ORAL ANSWERS TO QUESTIONS

ECONOMIC GROWTH, INVESTMENT FACILITATION & PROMOTION OF SMEs – MEASURES IMPLEMENTED

The Leader of the Opposition (Mr N. Bodha) (By Private Notice) asked the Deputy Prime Minister, Minister of Finance & Economic Development whether, following the announcement made in the House on 30 August 2005 relating to the measures for a robust growth and the investment facilitation and promotion of the Small and Medium Enterprises, he will state –

(a) the measures implemented to date;
(b) the schemes set at the DBM Ltd;
(c) the number of enterprises which have benefited therefrom;
(d) their line of business activities;
(e) the number of jobs created, and
(f) the amount disbursed.

The Deputy Prime Minister, Minister of Finance & Economic Development (Mr R. Sithanen): Mr Speaker, Sir, this Government not only announced a series of measures for achieving robust economic growth and the investment facilitation and promotion of SMEs, but has already implemented many of them. Others are on the point of being finalised and will be implemented shortly.

In this context, I would like to point out that the DBM has implemented a series of measures to lower the cost of finance for Small and Medium Enterprises and micro projects. This has taken two forms, Mr Speaker, Sir –

(i) the reduction of interest rates on loans sanctioned to SMEs, particularly in the manufacturing sector, and
(ii) the reduction of penalty rates charged on overdue amounts.
For instance, interest rate on loans for the micro-credit sector has been reduced from 8% to 5% per annum. For loans provided up to Rs200,000 for the purchase of productive equipment for manufacturing by SMEs, the interest rate has been reduced from 10% to 9%. Furthermore, the loan ceiling has been increased from Rs200,000 to Rs500,000. For loans above Rs500,000 of up to Rs3 m., the interest rate has been lowered from 11% to 10% per annum.

Under the modernisation scheme for SMEs, interest rate has been reduced from 9% to 8% per annum, while for working capital, the loans of up to Rs500,000 interest rate has been reduced from 12% to 10%. The ceiling for revolving working capital finance scheme has been increased from Rs1 m. to Rs2 m.

The penalty rates applicable on overdue loans of SMEs have also been substantially reduced.

Furthermore, to improve the delivery of services of SMEs, the SME Department at the DBM has been overhauled. The physical layout of the Department has been improved to facilitate access to bank services and systematic handling of all demands for assistance. Moreover, the operational procedures of the SME Department have been reviewed in order to ensure an expeditious handling of all loans applications received.

Obtention of licences and permits has often represented a major hurdle for the operation of SMEs. A committee under the chairmanship of my colleague, the Deputy Prime Minister and Minister of Tourism, has been established to make recommendations for timely obtention of permits and licences. One of the recommendations being implemented is the rationalisation of trade licences. Instead of 509 trades necessitating a licence under the Eighth Schedule of the Local Government Act, a system of clustering of trades is being adopted. The clustering has been done in such a way that once a development permit is issued for a trade falling within a cluster, there will be no need to apply for a first permit if there is a change of trade within that cluster. Lack of industrial space is also a major constraint for SMEs. BPML and DBM are converting vacant industrial space into small lots for SMEs.
As regards part (b), all existing DBM loan schemes for SMEs have been streamlined, regrouped and harmonised into 10 specific schemes as follows –

(i) Manufacturing Sector Loan Scheme;
(ii) Trade and Service Sectors Loan Scheme;
(iii) Construction Sector Loan Scheme;
(iv) ICT Sector Financing Scheme;
(v) Printing & Publishing Sector Loan Scheme;
(vi) Venture Capital Scheme;
(vii) Equity Participation Loan Scheme;
(viii) SME Loan Guarantee Fund;
(ix) Micro Credit Scheme, and
(x) Loan Scheme for Miscellaneous Purposes.

Furthermore, a new loan scheme has been set up for the bank fishing operators for repairs, upgrading or renovation of existing fishing vessels. Under this scheme, the loans of up to Rs 10 m. are made available at interest rate of 8% per annum. This loan is partly guaranteed by the Loan Guarantee Fund which has been set up. This means that the promoters of fishing companies do not have to give their personal assets as guarantee, as was the case before.

As regards parts (c) and (d) of the question, from August 2005 to April this year about 1,200 enterprises have benefited from Loan Schemes for SMEs in the following lines of business, with loan approvals for a total amount of around Rs 200 m.

(i) Trade and Commerce;
(ii) Construction;
(iii) Transport;
(iv) Garments;
(v) Furniture;
(vi) Light Engineering;
(vii) Emerging Enterprises;
(viii) Micro Credit;
(ix) Leather;
(x) Professional Services;
(xi) Liquid Petroleum Gas;
(xii) Printing, and
(xiii) Other Small Manufacturing

In addition, Mr Speaker, Sir, at the level of Enterprise Mauritius, since July 2005, the following support and interventions have been provided to SME’s -

(i) 36 SMEs companies have benefited from services in pattern making and floor intervention;

(ii) 80 SMEs have registered with the E-market place for electronic, cataloguing and on line transaction facilities;

(iii) 225 SMEs have benefited from training workshops on standard for exports, building market driven businesses and rules of origin, and

(iv) 80 SMEs have benefited from subsidized rates to participate in the Regional Trade Fair Mauritius for Africa to be held next month.

At the same time, customs duties on a range of clothing and footwear items manufactured by SMEs, that had inconsiderately been abolished by the previous Government, were reintroduced on 31 August last year. This measure has enabled a significant number of SMEs that were on the verge of closing down and laying off a large number of people to remain in business and provided them with adequate time to restructure their operations and raise their competitiveness. Similarly, VAT was removed on gold and semi-finished jewellery items to give small jewellery producers greater support.

Under the support to start-ups entrepreneurs continued to benefit from a grant of Rs50,000 and a loan of the same amount at a concessionary rate. Regarding high potential entrepreneurs they can get a grant of up to Rs500,000.

In regard to the Empowerment Fund, the loan particulars for the setting up of the Fund have been completed and will be launched in July subject to the approval of the Financial Services Commission. The Fund will be of an amount of Rs200 m out of which Rs100 m is being contributed by Government, DBM and SIC. The financial institutions in the private sector will contribute the other Rs100 m. The Fund will address the issue of access to finance by SMEs which have viable projects, but do not have the
appropriate required collateral. The Fund will be providing equity and quasi equity to these enterprises. In addition, within the structure of the Fund, Enterprise Mauritius will be providing consultancy support to the SMEs. Enterprise Mauritius will prepare their business plans of the SMEs and provide technical and marketing support as well as ensuring proper implementation of their projects.

Mr Speaker, Sir, following the implementation of the series of measures announced in my statement in the National Assembly on Setting the Stage for Robust Growth, the economy is gradually recovering to register a growth rate of 4.7% this year, higher than the average for the past five years and significantly higher than the 2.7 of last year.

(Interruptions)

Mr Speaker: Order!

Mr Sithanen: Mr Speaker, Sir, growth prospects are expected to improve this year in tourism, financial services, and construction sectors and also in emerging sectors such as the ICT and Seafood Hub.

After four consecutive years of decline in the EPZ sector, resulting in a 30% contraction in output and a loss of 25,000 jobs, this sector will register a lower rate of decline this year compared to 12.3% in 2005. As a result of our more aggressive marketing campaign and a new air access policy, the tourism sector has recovered fast with a growth of 5.6% in 2006 compared to less than 3% in 2005…

(Interruptions)

The SMEs also benefit from that! They do not know, that’s the problem!

Mr Speaker: Order please!

Mr Sithanen: So, is the Leader of the Opposition saying that there is no SME in the tourism sector?

(Interruptions)

Mr Speaker: Order, please!
Mr Sithanen: The growth momentum is expected to continue this year with a growth rate of 7.8% and tourist arrivals of 825,000. The measures taken for facilitating and improving the investment climate, namely the Fast Track Committee chaired by the hon. Prime Minister, the streamlining of procedures for residence and work permits, starting a business, dealing with licences, business visa and registering property, and the preparation of an exclusive list for duty exemptions, are already bearing fruits. The declining trend in investment is being reversed with investment expected to increase to reach 26% of GDP this year after four consecutive years of decline. The share of private investment will increase to 15.6% compared to 14.7% in 2005.

As regards employment, according to the Central Statistics Office, some 3,600 jobs were created during 2005 in other than large enterprises. It is estimated that between August and to date, some 4,000 jobs have been created in this sector.

Mr Bodha: Mr Speaker, Sir, I thank the Deputy Prime Minister for his answer. But to understand the perspective of this question, we are referring to 75,000 small and medium enterprises and 150,000 people and the Stage for Robust Growth, in fact, has been a stage for more misery for these people….

(Interruptions)

May I ask the Deputy Prime Minister how is it that business confidence, in spite of all that he has done, has gone down at a low, in general and in particular at the SMEs level?

Mr Sithanen: I have just explained very clearly measures that were announced and implemented in order to support the SME with regard to access to finance, to facilitating the entry into business, and I have given the figure in terms of value that has been sanctioned and disbursed. I have also given an indication of the number of jobs that have been created. But at a macro level, Mr Speaker, Sir, true it is that the situation is not as good as we would like it to be. There are challenges….

(Interruptions)
Mr Speaker: Order!

Mr Sithanen: We have inherited an awful situation from them. What we are saying, Mr Speaker, Sir, notwithstanding the difficult international environment, economic growth will be better this year than last year. Tourism will rise at a faster rate than last year. The EPZ will improve. When they were there, people from Hong Kong were lévé paké, allé. Now people are coming back….

(Interruptions)

Mr Speaker, Sir, that is what we are saying. It is true that there are challenges, but the situation is improving under the economic leadership of this Government…

(Interruptions)

Mr Speaker: Order, please!

Mr Bodha: Mr Speaker, Sir, the fact is that the recipe for the SMEs has been only un effet d’annonce...

(Interruptions)

Most of the measures have not been implemented and we are ten months after the 30 August. My question is, for example, for the lowering of interest rates at the DBM, I would like to know when was this decided, when was this implemented at the level of the Bank and how many people have benefited from the lowering of interest?

Mr Sithanen: Mr Speaker, Sir, should I repeat the answer that I gave? Does he want it?

(Interruptions)

What we have stated, Mr Speaker, Sir, we announced the measures. There is always a time-lag between the announcement of measures and the implementation of measures. Let me refresh the memory of the hon. Leader of the Opposition. Mr Speaker, Sir, they announced with pomp and
pageantry in the House that they are going to set up a support of entrepreneurs programme. You know what has happened? Zéro plombage!

(Interruptions)

They announced in the 2005 Budget, again with pomp and pageantry, the Joint Entrepreneur Scheme. Zéro plombage, Mr Speaker, Sir! They announced a panel of mentors to be set up and advice and support….

(Interruptions)

Zéro plombage, Mr Speaker, Sir! Whereas we have implemented the scheme, Rs200 m have been disbursed and many people have benefited from it. They wanted to kill SME. We have re-introduced duties in order to support SMEs, Mr Speaker, Sir.

(Interruptions)

Mr Speaker: Order!

Mr Bodha: Mr Speaker, Sir, hon. Minister Bunwaree announced five SME villages in 2000, nothing was done.

(Interruptions)

Nothing was done in the Budget of 2000.

Mr Speaker: Order!

Mr Bodha: La démocratisation de l’économie was one of the most popular slogans of l’Alliance Sociale. May I ask what has been at the SMEs level to democratise the economy better?

(Interruptions)

Mr Speaker: I said order.

Mr Sithanen: Mr Speaker, Sir, the Leader of the Opposition should know they have been an utter failure as far as managing the economy is concerned. They have put this economy in ruin.
Mr Speaker: Hon. Soodhun! Hon. Soodhun, you came to see me in my office this morning, I told you to behave yourself. I am asking you to behave yourself. Please, there is no need for you to clap your hands or to bang the table. You are disturbing the Leader of the Opposition from putting his question and the Deputy Prime Minister from answering. Order!

Mr Sithanen: Mr Speaker, Sir, we have announced the measures. I have answered all the six questions that have been put by the Leader of the Opposition. And we have stated how it has been done. I must also say, Mr Speaker, Sir, that we have been in power only for ten months. We have got fifty months to go and then, Mr Speaker, Sir, the nation will judge us basically on what we have achieved, compared to what they have not achieved. It is only ten months! We have to put order because they have created a mess in the economy, Mr Speaker, Sir. In spite of that, we have restored the growth momentum. This is the most important signal that we can send, Mr Speaker, Sir.
Growth was on a declining trend and this year, growth will increase. True it is, it is not enough, Mr Speaker, Sir. I am the first one to admit this, but we have challenges. The price of sugar is coming down by 36%. We are not sure whether sugar will be classified as a sensitive product at WTO. There is still problem, you know, with NAMA, hon. Cuttaree knows that very well. So, what we are telling, Mr Speaker, notwithstanding these difficult circumstances internationally, we have been able to restore economic growth to a higher rate than what was bequeathed to us by the Opposition.

Mr Bodha: The Deputy Prime Minister has not answered my question as far as the democratisation of the economy is concerned. We know that no report has been presented. As far as we know we do not know what has been done so far.

(Interruptions)

Mr Speaker: Order!

Mr Bodha: The Deputy Prime Minister had a very tall order when he presented his document. He said that we will have immediate positive impact. Now, when we come to 75,000 small and medium enterprises, what has been the positive impact on these 75,000 enterprises?

Mr Sithanen: Mr Speaker, Sir, the hon. Leader of the Opposition is not listening. He is a lawyer. He does not listen.

(Interruptions)

Yes, he does not want to listen. I have said, Mr Speaker, Sir – and he knows it very well – that there is always a time lag between the announcement of measures, the implementation of measures and the result we will get. What we are saying is that – he asked what has improved – growth this year is 4.7% compared to 2.7%. There are many SME firms which benefit from tourism, Mr Speaker, Sir. Is the hon. Leader of the Opposition telling us for one single moment that there is no SME that benefits when the economy prospers?
All of us know, Mr Speaker, Sir, when the wave rises, everybody benefits from it whereas the wave does not rise, it is the small man or woman who gets affected by it. That is what we are saying. Tourism is up; EPZ has bottomed out; there are signs of improvement, Mr Speaker, Sir. We need time, but what we are saying is that we are getting the results and I have given all the indications, all the statistics on what has been done to SME. It is not enough. We are going to announce more measures in the Budget to support small and medium enterprises. It is one of the platforms on which we have been elected and the hon. Prime Minister has been elected. We are going to deliver on SMEs because we believe that SMEs will create value. We believe that SMEs will generate growth. We believe that SMEs are going to create jobs.

(Interruptions)

Mr Soodhun: On a point of order, Sir. When we, on this side, clap hands, you call us to order. But when hon. Members, on the other side, are clapping hands, they are not called to order.

(Interruptions)

It is not fair.

Mr Speaker: I am sorry this is not a point of order. But I would like, for the guidance of the hon. Member, to state that they clapped their hands after the Deputy Prime Minister had answered not in the middle of the question which was being put.

Mr Bodha: Mr Speaker, Sir, the Empowerment Fund is still frozen in the pipeline after ten months. All the measures which were announced ten months earlier - does that mean that, at that point in time, when he presented the measures they had not been planned? My question is: when is the Empowerment Fund being implemented and when the SMEs can take benefit of it?

Mr Sithanen: Let me repeat. Mr Speaker, Sir, in August, it was only one month since we took power and we had to clear the mess that they had left. We say that basically in regard to the Empowerment Fund, the loan particulars for the setting up of the Fund has been completed and will be
launched in July - in July I repeat it for the hon. Leader of the Opposition - subject to the approval of the Financial Services Commission.

Mr Speaker, Sir, I don’t know whether the hon. Member is aware how complex it is to set up an Empowerment Fund. We also want, Mr Speaker, Sir, to avoid the mistake that has been made in the past by all of us thinking that we are going to do well for the SMEs, we have just put money and found after it has been good money put after bad money. I don’t know whether the hon. Leader of the Opposition is aware that a report written by the UNDP says that the casualty rate for SMEs in Mauritius is about 70%. All of us had made mistakes in the past. Now, we cannot just rush in where angels fear to tread. We have to make sure that the money is going to be utilised for the purpose for which it is intended, that basically these people are going to be economically empowered. We don’t mind. There is always a casualty as far as SMEs are concerned, but the objective of any responsible Government is to bring down this level of casualty so that the money is well spent and people are economically empowered.

(Interruptions)

Mr Speaker: Order! Hon. Lesjongard.

Mr Lesjongard: Thank you, Mr Speaker, Sir. My question is in relation to a very simple and easy scheme to implement. In his document ‘Setting the Stage for Robust Growth’, the Deputy Prime Minister highlighted the importance of a consultancy support to SMEs and in order to promote entrepreneurship culture in the country, he has talked of a scheme related to consultancy services. May I know how many SMEs have benefited from that scheme, Mr Speaker, Sir?

Mr Sithanen: Mr Speaker, Sir, there are many ways of providing consultancy services. Again if the hon. Member would care to listen to what I said. Let me repeat, Mr Speaker, Sir, what I said –

“In addition, at the level of Enterprise Mauritius (which is doing a fine job to accompany people because one of the problems of SMEs, Mr Speaker, Sir, is not access to finance; they need to be accompanied in many other areas)
(i) 36 SMEs companies have benefited from services in pattern making and floor intervention;
(ii) 80 SMEs have registered with the E-market place for electronic cataloguing and on line transaction facilities;
(iii) 225 (….)”

Mr Lesjongard: On a point of order, Mr Speaker, Sir…

Mr Speaker: Yes.

Mr Lesjongard: Mr Speaker, Sir, I have asked a specific question. I would like to know how many SMEs have benefited from the scheme.

Mr Sithanen: Mr Speaker, Sir, I don’t know whether the hon. Member knows very well what ‘consultancy services’ mean. Is he telling us that the training workshop to help small and medium enterprises is not consultancy?

Mr Lesjongard: On the same issue, I would like to ask another specific question. It was mentioned in the same document that they have to finalise a cost sharing issue with the SMEs for the implementation of the consultancy scheme. May I know when that issue was finalised with SMEs or representatives of the SMEs?

Mr Sithanen: Mr Speaker, Sir, I have said very clearly that many measures were announced. In their case, they announced the measures which were never implemented. What I have said is that a series of measures were implemented, many of them….

Mr Lesjongard: He is not answering.

Mr Speaker: So many times, I have told the hon. Member that I have no control on answers.

Mr Sithanen: Of course, I am answering.

Mr Speaker: The only thing I can ask…. 
Mr Sithanen: The hon. Member wants to tell me how to answer?

Mr Speaker: Order! Order! I have said that I have no control on the answers given by Ministers. The only appeal.....

Order! Order, please! I would invite the hon. Deputy Prime Minister that his answer must be succinct and relevant to the point raised.

Mr Bundhoo: Mr Speaker, Sir, may I ask the hon. Deputy Prime Minister and Minister of Finance whether he can confirm if there has been any significant increase in the number of registered SMEs since July 2005 to date as compared to last year?

Mr Sithanen: Mr Speaker, Sir, I do not have the exact figures.

I am trying to be honest and transparent!

I am saying that I do not have the figures. If the hon. Member would come with a substantive question, I would find the answer and give him the reply.

Mr Jhugroo: Mr Speaker, Sir, will the hon. Deputy Prime Minister and Minister of Finance agree that his project of setting up small SME villages has failed?

Mr Sithanen: Mr Speaker, Sir, this has been announced by various Governments over time. I have just said in my reply that, in fact, the DBM and BPML have got factory space and we have requested them to convert some of these spaces into smaller units that can be given to small and medium enterprises.

Mr Dowarkasing: Mr Speaker, Sir, with respect to the Empowerment Fund, may I know, besides Government, what are the other public and
private financial institutions that have contributed to that Fund and to what amount?

**Mr Sithanen:** We do not have the exact amount, Mr Speaker, Sir. I said that the Fund is going to be Rs200 m. Rs100 m. will be contributed by Government and State-owned enterprises and we are expecting Rs100 m. to be provided by financial services and the banking sectors. We already have commitments from two or three banks. We think that we would be able to get the Rs100 m. from the private sector.

**Dr. Ramloll:** Mr Speaker, Sir, I would like to ask the Minister of Finance a direct question. As a measure to tackle the problem of unemployment, the previous Government came with an SME ….

*(Interruptions)*

**Mr Speaker:** Order! The hon. Member should put the question. Time is running out!

**Dr. Ramloll:** There was the aim to create an SME village. I would like to know from the present Minister of Finance whether that SME village exists in this country till now?

*(Interruptions)*

**Mr Speaker:** Order! Let the Minister answer.

**Mr Sithanen:** Mr Speaker, Sir, it does not. Again, this is one of the *effets d’annonce* of the previous Government!

**Mr Bodha:** The hon. Member has referred to registration certificate. Is the Deputy Prime Minister and Minister of Finance aware that, in fact, the registration certificate is not a valid document and it relates to a letter which goes with it which says that the registration certificate is not an operating licence? Is he aware of that?

**Mr Sithanen:** Mr Speaker, Sir, we have said high and loud that it is difficult for SMEs to make business in this country. There are 14 licences and permits that are required from them. We are working very hard with a view to collapsing into three or four, but there are pockets of resistance and
we are trying to overcome them. I agree with the hon. Member that probably there are too many licences and permits, but it is the objective of this Government to reduce to the absolute minimum the licences and the permits that are required for small and medium enterprises to commence business and to be economically empowered.

**Mr Bodha:** Will the hon. Deputy Prime Minister and Minister of Finance agree that business confidence is low, that consultancy facilities are difficult to access, that job creation is low and that on the whole the recipe has been a disaster and not one for robust growth of the SMEs?

*(Interruptions)*

**Mr Speaker:** Order! Order!

**Mr Sithanen:** The hon. Member has already written his last question since three o’clock in the morning. He is trying to score cheap political points. I have said, Mr Speaker, Sir, that growth is higher this year than last year; investment is higher this year than last year; the tourism sector is doing better this year than last year. True it is that there are still thick clouds on the horizon, but things are definitely better this year than they were last year, Mr Speaker, Sir.

**Mr Speaker:** The Table has been advised that PQ No. B/542 addressed to Dr. the hon. Prime Minister will now be replied by the hon. Deputy Prime Minister and Minister of Tourism, Leisure and External Communications and PQ No. B/603 addressed to the hon. Minister of Education and Human Resources will be replied by Dr. the hon. Prime Minister, and keeping with practice, these questions will be answered at the end of Question Time.

Next item, ‘Questions addressed to hon. Ministers’, please!