inefficient tax regime, high tax rates, double taxation issues. • 4-5: Improving tax regime, moderate tax rates, some efforts to prevent double taxation. • 6-8: Efficient tax regime, reasonable tax rates, efforts to prevent double taxation. • 9-10: Highly efficient tax regime, low tax rates, no double taxation issues.

	4. Transfer and convertibility of domestic currency can be done with ease and in a timely manner: • 1-3: Difficulties in currency transfer, delays in convertibility, currency instability. • 4-5: Some challenges in currency transfer, moderate delays, currency fluctuations. • 6-8: Relatively easy currency transfer, minimal delays, stable currency. • 9-10: Seamless currency transfer, timely convertibility, stable and strong currency.
Judicial framework	**5. The jurisdiction has a robust legal environment (consistent with common/civil law traditions) to prosecute both criminal and commercial disputes:** • 1-3: Weak legal framework, limited prosecution, inconsistent enforcement. • 4-5: Improving legal framework, moderate prosecution, some enforcement. • 6-8: Established legal framework, effective prosecution, consistent enforcement. • 9-10: Sophisticated legal framework, strong prosecution, robust enforcement.
	6. Legal recourse is available and is seen to be fair, equitable, efficient, and timely when addressing disputes: • 1-3: Limited legal recourse, unfair processes, inefficient resolution, delays. • 4-5: Some legal recourse, improving fairness, moderate efficiency, occasional delays. • 6-8: Accessible legal recourse, fair processes, efficient resolution, minimal delays. • 9-10: Abundant legal recourse, fairness, efficiency, timely resolution.
	7. The jurisdiction has the presence of specialised, legal professionals/barristers to support investors in the case of disputes: • 1-3: Few specialised legal professionals, lack of expertise, limited support. • 4-5: Growing presence of legal professionals, improving expertise, moderate support.

	• 6-8: Abundant specialised legal professionals, high expertise, good support. • 9-10: Highly specialised legal professionals, extensive expertise, excellent support.
	8. The jurisdiction is compliant with international protocols like FATF standards, FSB recommendations, OECD "whitelists", and law enforcement mechanisms exist in the case of non-compliance: • 1-3: Non-compliance with international protocols, weak enforcement mechanisms. • 4-5: Some compliance with international protocols, improving enforcement mechanisms. • 6-8: Mostly compliant with international protocols, effective enforcement mechanisms. • 9-10: Fully compliant with international protocols, strong enforcement mechanisms.
Operational efficiency	**9. A broad range of skilled professionals and support services are available domestically at an economically viable cost:** • 1-3: Limited skilled professionals, high costs, inadequate support services. • 4-5: Growing pool of professionals, moderate costs, improving support services. • 6-8: Abundant skilled professionals, competitive costs, good support services. • 9-10: Highly skilled workforce, low costs, excellent support services.
	10. Fund operations can be digitised to a reasonable extent in the jurisdiction: • 1-3: Limited digitisation, manual processes, technological inefficiencies. • 4-5: Some digitisation, semi-manual processes, moderate technological capabilities. • 6-8: Significant digitisation, streamlined processes, good technological capabilities. • 9-10: Fully digitised operations, automated processes, excellent technological capabilities.

	11. Regulators, legal, and civil service are reasonably accessible to the investor community which provides efficient regulatory oversight that fosters partnership: • 1-3: Limited accessibility, bureaucratic hurdles, inefficient oversight. • 4-5: Some accessibility, bureaucratic delays, moderate oversight. • 6-8: Accessibility to regulatory bodies, minimal bureaucratic hurdles, efficient oversight. • 9-10: High accessibility, streamlined processes, effective oversight. • protocols, strong enforcement mechanisms.
	12. Standards for accrediting investment professionals are clear, meet international standards, and are enforced: • 1-3: Unclear standards, lack of international alignment, weak enforcement. • 4-5: Some clarity in standards, moderate international alignment, improving enforcement. • 6-8: Clear standards, international alignment, effective enforcement. • 9-10: Well defined standards, international alignment, effective and ongoing enforcement
Enabling environment	**13. The financial system is well-regulated, meets international standards of governance, and provides services to a modern standard, including electronic payment systems and rapid financial transfer mechanisms:** • 1-3: Regulations not at global standards, rudimentary electronic payment systems, slow financial transfer mechanisms. • 4-5: Regulations begin to align with international standards, electronic payment systems improving, more efficient financial transfer mechanisms. • 6-8: Regulations meet international standards, well-established governance structures, seamless financial transfer mechanisms • 9-10: Regulations surpass international standards, cutting-edge financial transfer mechanisms.
	14 The jurisdiction has political stability: • 1-3: Balance prone to disruption by sudden shifts in power, constant threat of civil unrest.

	• 4-5: Stability a work in progress, efforts to minimize civil unrest, gradual improvement in maintaining stability. • 6-8: Consistent peaceful transitions of power and long-term policymaking, minimal civil unrest. • 9-10: Resilient to external pressures, seamless transitions of power, civil unrest virtually non-existent.
	15. The jurisdiction has macroeconomic stability: • 1-3: Susceptible to fluctuations in inflation, exchange rates, and interest rates. Economic policy lacks coherence, leading to uncertainty and volatility in financial markets. • 4-5: Some efforts to manage inflation, stabilize exchange rates, economic policy remains inconsistent • 6-8: Controlled inflation, stable exchange rates, and moderate interest rate fluctuations. • 9-10: Inflation is low and stable, exchange rates are well-managed, and interest rates are predictable.
	16. The jurisdiction provides an environment conducive for ease of Fund set-up and doing business: • 1-3: Hindered by poor infrastructure, unreliable services, and pervasive corruption. • 4-5: Infrastructure is improving, challenges persist in accessing reliable services and navigating bureaucratic red tape. • 6-8: Smooth processes, reliable infrastructure, and efficient services. • 9-10: Seamless navigation, world-class infrastructure, and impeccable services.

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