

Fiscal Trends and Outlook

Experience of Mauritius
November 2011

Outline

- **2005 – The turning point**
- **Fiscal Reforms**
 - **Revenue**
 - **Expenditure**
 - **Public Debt**
 - **Procurement**
- **Facing the Crisis**
- **Outcomes**
- **Fiscal Outlook**



2005 – The Turning Point

- **Unfavourable International Situation**
- **Sectors losing preferences**
- **Macroeconomic situation deteriorating**
- **High burden of Incentive Framework**

**Failure of Model based on
Trade and Tax Preferences/ Incentives**

Reform Programme

- **Fiscal Consolidation and Improved Public Sector Efficiency**
- **Improving trade competitiveness**
- **Improving the Investment Climate**
- **Democratizing the Economy through participation, social inclusion and sustainability.**

Shift from Trade Preferences to Global competitiveness



Fiscal Reform - Revenue

- **Complete overhaul of the tax regime**
 - **More transparent, simplified and rule-based**
 - **More efficient, investment-conducive and growth-friendly**
 - **More equitable and fairer**

**Concerns only those who have ability to Pay
And they pay at the very low rate of 15%**



Fiscal Reform - Expenditure

- **Fiscal Rules to improve Expenditure and Debt Management**
- **Medium Term Expenditure Framework (MTEF)**
- **Shift from Line Budgeting to Programme-Based Budget (PBB)**
 - **Emphasis on services (outputs) & service standards**
 - **PBB is a process and changing mindsets takes time**
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Fiscal Reform – Debt

- **Well-defined Debt Management Strategy**
 - **New Public Debt Management Act to control public sector debt and ensure long run debt sustainability**



Fiscal Reform – Procurement

- **New Procurement Act**
 - **Central Procurement Board**
 - **Independent Review Panel**
 - **Procurement Policy Office**
 - **Project Plan Committee**
 - **Planning and Implementation Units**
 - **Design and Build approach –Pool of Experts –**



Facing the crisis

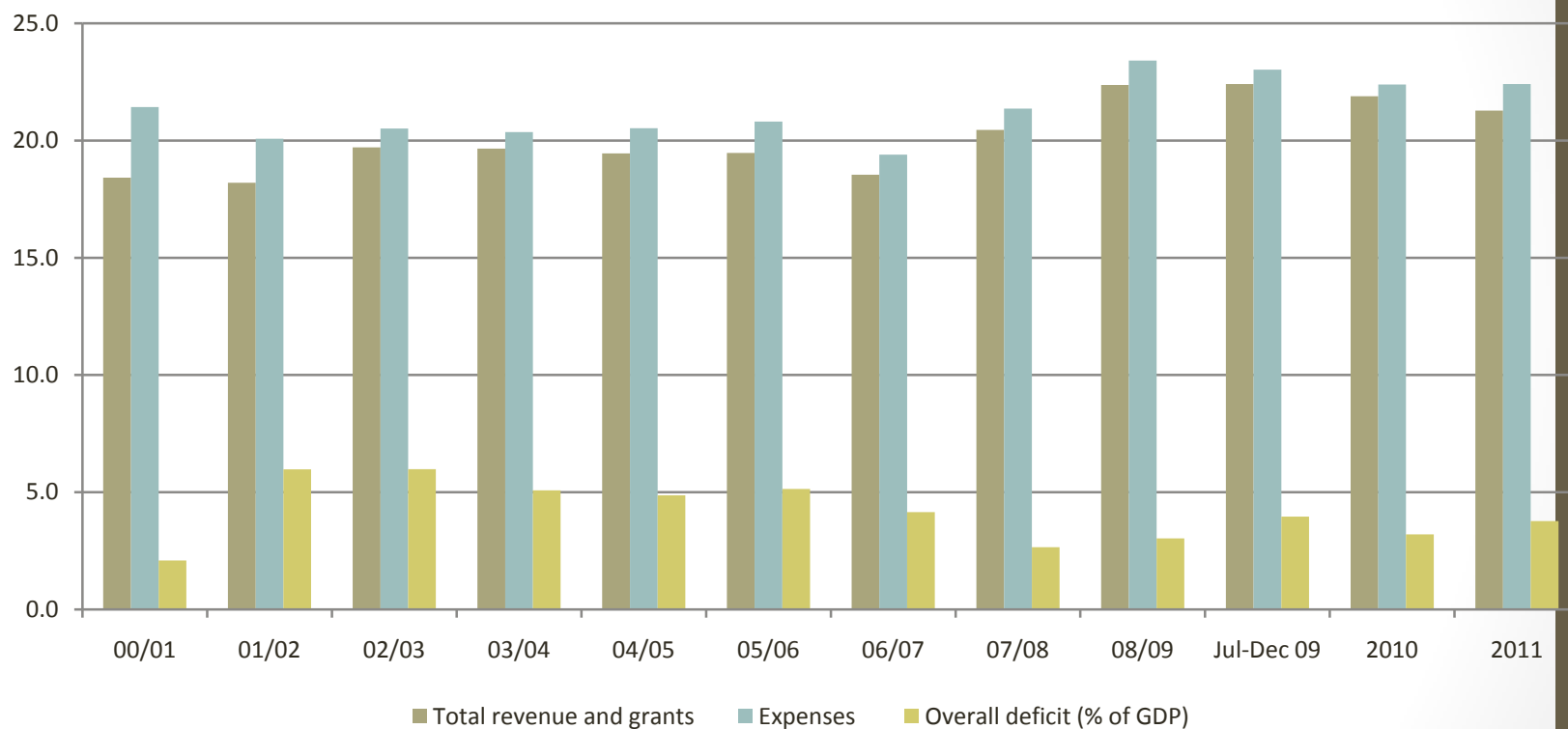
- **Creation of special funds – May 2008**
- **Additional Stimulus Package – Dec 2008**
- **Expansionary Budget and monetary instance**
- **Economic Restructuring and Competitiveness Programme (ERCP)**
- **National Resilience Fund – Nov 2011**

Outcomes

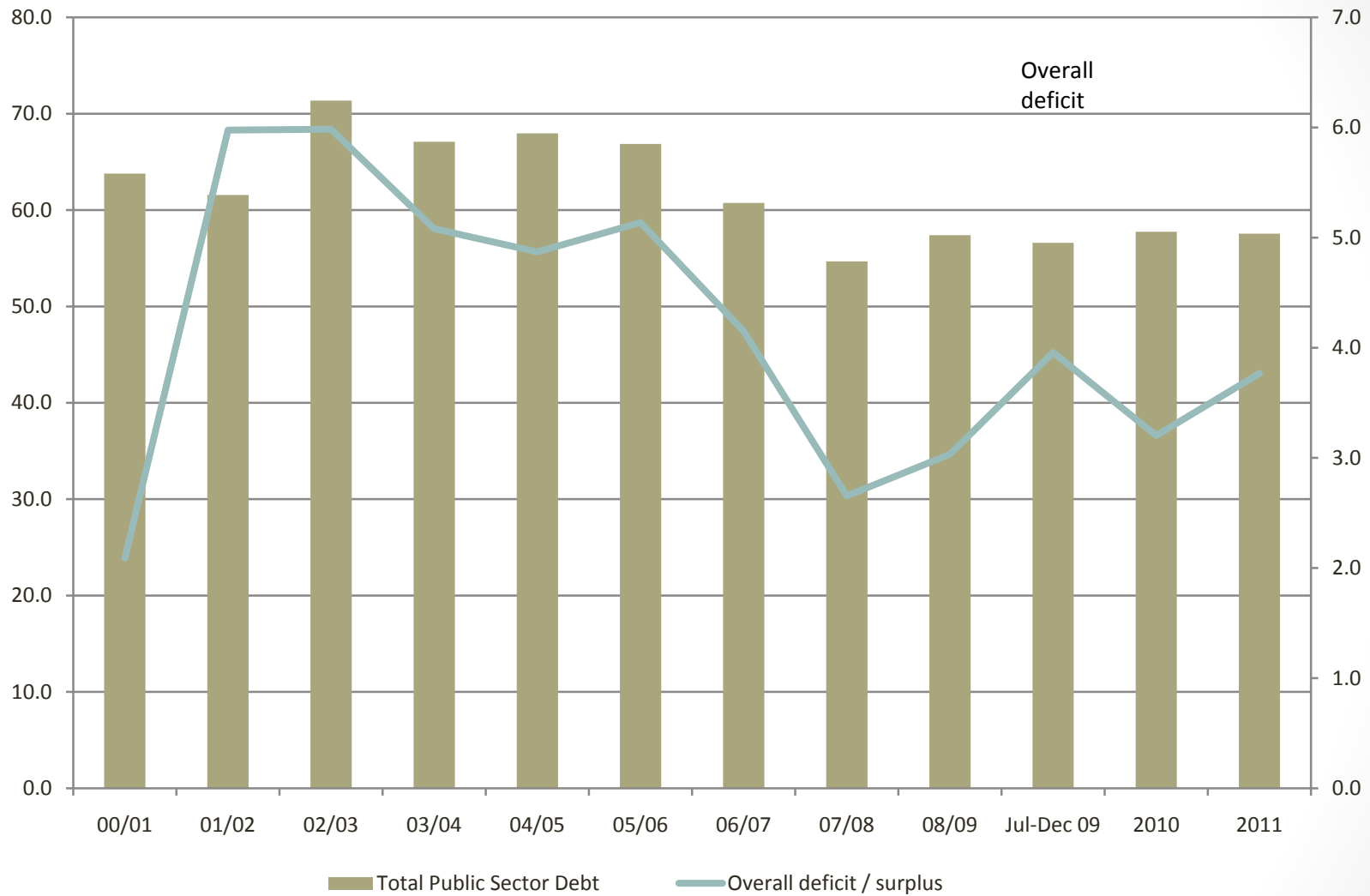
- **Tax revenue kept above 18% of GDP - sustaining the tax buoyancy**
- **Real investment in public sector increasing**
- **Quality deficit as it is financing only investment expenditure**
- **Public debt as % of GDP is decreasing**

Evolution of Revenue and Expense

Revenue, expenses and overall deficit as a % of GDP



Total Public Sector Debt and Overall Deficit as a % of GDP



Projects with private sector involvement

(Rs million)

Projects	Project Value	2012	2013	2014	2015	Total
						2011 -2015
Wind Park at Curepipe	1,800	1,200	600			1,800
PPP Road Decongestion	20,793	949	4,383	10,596	4,866	20,794
Driver Education and Testing Centre	200	50	100	50	0	200
Management of Fish Auction Market	15	15	0	0	0	15
<i>TOTAL</i>	<i>22,808</i>	<i>2,214</i>	<i>5,083</i>	<i>10,646</i>	<i>4,866</i>	<i>22,809</i>

Fiscal Outlook

- **Budget deficit will be further reduced as expenditure is reduced and revenue increased**
- **Debt to GDP ratio will continue on the downward trend**
- **Assuming the World Economic Outlook does not deteriorate further.**



Conclusion

- **Performance is due to reforms**
- **Some reforms are knowledge-intensive like PBB.**

Need to build capacity through peer support and peer learning

exchange programmes to build a pool of expertise within Governments to serve the wider region

- **An eye on the WEO.**