Intervention of Hon Dharmendar Sesungkur, Minister of Financial Services, Good Governance and Institutional Reforms on on Budget speech

14 June 2017

Madam Speaker, it gives me pleasure to comment the Budget, and right from the outset, I must say that every time hon. Pravind Kumar Jugnauth has presented a Budget in which he has given special attention to the poor and the needy. The Minister has been greatly successful in the ways he has balanced various stakeholders’ demands. There are a series of measures announced in his Budget which will help our economy to grow, to develop in the coming months and years.

Coming from a financial background, I will focus my intervention on the economic aspect, on the economic measures announced in the Budget. I will also cover the BAI chapter and the measures announced for the further development of our financial services sector.

But, before I dive into the subject matter, I would like to address the issue of expectation gap in the public whenever a Budget is presented. Oftentimes, we hear from the public that not much has been done for them, not much has been done to improve their lots.

To illustrate this gap, I would like to take two cases to illustrate how a Budget can impact the life of citizens. Many of us will recall the 1982 general elections, which was for the first time that Mauritius got a 60-0 victory, and there was a lot of hope in the population. At that time, most of the Mauritian people were from a poor background and there was a lot of expectation from Government.

But, in fact, what happened? The first Budget which was passed came up with massive sales tax on the poor, which made their life more difficult. There was a threat to remove subsidy on rice and flour. There was also pressure on the Government at that time to abolish free education. But the then Prime Minister resisted to a number of these pressures.

So, it is for the Government to decide how they want to manage the public finance, what strategy they would adopt to progress the economic agenda of our country.
I would like to take a second case to illustrate how, if public finance is not managed properly, if we do not have a responsible Government, if we do not have a Minister of Finance who has at heart the plight of the people, this can turn against the population. The second case that I am going to mention is the case of Greece in the post-financial crisis period.

In Greece, the Government managed its public finance so badly, they lived so much beyond their means that they had to suddenly apply a number of austerity measures which were very difficult for the population to suffer. There was increase in the VAT. There were cuts in the 13th and 14th month pay for all public sector employees. There were reduced allowances by 20% for all public sector employees. There was a freeze on all public sector salaries, and Government was forced to review the lawful termination notice from 24 months to one month because there were so many people who were being laid off.

So, these 2 cases give us an idea of how if public finance and budgets are not managed properly, we can have very difficult times and we are fortunate that this Government, since December 2014 with a good management of the public finance, with good budget, has, despite our very limited means, despite difficult circumstances, difficult conditions, not only nationally but internationally, this Government has maintained the welfare system, has maintained subsidy on rice and flour, has maintained free health services, has maintained free transport and has ensured that the Mauritian public gets the basic necessities such as rice, flour, oil, utilities, electricity supply, water supply, gas and petrol without interruption. Not only that, we have increased the pension of the elderly, the widows, the orphans; we paid the PRB in full not in tranches as in the past.

We embarked on a vast programme to build low-cost houses for the poor and needy, have saved the depositors of ex-MPCB from bankruptcy, have maintained alive the DBM and key flagship companies like Air Mauritius, MBC and Casino de Maurice. I can go on like this.

The points which were made by the Opposition are misleading, demagogical and relates to intellectual dishonesty. I would refer to a point which was made by the Leader of the Opposition, and I quote, he said that –

“As far as employment is concerned, Statistics Mauritius, which is still - and I believe, fairly independent - has calculated that only 300 jobs have been created in 2016.”
This is untrue. Because what can be logically derived from the Report of Statistics Mauritius is probably the net employment, not the total employment of 300 jobs. So, they deliberately tend to mislead the public that only 300 jobs were created in 2016. And if we are not careful, these information tend to distort what Government is achieving in terms of employment creation, in terms of reduction of unemployment. In the Civil Service itself, we have created thousands of jobs. I think there have been more than 300 Policemen who have been recruited only in the Police Force.

In the days of the Labour Party/PMSD Government, they were talking about jobless growth, they were downsizing the Public Sector, whereas we decided, as a matter of policy, to rebuild the Public Sector, to empower, to build capacity and we have been gradually filling the vacancies so that we have a good Public Service, which can provide good services to the public.

Again, another misleading statement made by hon. Reza Uteem, and I will quote, he says –

“Now, Madam Speaker, if someone earns Rs10,000 a month and 66% of that salary, Rs6,600 goes into paying his debt, what will he do? “Everybody knows, everybody has a loan. If we take, let’s say, equivalent to Rs1 m. of loan, we do not pay it at once. We pay it by way of instalments. So, this statement tends to create doubt in the mind of people that we will have to spend, we will have to take 66% of our GDP to reimburse the debts that the country has, and this is simply not true because we will have to pay on the basis of what has been decided, what has been agreed, and it is only when the term comes that we will pay those debts. So, this logic simply does not apply, cannot be relied upon, to say that the Opposition has always tended to mislead people, has always tended to create doubts in the mind of people and paint a doom and disaster picture all the time. And despite all these, we are happy that the economic indicators which are there tend to prove the contrary and we have an economy which is definitely on the move. By looking at certain key indicators, we know that for a very long time, we have not had growth rate of around 4%, be it 3.9% but we are happy that our GDP, our gateau national, is becoming bigger and bigger, and this allows us to give a bigger share to our people. Our Forex reserves stand at Rs180 billion, which represents 9.5 months of our import.
Unemployment rate is on a downward trend. Business confidence index is at an all-time high. The construction sector will grow by 7% in the coming year. Construction and tourism is giving us encouraging results, so is the financial services sector. We are having more and more large groups which are coming to Mauritius, which are choosing to invest in Mauritius.

We have the SANNE Group, which recently acquired IFS for Rs4.4 billion. We have the SG G, which recently acquired CIM Finance for Rs3.1 billion, and there are many, many other groups which are coming to Mauritius, which are interested in using Mauritius as their regional headquarters.

Madam Speaker, there is every reason to be optimistic about the future, about the economy. We cannot achieve the target which you have fixed for a 5-6% annual GDP growth overnight. It requires efforts, it requires a number of actions to set the foundation of a robust economy, and we are investing massively in infrastructure, and the Ministry of Finance announced that we will invest over Rs35 billion in the next coming years to set up those infrastructures which will not only improve our national productivity, but also help to boost up exports.

Madam Speaker, I will now come to another important issue which was canvassed by the Opposition, that is, the public debt. It is important to understand the structure of our debt. A Government can borrow internally and it can borrow externally. Over the years, what we have done is we have mitigated our risk. We don’t have recourse to external borrowing. Most of our borrowings are internal. Out of the total debt, 80% of the debt is internal and regularly since 2013, we have been reducing our servicing ratio. The debt service ratio fell to 3.9% in 2015 after a high of 5.5% in 2013. So, all these actions prove that we are managing our debt situation in a very professional manner without exposing the country and certain debts, which are expensive. We are repaying those debts by anticipation so that the future generation do not have to bear a much higher weight.

When we talk about debts, it is important also to know what other countries have debt level. Practically all countries, if not to say all, have got a debt amount, for instance –

• USA, the debt level amounts to 13.6 trillion US dollar, which represents 104% of the GDP;

• UK debt represents 1.7 trillion Pound Sterling, which is equivalent to 90% of its GDP;
• Japan has got 10.4 trillion US dollar of debt, which represents 218% of its GDP;
• Singapore has got 339 billion US dollar of debt, which represents 106% of the GDP;
• Greece has got 404 billion US dollar, which represents 213.7% of the GDP, and
• Ours is only 8 billion US dollar.

So, I cannot understand the argument. On one side, the Opposition will ask us to create more jobs. How do we create more jobs? By investing, by making capital expenditure, by implementing projects, we expect that those capital projects will generate future productivity, future value added, which will allow us to grow our economy and which will allow us to repay those debts in the future.

Madam Speaker, with regard to the financial services sector, I must say that there has been certain apprehension regarding the Multilateral Instrument (MLI), which we had to sign. In line with our international commitment, in line with our strategy to be a law abiding nation and to play an active role in the international economy, we cannot afford to take a hit at our reputation. So, it is true that international context is becoming more and more difficult. We have to compete with much larger players at international levels, but we cannot stop a train. We have to make the extra mile to make our country prepared for future challenges. Not signing the MLI was not an option because this would have put us in a difficult context internationally.

There are pressures if Mauritius does not comply then we might be blacklisted as well. So, we have to be very careful not to jeopardize our economy, not to jeopardise the sector because this sector is contributing a lot to our GDP and we have to be very careful in whatever decision we take.

I am very optimistic about the financial services sector, its future development especially, in terms, of the role which the Mauritius International Financial Sector can play in the development of the African continent. We are all hopeful that, with growing development on the African continent, Mauritius will benefit a lot in terms of inflows and outflows of FDI and in terms of the critical mass of business of financial transaction which it will create for the country. So, we have to pull our
effort together. We have to put our heads together. We have to rethink the strategy and I have engaged in discussion with the whole sector, with the private operators to adopt what is more appropriate for our sector. So, there is continuous dialogue with the sector to anticipate any adverse situation. We are also carrying out a number of internal impact assessments; how the agreements that we are signing can impact the financial services sector and we will cross the bridge when we come to it.

With regard to the comments which were made regarding the BAI.

Madame la présidente, je dois dire que la BAI était une fraude colossale de dimension historique. Everybody knew that BAI was a huge Ponzi except hon. Xavier Duval. En novembre 2013, à l’Assemblée nationale, Paul Bérenger, alors Leader de l’opposition posait une question par le billet d’un Private Notice Question sur le conglomérat. Et je cite –

« J’avais souligné jusqu’en 1999 ou 2000 la même chose s’était produite aux Caraïbes. Xavier Luc Duval avait répondu qu’il n’était pas au courant de la situation et il n’a pas pris en compte l’avertissement. » avait expliqué le Leader de l’opposition d’alors.


« Lorsque j’ai été nommé à la présidence de la FSC en mars 2012, le problème de la BAI était déjà à l’agenda. Il perdurait depuis des années » Le rapport NTan confirme que la BAI opérait comme un Ponzi. Un système de Ponzi est un montage financier frauduleux et que le groupe BAI avait essuyé des pertes de R 14,7 milliards à 2013. Le rapport explique que la BAI a généré R 45 milliards en termes de primes d’assurance dont 80 % principalement de la Super Cash Back Gold. L’argent du Super Cash
Back Gold a été utilisé par la BAI pour maintenir à flot ses filiales à Maurice et ailleurs. De la Bramer Bank en passant par le concessionnaire Iframac et l’hôpital Apollo Bramwell, tous les chiffres ont été gonflés dans une tentative de donner une marge surfaite à l’empire de Dawood Rawat.

La banque, par exemple, la banque de Bramer ne valait que R 2 milliards lorsqu’elle a été surévaluée de R 8 milliards au nez et à la barbe des autorités concernées.

Madam Speaker, regarding this sad episode, our Government could have closed our eyes and allow the BAI to operate. It could have operated for a few months more, but for sure it would have died a natural death. In that circumstance, imagine a doomsday scenario, we had 160,000 policyholders at the BAI, we had thousands of retired persons having their money in Super Cash Back Gold, we had thousands of depositors at Bramer Bank, assuming that Government would have closed their eyes and would have allowed BAI to operate. After a few months, the BAI would have collapsed. Around 200,000 to 300,000 people would have come on the street and still the Government would have to stand there to bail out these institutions. People should understand that as a responsible Government, we acted promptly to prevent other depositors, other policyholders, other members of the public to get trapped in this Ponzi. So, Government acted in the best interest of the population. Government acted in the best interest of the country. We could not have afforded to let this Ponzi to go on and absorb mass of money from the public. If we would have allowed this, then it would have been tantamount to be an irresponsible Government.

We have done what was proper at that time to protect our people, to protect our financial system and to protect financial stability. I am sure that whatever decision we took

we took it without fear and favour to protect the interest of the nation. Madam Speaker I will end by quoting Theodore Roosevelt -

“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of
high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.”

Thank you very much.