Debate No. 16 of 16.06.2004

ORAL ANSWER TO QUESTION

SMEs - BENEFICIARIES - YEARS 2001-2004

The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Minister of Housing and Lands and Minister of Small and Medium Enterprises, Handicraft & the Informal Sector whether, in regard to Small and Medium Enterprises (SMEs), he will -

(a) for the period 2001 to 2004 to date, state the number of beneficiaries, the facilities provided and employment generated with respect to -

(A) SMEs in partnership with overseas firms;
(B) Start ups in the ICT sector financed by the DBM Venture Capital Fund;
(C) SMEs using the Export Credit Guarantee Scheme, and

(b) say if he is aware of the criticisms of the Small and Medium Enterprises Federation as to the lack of support to this sector in the Budget Speech and, if so, will Government review its policies.

Mr Lesjongard: Mr Speaker Sir, first of all, I wish to thank the Deputy Prime Minister and Minister of Finance and Economic Development for his laudable initiative to provide bold measures in the Budget 2004-2005 to boost up the SMEs sector and promote entrepreneurship. These measures give a clear indication of Government’s effort to provide the necessary support to the SMEs sector.

The establishment of a specific Ministry responsible for Small and Medium Enterprises, Handicraft and the Informal Sector further shows the commitment of Government to enhance the competitiveness of this sector. Furthermore, Government has set up a National Coordinating Committee comprising representatives of key stakeholders, public and private, to co-ordinate and monitor activities in the sector, diagnose potential threats and take remedial action. Government has also set up a High Powered Inter Ministerial Committee chaired by the Prime Minister.
The National Co-ordinating Committee had met on four occasions since April 2004 and had come up with an Action Plan for the SME sector in Mauritius, which has been examined by the High Powered Inter Ministerial Committee at its meeting on 02 June 2004.

Mr Speaker Sir, across the world SMEs are playing increasingly more important roles. Their contribution on key economic goals such as growth, productivity, innovation, employment, economic democratisation and poverty alleviation is widely recognised. According to the United Nations Industrial Development Organisation, SMEs make up over 90% of enterprises in the world, account for 60% of employment, and for 30% at world exports of manufacturers. You will agree with me that those statistics clearly show the outstanding contribution and potential of SMEs to the economy.

Mauritius is no exception to this worldwide trend. According to figures from the Central Statistical Office published in 2003, there are above 199,000 persons employed in small enterprises which represents about 40% of total employment. There are around 45,000 small enterprises.

Government is actually providing a comprehensive package of incentives and support to SMEs which pertain *inter alia* to finance, marketing, technology, skills development, research and development. These schemes include -

(a) Export Credit Guarantee Insurance Scheme  
(b) Feasibility Study Grant Scheme  
(c) Marketing Support  
(d) Business Counselling and Business Development Service  
(e) Entrepreneurship Development  
(f) Export Business Support Scheme  
(g) Technology Improvement Scheme.

Mr Speaker, Sir, as the House is aware, a number of new measures has been announced in the Budget Speech 2004-2005 to further develop SMEs and foster the entrepreneurship culture. These measures will include support to entrepreneur programme, young entrepreneur scheme, mentoring scheme, a loan portfolio of Rs200 m through the Mauritius Post and Co-operative Bank, a contributory loan guarantee scheme from DBM Ltd, and the setting up of an equity participation fund.
In that connection, I had a meeting with the Chief Executive of the Mauritius Post and Co-operative Bank, who had assured me that the scheme would be advertised in the press by the end of this week. The interest rate charged would be lower than those available presently.

The facilities in the Budget will re-dynamise the sector and ensure its sustainability in the years to come. As a caring Government, we believe that these measures will no doubt assist the sector to overcome the threats and challenges which they may have to face in the coming years. In that light, we will continue to support traditional SMEs, but also give importance to new style SMEs in services, manufacturing and export markets. Also, my Ministry is envisaging to provide fully serviced sites with basic infrastructure to SMEs for them to construct their buildings. Furthermore, we are in the process of reviewing the legislative framework to clearly defined SMEs in Mauritius, and to provide a more conducive environment for their development.

Mr Speaker, Sir, for period 2001 to date, there are 2 SMEs which have partnered with overseas firms. Furthermore, two others are being examined. I would like to highlight that the potential for international partnership remains high and we will contribute to assist SMEs, which are interested to establish links with overseas partners. We are targeting countries like South Africa, Malaysia and France. The two organisations currently employ 57 persons.

SMIDO organises business forums in targeted countries to ensure that SMEs can meet potential partners. A loan of Rs1 m is provided by the DBM with an interest rate of 10% per annum and repayable over a period of 6 years to SMEs which finalise joint venture with overseas partners.

No start-up enterprises have benefited in the ICT sector from the DBM Venture Fund.

Two SMEs have benefited from the Export Credit Guarantee Scheme. It is useful to highlight that it has been difficult for other SMEs to take advantage of the scheme as a minimum deposit premium of USD 3,000 is required from each exporting company per year. Discussions for review of the Scheme are under way.

Mr Speaker, Sir, I would like to inform the House that there are above 450,000 small enterprises, and out of this number, 2119 are registered with SMIDO. There are 7 sectoral associations which are affiliated to the Small and Medium Enterprises Federation. This Federation comprises of around 100
members. The Federation had consultation with the Minister of Finance and Economic Development during pre-budgetary consultation. I attended both meetings. Government has taken into consideration their requests and I would like to stress that access to finance is not the only requirement to boost up the sector. As I said earlier, there are other measures that are necessary to foster the entrepreneurship culture.

Mr Speaker, Sir, this Government strongly believes that the new measures announced in the Budget will provide the necessary conducive environment for the boosting up of the sector.

**Dr. Ramgoolam:** May I ask the hon. Minister what exact definition he is using for Small and Medium Enterprises? Because SMIDO, as he knows, includes manufacturing and all this. The hon. Minister has said 45,000, what definition is he using?

**Mr Lesjongard:** The figure 45,000 comes from the Central Statistics Office where they qualify small enterprises as enterprises employing less than ten employees, but then I would like to point out that as such there is no clear definition of the SME sector as per the existing legislation. We are now at the level of the National Co-ordinating Committee, working on a new legislation that will define that sector correctly.

**Dr. Ramgoolam:** That is why this Federation is complaining because there is absolutely nothing. Can I ask the Minister therefore if he is looking at this new definition - my question is specific about the DBM Venture Capital Fund - how many have benefited from this definition of "Small and Medium Enterprises"?

**Mr Lesjongard:** About the DBM Venture Capital Fund, Mr Speaker, I said that there are only two SMEs which have partnered with overseas firms and none has benefited in the ICT sector.

**Dr. Ramgoolam:** So, if only two have benefited from the DBM Venture Capital Fund out of 45,000 and none in the ICT sector, does he not agree that again it is *un effet d'annonce* and no result. I am just stating the facts as they are. Does he not agree with that?

**Mr Lesjongard:** Mr Speaker, Sir, the DBM Venture Capital Fund was set up to provide equity investment in companies promoted by IT professionals having no funds to invest in the project. The scheme was especially meant for those willing to start up their project in the incubator centre of the National Computer Board. Like I said, there was only one project which was submitted for financial
assistance, but as the IT professional had to set up his project urgently, he availed of other sources of finance.

**Dr. Ramgoolam:** Even in the 2001/2002 Budget Speech the then Minister of Finance - and again afterwards - has mentioned this, that it has been set up to encourage the Small and Medium Enterprises; and in fact in the 2002/2003 Budget, this amount is increased from Rs500,000 to Rs1 m. But in spite of that the Minister is saying that only there are only two for the DBM Capital Fund and zero for the ICT sector. Can he confirm that?

**Mr Lesjongard:** Yes, I confirm the figures, Mr Speaker, Sir, and I understand that they get their finance elsewhere. But then, as I pointed out earlier in my reply, finance is not the only problem that is being faced by those SMEs. There are other problems and that is why we are saying that we should look at the problem globally. Today we are talking about creating that conducive environment for the SME sector to be able to progress; we talk of access to land; we talk of creating industrial parks; we talk of the new legislation for the SME sector, but we also talk of access to finance, Mr Speaker, Sir.

**Dr. Ramgoolam:** Do you agree that the whole scheme was badly set up if they are not taking advantage of it?

**Mr Lesjongard:** Mr Speaker, Sir, if people are benefiting, I do not think it was badly set up.

**Dr. Ramgoolam:** He said two and then zero from the ICT sector. So that means it was badly set up. Does the hon. Minister think that it should be relooked at?

**Mr Lesjongard:** No, I do not think it was badly set up, maybe it has been badly marketed, Mr Speaker, Sir.

**Mr Duval:** Mr Speaker, may I ask the hon. Minister whether the Schemes announced in the Budget for Small and Medium Enterprises are meant for enterprises registered and SMIDO with also the 2000 other enterprises?

**Mr Lesjongard:** Of course, Mr Speaker, these are meant for enterprises registered with SMIDO. That is why I say that out of 45,000 enterprises operating in Mauritius, we have only 2119 registered with SMIDO. That is why we are trying to work out on a new legislation that could qualify those operating within the SME sector and get these people to be registered at the SMIDO.
Mr Duval: Does not the Minister think, therefore, that the whole Budget Speech although aimed supposedly at SMEs in general, without in fact defining SMEs properly, is in fact aimed at 1% or 2% of SMEs that are actually existing in Mauritius? And, therefore, the whole area should have been looked at properly since the Government has been, for years now, saying that they will support the SMEs and the definition should have been enlarged to include all sorts of companies which employ, less than 150 people, including service sector companies which is a very important sector in Mauritius.

Mr Lesjongard: Not at all, Mr Speaker, Sir. Like I say we were reviewing everything as far as the SMEs sector is concerned. But then if we look at the Budget, Mr Speaker, Sir, what do we want to bring to this population? When we talk of the culture of enterprise, c'est cela qu'il faut définir, cette culture d'entreprise qui n'existe pas à Maurice.

C'est pourquoi …

(Interruptions)

Mr Speaker: Order!

(Interruptions)

Mr Lesjongard: Let me reply. That is why, in the Budget, we have made provision this time for support to entrepreneur programme. We have also made provision for Young Entrepreneurs Scheme. That is what I have been saying to all the entrepreneurs, not only entrepreneurs, but also college students, that we need to look into that direction. But then to look into that direction and to succeed in what we want to do in this country, we have to bring about that conducive environment. And I said it earlier that this conducive environment is a package, and that package includes finance and other issues related to the development of the SME sector.

Mr Duval: Mr Speaker, it has been four years now and nothing has been done, virtually nothing! Even the SME village at Bambous was in fact started by the previous Government and I think the hon. Minister knows it well. May I ask the Minister to give us a time when the new definition of the SMEs will be announced and whether, in fact, it will definitely include the whole sector of SMEs in Mauritius, including services? Can we have definite commitments, please?

Mr Lesjongard: As soon as possible, Mr Speaker, Sir.
**Dr. Ramgoolam:** The second part of the question is about Export Credit Guarantee Scheme. In the Budget Speech of 2001, it was mentioned that this agency has been set up to help the SMEs in their export drive. Can I ask the hon. Minister how was this export agency set up in the first place?

**Mr Lesjongard:** Like I said, Mr Speaker, Sir, this is a new Scheme and if that Scheme has not worked properly because it is a medium term measure, we need to get people used to that Scheme. And I said we are reviewing part of the Scheme, because it includes a minimum deposit premium of US3000 which is not accessible to the SMEs.

**Dr. Ramgoolam:** Was it set up or was it not set up? It was mentioned in the Budget.

**Mr Lesjongard:** Yes, Mr Speaker, Sir.

**Dr. Ramgoolam:** By whom?

**Mr Lesjongard:** SICOM.

**Dr. Ramgoolam:** If it was set up, how many people have benefited from it.

**Mr Lesjongard:** I gave the answer in my reply. Two SMEs.

(Interjections)

Yes, that is the fact and I said we are reviewing the Scheme. There are problems related to the Scheme. I am saying the truth.

**Dr. Ramgoolam:** We appreciate that the hon. Minister is saying the truth. He is the new Minister and we appreciate that he is saying the truth. We are criticising in the sense that this was again a project that was given big coverage on the Budget day and again on every Budget day. But, in fact, in reality, it is again that *effect d'annonce*. They say something and then it does not work out. The Prime Minister announced it himself and then nothing has been done. It is now that he is looking! After four years! That is my question. That is why he said only two. Again only two people have benefited from that credit.

**Mr Lesjongard:** Mr Speaker, Sir, they have the right to criticise and that is what they are in this House for. We have created a new Ministry and we are reviewing everything and I said that we have set up a High Powered Committee, and the Committee is chaired by the Prime Minister himself. We also have a National Co-ordinating Committee and we are reviewing all the existing schemes.
and if we need to review schemes which have not worked for the past years, we are going to review them, Mr Speaker, Sir.

**Mr Duval:** Mr Speaker, concerning the financial part of SME challenge, may I ask the hon. Minister if he can tell us whether the Scheme is now closed down and before it was closed down, what was the amount spent and the reasons why it was closed down?

**Mr Lesjongard:** Mr Speaker, Sir, I replied to a question on the 16 March regarding this subject and I said that there were two components SMETECH and SMEFIN and I said that -

"The number of SMEs, whose applications for grant have been approved under each of the SMETECH component, is as follows –

(i) Flash Diagnosis (…)

(Interruptions)

I said none, because I said that we …

(Interruptions)

**Mr Speaker:** Order!

**Mr Lesjongard:** I am replying to the same question I replied two months ago and I said no funds…

(Interruptions)

I said no funds have been disbursed because the funds have not been released from Brussels. And I also said that next year we are going to have a new project conception for SME finance.

**Mr Duval:** So, this is zero again! May I ask the Minister why in fact the funds have not been disbursed and what is being done about it? Has it just been abandoned now? Or is there an attempt to revive the whole thing, which would have been a genuine good thing?

**Mr Lesjongard:** We have not given up, Mr Speaker, Sir. We are reviving everything. As I said, a new scheme will be coming up next year. If the SME challenge did it does not work properly, I understand that the project was entrusted
to a consultancy firm and we had problems related to poor project conception and heavy administrative procedures.

**Mr Duval:** I think the project value was Rs256 m. May I know how much of that sum was spent?

**Mr Lesjongard:** I do know the exact amount, but I know that we had committed an amount of Rs5.5 m. and the amount disbursed was Rs4.28 m. I should also say that the project was poorly established during the initial stage in 1997, Mr Speaker, Sir.

**Dr. David:** Mr Speaker, Sir, can we know from the Minister how many times the High-Powered Committee has met and who is chairing it? As the Leader of the Opposition has said, there has been a lot of *effets d'annonces.* Since 2001-02, a lot of things have been said about the SMEs. The Minister mentioned twice that the project has been badly marketed. Can we know whose responsibility or irresponsibly it was to have badly marketed the project?

**Mr Lesjongard:** Ce n'est pas des *effets d'annonces!* On n'est pas là pour faire des *effets d'annonces,* M. le président! On opère dans la réalité!

* (Interruptions)

**Mr Speaker:** Order, please!

**Mr Lesjongard:** J'ai été ministre responsable de Rodrigues dans un passé pas très lointain. Je demanderai à l'honorable membre d'aller visiter Rodrigues et de voir ce qu'on a fait là-bas. Je vais faire la même chose pour les petites et moyennes entreprises.

As I said, Mr Speaker, Sir, the National Coordinating Committee has met on four occasions since April 2004 and the inter Ministerial Committee has met once.

**Dr. David:** The Minister said twice that the project was badly marketed. Whose responsibility it was to have badly marketed it since 2001-02? It is only *effets d'annonces* year in year out.

**Mr Lesjongard:** We do have a specific project and I cannot ascertain whether this was the reason.
Dr. Jeetah: Mr Speaker, Sir, can I ask the hon. Minister what was the value that was budgeted for the development of small and medium enterprises last year and how much was spent?

Mr Lesjongard: I do not have the figures with me, Sir.

Dr. Jeetah: Mr Speaker, Sir, can I ask the Minister to concede that less than 20% of the sum budgeted was spent?

Mr Lesjongard: I do not have the figures with me, Sir.

Dr. Jeetah: Would the hon. Minister tell us how much is the estimate for this year? I see there is a token figure. Does the Minister have any idea?

Mr Lesjongard: The information is available. It is for the hon. Member to check in the budget estimates circulated.

Mr Duval: The last year's budget 2002-03 stated, in fact, that an immediate priority was to eliminate bureaucratic red tape. I am sure the Minister knows as well as everyone how difficult it is for the SMEs to set up, because of the number of permits. Can I ask the Minister whether the Permits and Licences Committee in each Municipality has been set up, and if not, why not? Can we expect when it will be operational?

Mr Lesjongard: I agree that one of the main problems faced by SMEs is the issue of permits and licences. That is why, Mr Speaker, Sir, in the Local Government Act, we have made it a point to bring along a time frame for the delivery of permits and licences. We are in the process of setting up the relevant committees at the level of the Local Authorities. We need to recruit the necessary personnel. I understand that the Deputy Prime Minister is coming forward with the required legislation regarding the issue of permits and licences. But as soon as the Local Authorities would recruit the necessary personnel, it will be operating within the time frame as prescribed in the law.

Mr Duval: My question was: when will it be operating? Can we have a time frame? I hope the Minister will not tell me 'as soon as possible' again. The streamlining was announced as an immediate priority in the last year's Budget. Can the Minister tell us when we can expect it to become on line?
Mr Lesjongard: I understand from the Deputy Prime Minister that this legislation will be brought in Parliament during this present session.

Dr. Ramgoolam: Is the Minister aware that the federation has made a press conference where it has heavily criticised the Government. The Chairman of the federation said: "Les mesures étaient ridicules."

(Interruptions)

The Prime Minister is saying that he is ridiculous, but he is complaining. The Prime Minister himself said that we should not mention names, but he just mentions his name.

The Prime Minister: I have not mentioned names.

Dr. Ramgoolam: He said that the proposals have been ignored. Whatever has been done is ridicule and that those measures announced today already exist and have not delivered results. What would the Minister say to that?

Mr Lesjongard: I do not agree with that, Mr Speaker, Sir. As I said in my reply, we sat with that federation and we discussed with the Deputy Prime Minister and Minister of Finance. I believe that the majority of what they had requested had been taken on board. But I should say, as I did in my reply, that that Association does not represent the whole of the SME sector. I said that only 100 SME organisations form part of that association.

Dr. Ramgoolam: My question is: why should this sector believe what has been said in the Budget when in the past nothing has happened? The Minister himself has said that it is 200.

Mr Lesjongard: Mr Speaker, Sir, when we talk about the past, I should refer the Leader of the Opposition to the time when they were in power. Nothing had been done in that sector. It is for the first time that we are having a Ministry responsible for the SME sector. I have met those people of that sector. That is why I said earlier that now we are aware of the real problems that they are being faced with. We have defined an Action Plan for that sector today.

Dr. Ramgoolam: I think the hon. Minister would agree. These people are doing the job and they know their problems. If these people are not happy the next
day after the Budget, does not the Minister think that he should talk to them, have dialogue and review the policy?

**Mr Lesjongard:** *M. le président, je rencontre régulièrement ces personnes depuis que j’ai assumé ces responsabilités.* I can tell you that 90% of their proposals have been taken on board. *Comme je l’ai dit, ils représentent que 100 entreprises sur un total de 45,000.* We have created employment in that sector. There are today 199,000 persons employed in that sector which represent about 40% of the total employment in the country, Mr Speaker, Sir.

**Mr Duval:** The Minister mentioned that there are 45,000 SMEs. Can I ask him to state clearly whether it is now going to be the policy of Government to include services in the definition of SMEs under the SME legislation so that they can benefit from all that is announced in the Budget? Can I get a definite answer from the Minister? Will services be included in the definition of SMEs?

**Mr Lesjongard:** Yes, Mr Speaker, Sir.

**Dr. Ramgoolam:** The hon. Minister is saying that he is doing everything and the Government says that it wants to help that sector, which is a good thing. We also say that. Government says that it wants to democratise the economy, to help the SMEs, alleviate poverty, but the end result is nil. The Minister himself has accepted that.

*(Interruptions)*

He has just said that two people have applied for the Venture Capital. It is zero for the other ones.

*(Interruptions)*

That is why we are talking about the SMEs, and not about the whole island. The Minister has said 200. He said that the intention is there. But the end result is nil.

*(Interruptions)*

Maybe it is in his head like a winning formula! But the result is not there. The question was specific, the Minister answered specifically, and I thank him for that. But, does he not think, again, that he should review the policy, if these people are
not satisfied? They are the ones doing the work, and they have said that they are not satisfied!

**Mr Lesjongard:** Mr Speaker, Sir, the figures speak for themselves. I have given figures from the CSO. This is a very dynamic sector. What we are trying to do is to give a holistic approach to that sector. They know that the present legislation is not fit for that sector, and that is why we are reviewing it. They also know that access to finance is not the only problem. That’s why I talk about giving access to land; that’s why we talk of loan at different levels; that’s why the Deputy Prime Minister has introduced a scheme.

(Interruptions)

The hon. Member is mentioning the bank. We will play a lead role in that sector. We are giving all the facilities to that sector. Mr Speaker, Sir, I am sure and confident that we are going to succeed.

**Dr. Ramgoolam:** Let us look at the last three years. In the 2001-2002 Budget, Rs40 m. were earmarked and only Rs22 m. were spent. The next year, Rs40 m. were earmarked and Rs20 m. were spent. Last year, Rs32 m. were earmarked and Rs6.8 were spent. That is why it is *un effet d’annonce!* *Effet d’annonce!* Big, big titles in the press, but nothing at the end of the day! Nothing!

(Interruptions)

**Mr Speaker:** Order! Order, please!

**Mr Lesjongard:** Mr Speaker, Sir, the Leader of the Opposition has been Prime Minister of this country. Does it mean that every amount that we earmark in the Budget has to be spent?

(Interruptions)

**Mr Speaker:** Next item, please.