

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**
 -

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

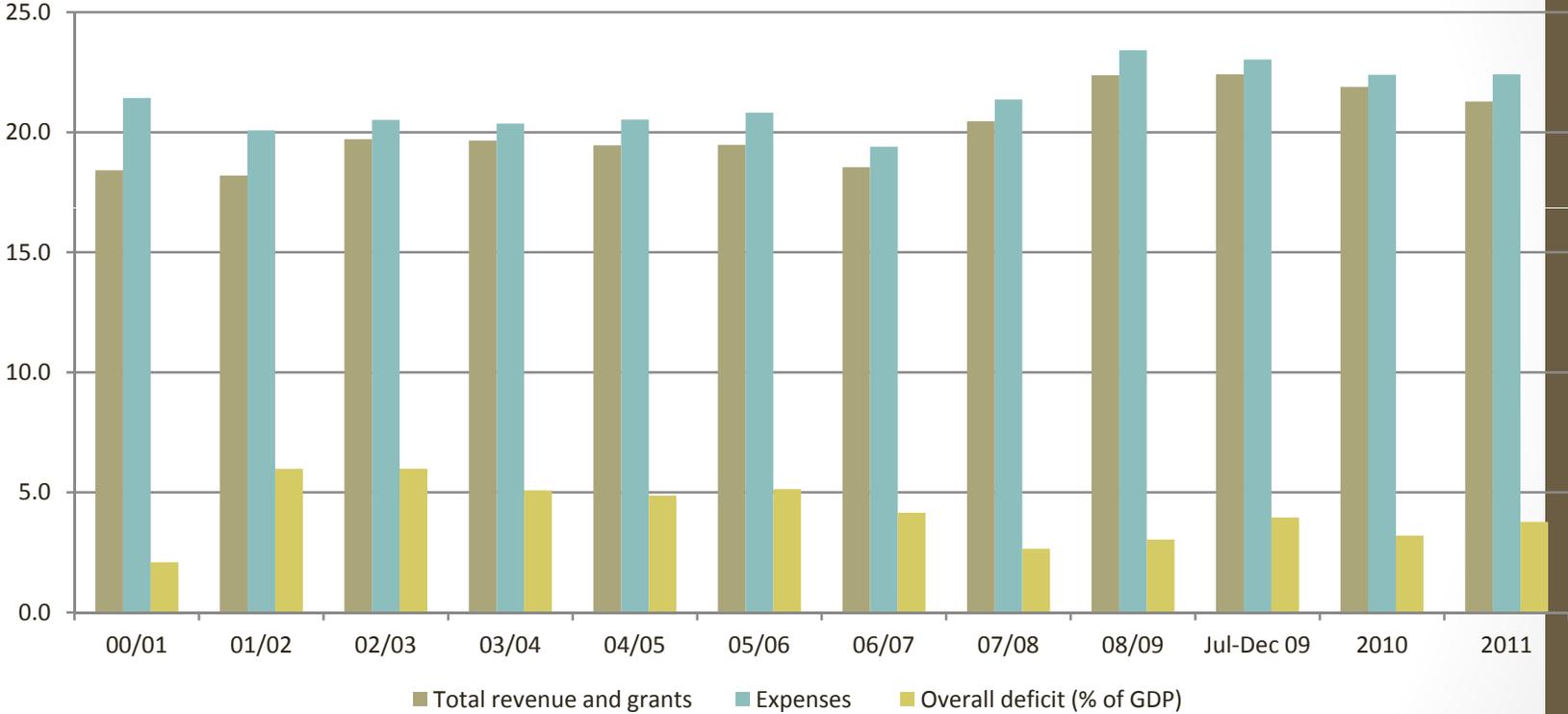
- **Creation of special funds – May 2008**
- **Additional Stimulus Package – Dec 2008**
- **Expansionary Budget and monetary instance**
- **Economic Restructuring and Competitiveness Programme (ERCP)**
- **National Resilience Fund – Nov 2011**

Outcomes

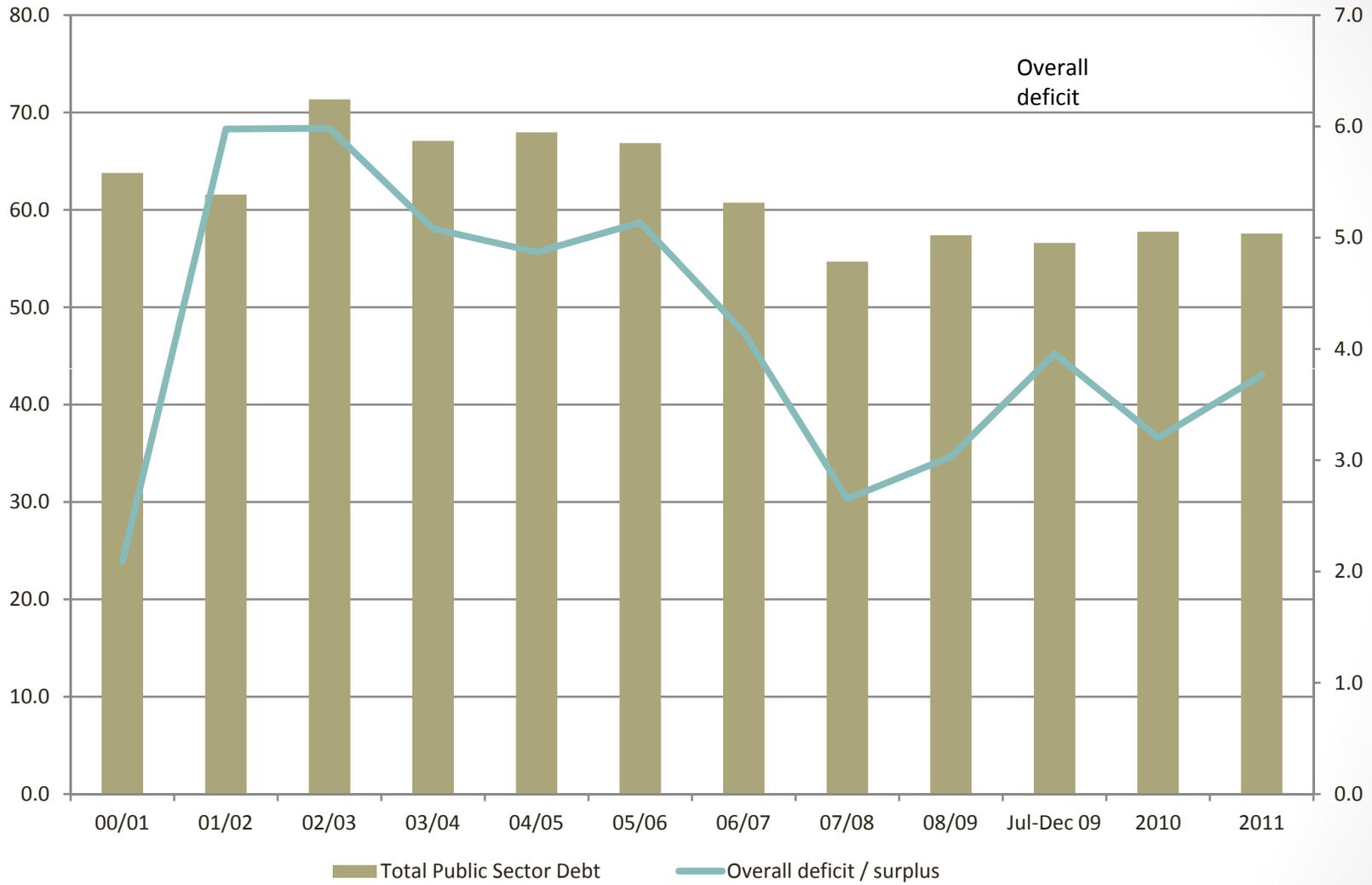
- **Tax revenue kept above 18% of GDP - sustaining the tax buoyancy**
- **Real investment in public sector increasing**
- **Quality deficit as it is financing only investment expenditure**
- **Public debt as % of GDP is decreasing**

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 |
| TOTAL | 22,808 | 2,214 | 5,083 | 10,646 | 4,866 | 22,809 |

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.**