

PQ B/562

PARLIAMENTARY QUESTION

The Honourable Third Member for Port Louis South and Port Louis Central (**Mr Osman Mahomed**)

To ask the Honourable Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development-

Whether, in regard to the public sector debt as a ratio of Gross Domestic Product, he will state the measures being taken to stop the increasing trend thereof?

REPLY

Madam Speaker,

This Government is firmly committed to bringing the public sector debt to GDP ratio down to 60 percent by end of June 2021 if not earlier.

Our strategy to bring down public sector debt to a more sustainable level is multi-pronged and is spelt out in the 2019-2020 Budget Speech and in the Budget Estimates document.

Madam Speaker,

Our first strategy is to boost economic growth and expand our GDP at a faster pace leading to a reduction in the debt ratio. For the past three years, the GDP growth rates have been higher at 3.8% compared to a low of 3.4% in 2013. For 2019, Statistics Mauritius has forecasted a GDP growth rate of 3.9%.

To sustain our growth momentum, we are providing the necessary support to our productive sectors to overcome the challenges that they are currently facing and seize the opportunities ahead.

In the sugar sector, planters will be paid Rs 25,000 per tonne of sugar for the first 60 tonnes of sugar accruing to them. This is more than double the price they would otherwise have obtained.

In the manufacturing sector, we are extending the 'Support for Trade Promotion and Marketing Scheme' for another year to improve competitiveness of our exporters. Moreover, the Economic Development Board will set up small industrial and business zones across the island.

As regards the tourism sector, the MTPA will redynamise the Shanghai and Kenya routes and reinforce the visibility of the Mauritius destination in traditional markets. A Passenger Cruise Terminal Building is being built to promote cruise tourism. We are also making significant investments to diversify and improve the tourism product.

As for the financial services sector, we are now fully compliant with the standards of the OECD on transparency and exchange of information for tax purposes. We have also made tremendous progress towards complying with the FATF recommendations on AML/CFT. Our financial services sector is now attracting more and more investors in fintech. We are further diversifying the product base of our international financial centre.

Madam Speaker,

Our second strategy is to keep the budget deficit at a low and sustainable level. In fact, the budget deficit will stay around the 3 percent benchmark. On the revenue side, we are ensuring buoyancy in revenue collection. In this regard, we introduced the solidarity

levy on high income earners in financial year 2017/18. In addition, we are extending for another year, the Voluntary Disclosure of Income Scheme and the Arrears Payment Scheme. With respect to tax administration, the MRA is harnessing the advancement in technology to facilitate and enhance compliance behaviour amongst the taxpayers' community.

As regards expenditure, our objective is to do more with less and improve the quality of spending by containing recurrent expenditure. We are, therefore, making every effort to eliminate wastage and unproductive expenditure. To this end, a Committee has been set up under the Ministry of Justice, Human Rights and Institutional Reforms to examine the Reports of the Director of Audit and propose measures to address the weaknesses and shortcomings mentioned therein. In addition, the budget for mission expenses has been significantly reduced from Rs 160 million last year to Rs 120 million this financial year.

Moreover, our limited resources are being used judiciously by right prioritising of investment projects. To

reduce the burden of debt on Government, we are also encouraging greater private sector participation in public sector infrastructure and other projects.

Madam Speaker,

Our third strategy is to restructure our public enterprises so that they are less dependent on the budget. Following a financial restructuring exercise, the DBM Ltd has been able to turn around its financial situation and is now operating on sound financial footing. Similarly, following the merger of the different institutions into the Landscape (Mauritius) Ltd, the operational cost has been reduced by 24 percent.

Our fourth strategy is the early repayment of expensive external debt. It may be noted that some 97.8 percent of the Rs 18 billion foreign debt that we are repaying were borrowed by the former Government. With the prepayment of the foreign debt, we will save the country some Rs 400 million of interest payments yearly.

Madam Speaker,

We aim to achieve total adherence to the golden rule in public finance, that is, borrowing only to finance investment expenditure. This will ensure the sustainability of public finance and bring public sector debt below 60 percent of GDP in the years to come.

PKJ