

ORAL ANSWERS TO QUESTIONS

The Leader of the Opposition (Mr P. Bérenger): Mr Speaker, Sir, I had put my PNQ to the hon. Prime Minister, but I have to bow to your ruling. I have, therefore, to put my PNQ to Dr. the hon. Minister of Finance & Economic Empowerment.

**PUBLIC FUNDS – WASTAGE & INEFFICIENCY
DIRECTOR OF AUDIT & PAC REPORTS – RECOMMENDATIONS**

The Leader of the Opposition (Mr P. Bérenger) (*By Private Notice*) asked the Vice-Prime Minister, Minister of Finance & Economic Empowerment whether, in regard to wastage and inefficiency in the public sector, he is aware that the measures announced in the 2006-2007 Budget to control same have not yielded results, as revealed in the Report of the Director of Audit for the year ended 30 June 2008 and, if so, will he state the new measures Government proposes to take to –

- (a) control wastage and inefficiency, and
- (b) implement the recommendations made by the Director of Audit and the Public Accounts Committee in their respective reports.

The Vice-Prime Minister, Minister of Finance & Economic Empowerment (Dr. R. Sithanen): Mr Speaker, Sir, I welcome the question from the hon. Leader of the Opposition, which touches on an important topic that we must tackle as a nation. As the House may be aware, Governments around the world have for a long time been concerned with the issue of wastage and inefficiency in the use of public funds. Governments around the World have found it easier to identify the problem than to resolve it. This is a systemic issue, which needs to be continually addressed as we move along.

Indeed, the Director of Audit points out that reforms require the cooperation and collaboration of one and all and involves a shift of mindset and a change in culture. These changes do not happen overnight, but involve a long term process.

Also, he recognises that new concepts take time before achieving the targeted objectives. The Director of Audit also suggests that the scope of internal audit has enlarged and requires an investment in staff, training and equipment, and perhaps a review of the current structure. This may need to be accompanied by a review of the current set up of the Civil Service.

In view of these daunting challenges and complex tasks across many fronts that need to be simultaneously addressed, reform will be challenging, will take time and sometimes, unfortunately, deliver less than we initially expect. The important issue is less the precise results obtained at the beginning and much more the cumulative progress that is made, and the corrective actions to be taken in response to identified weaknesses as we move along.

From this perspective, the House may wish to note that, whilst we still have a considerable way to go, we do have some positive results, and some measures taken will contribute in the coming years to further reduce wastage and inefficiency.

The main achievement, Mr Speaker, Sir, has been to control overall wastage, and deal with inefficiency at the aggregate level via the introduction of fiscal rules. These rules have resulted in a reduction in the overall fiscal deficit of about 3 percentage points of GDP since 2005.

(Interruptions)

Mr Speaker: Order, please!

Dr. Sithanen: Why does not the hon. Leader of the Opposition listen?

(Interruptions)

Mr Speaker: Order! The hon. Leader of the Opposition will have the time to put supplementary questions.

(Interruptions)

We are losing time.

(Interruptions)

Order! Carry on, hon. Minister, please!

Dr. Sithanen: Moreover, they have set the stage for tight ceilings that have forced Ministries to carefully consider priorities and drop spending that is least efficient. This process is being further reinforced by the introduction of Programme Based Budgeting, which will yield further efficiency gains by focusing attention on the link between outputs/outcomes and inputs in the form of public spending. The report of the Director of Audit notes that the PBB brings more rigour to the whole system, and brings in management

through results via strategic planning and a budget programme based on results. He notes that the PBB will help to manage Government expenditure, but also points out that the PBB is a new system where successful countries have taken years to implement.

Mr Speaker, Sir, we have also had some successes at the micro level on individual items. The Director of Audit's report also noted with satisfaction that remedial actions have been taken in relation to his comments in last year Audit Report and to improvements including in management practices and better control on the use of public funds. These positive comments concern the Ministries of Education, Foreign Affairs, Health and Local Government and the Police Department.

There are also legitimate criticisms that have been made where the system was responsible for large expenditure overruns concerning capital projects. Four major projects in Waste Water, initiated, Mr Speaker, Sir, well before this Government took office, were initially estimated at about Rs3.3 billion. These projects collectively face a tripling in revised cost to about Rs10 billion. This includes an increase in estimated project cost from Rs2 billion to Rs7 billion for the Plaines Wilhems Sewerage Project. A significant cause of this escalation has been the result of Court actions by aggrieved bidders. We have since dealt with this issue with the enactment of a new Public Procurement Act promulgated in January 2008. Under the new Act, aggrieved bidders can no longer hold up the award of contract whilst they pursue their actions in Court.

Similarly, the Director of Audit has correctly identified problems with lack of in-house capacity to review and approve design and tender documents; lengthy pre-award stage and evaluation process; inadequate planning and follow up of the projects; lack of expertise in the sewerage sector. Government has responded to these very real issues by instituting a Capacity Building programme since October 2008 to hire required expertise speedily; starting with the 2008/2009 budget which has required Ministries to appoint a project manager for major projects; introduction since October 2008 of an Investment Projects Process Manual which has legal force to regulate the project cycle; the imminent appointment of a Projects Plan Committee to review and oversee the preparation and implementation of Capital Projects. We are also improving, Mr Speaker, Sir, overall planning by reviving the Public Sector Investment Programme to ensure that projects are well planned and prioritised. We have also reduced the problems with

consultancy costs by moving to a lump sum basis from percentage of total project cost as recommended by the Director of Audit in the last year's report.

Clearly, some of these systemic problems will take time to solve but the measures taken and about to be put in place should continue to reduce wastage and inefficiency. For example, as far back as in his Budget speech of 2001-2002, the then Deputy Prime Minister, Minister of Finance had promised a Fiscal Responsibility Bill and instituted a Committee to follow up on the recommendations of the June 2001 Audit Report. It is noted that these efforts produced little to improve the system. Similarly, as noted by the Director of Audit in his June 2006 report, efforts on the Medium Term Expenditure Framework did not produce the desired results.

Mr Speaker, Sir, faced with similar difficulties to move from concept to action, we are nevertheless seeing cumulative, if only incremental progress. Moreover, we have grappled with fundamental issues flagged over the years by the Director of Audit. He has continually called for accountability. With the revisions to the Finance and Audit Act in 2008, there is now provision for disciplinary action in case of non-compliance with financial instructions as laid down in the Financial Management Manual (FMM), the PBB manual and the Investment Projects Process Manual. The FMM is being updated and will address the issues raised by the Director of Audit.

These steps, Mr Speaker, Sir, will allow us to hold everyone accountable. The Director of Audit is right to flag abuses that we should not tolerate as a nation. It is important for all concerned to assume their responsibilities whether as policymakers or senior officials.

Mr Bérenger: Mr Speaker, Sir, the hon. Minister of Finance has mentioned some positive results. Can I remind him, before putting a question to him, that on 09 June 2006, when he presented the Budget, after having talked of, I quote –

“(...) alarmingly high level of inefficiency (...)”

He announced, I quote –

“(i) a war on inefficiency;

- (ii) sweeping reforms, and
- (iii) a permanent campaign against wastage.”

Will he agree that two and a half years later, things have moved from bad to worse and if we were then in front of “alarmingly high level of inefficiency”, we are now facing alarmingly higher level of inefficiency?

Dr. Sithanen: It is not true, Mr Speaker, Sir, for a simple reason. I indicated in the reply that I gave that the hon. Leader of the Opposition, who was then Deputy Prime Minister and Minister of Finance, himself chaired a Committee in order to address these issues as far back as 2001 and nothing came out of this. He was so discouraged that he gave up the chairmanship and sent it to the Secretary of Cabinet, if my memory serves me well.

Mr Speaker, Sir, it is true that there are some abuses. I have been the first one to admit it. I am the first one who is extremely unhappy that money that we collect from the taxpayers are not being well utilised. Having said that, Mr Speaker, Sir, considerable progress has been made in many areas. In fact, this is highlighted in the report of the Director of Audit. The item that has grabbed the headlines, Mr Speaker, Sir, we all know, concerns sewerage. People know - my own position I have said it before - the timing and sequencing of the investment in sewerage was not properly planned. This does not mean that we should not invest in an extremely important public good in order to protect our environment. But, Mr Speaker, Sir, the way that it was done was not proper at all. We have explained that there were four projects with considerable delays and, in fact, the Director of Audit explains in details the reasons for the delay, Mr Speaker, Sir. And the main reason is that one of the bidders that lost the contract went to court. And this is a country with a rule of law. We are not very happy about it. This is not the first project, Mr Speaker, Sir, where people who have lost, as a result of a bidding process, have gone to court. And this has dragged on for a long time. There are other cases - I don't want to play politics with this, Mr Speaker, Sir - where politicians took the decision not to go ahead with an important investment in public infrastructure which concerns hospitals. And we know the reasons. I have the documents here, Mr Speaker, Sir, as to why the decision was made. We are all doing our best to make sure that we get value for money.

Let me also tell my hon. friend, it is the job of the Director of Audit to identify these weaknesses. There are many other things that are done very well. I am sure many of my friends on the other side who have been in Parliament longer than me, know that this is the job of the Director of Audit. There are many things that are done well, there are also many things which we don't accept, Mr Speaker, Sir. But in many cases progress has been made. As I said, it is the responsibility of each Department Head, each Supervising Officer to make sure that there is no wastage, that there is no inefficiency in the system and that money is used for the purpose for which it has been appropriated by this august Assembly.

Mr Bérenger: The Minister of Finance keeps on saying that there has been progress; it moved from bad to worse. He took the example of sewerage work, *tout-à-l'égout*. Can I remind him that on 09 June 2006, he said –

“The most conspicuous examples of inefficient spending are on capital projects where the extent of cost overruns is simply mind-boggling. In one particular case, the cost overruns exceeded 50 percent of the initial cost.”

Mr Speaker, Sir, the overruns exceed a 100% - not 50% - two and a half years later. Is that progress or is it not a fact that in *tout-à-l'égout* and other capital projects we have moved from bad to worse?

Dr. Sithanen: Mr Speaker, Sir, the *tout-à-l'égout* was mismanaged by them...

(Interruptions)

...totally mismanaged, badly planned and totally unprofessional, Mr Speaker, Sir. This is an absolute disaster, Mr Speaker, Sir, in terms of negotiations, timing, sequencing and implementation. We have the facts and figures here, Mr Speaker, Sir.

(Interruptions)

What *bla-bla-bla!*

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

Dr. Sithanen: Mr Speaker, Sir, he chaired a meeting for two years...

(Interruptions)

Mr Speaker: Order!

Dr. Sithanen: He did not achieve a single result and is a failure.

(Interruptions)

Mr Speaker: I said order!

Dr. Sithanen: He is incompetent, he is a disaster, Mr Speaker, Sir!

Mr Bérenger: He cannot reply obviously, Mr Speaker, Sir! Can I know from the hon. Minister whether he has taken note of the tough criticisms addressed to Government on the closure of the DWC? This was their doing, he is not going to tell us that it was the former Government. This was their doing, they closed the DWC and, today, more than two years later, *il y a toujours des chantiers qui attendent que les travaux se terminent*. Will the hon. Minister agree that this is unacceptable and that Government must see to it that all these *chantiers* that are stuck should be completed?

Dr. Sithanen: Mr Speaker, Sir, the hon. Leader of the Opposition wants to have his cake and eat it at the same time. One of the criticisms that has been made for many, many years is on the DWC. All of us know that and we know the politicisation made on the closure of the DWC. And here he comes as if we should not have closed the DWC, Mr Speaker, Sir. We need to be honest with the money that we collect from the taxpayers. It was a difficult decision and there are many other cases like this. In fact, let me be very honest to the House. There are many cases where we should take bold decisions people know my position - but because we do not have the necessary political consensus, it is difficult to close certain activities where we are losing money. I can give many cases where, Mr Speaker, Sir, we are taking public money and funding inefficiency but, if we were to take an action, we come to this House, they are going to politicise it or they will go outside and would criticise Government, Mr Speaker, Sir.

If you go through the report of the Director of Audit over the years, you will see where it has identified inefficiency and all Governments, including Government chaired by the hon. Leader of the Opposition, have not reacted. We have not been able to do it for reasons that we all know. Let us be candid, let us be honest about this, Mr Speaker, Sir.

Mr Bérenger: Mr Speaker, Sir, there is one case that is particularly shocking. It is the case outlined by the Director of Audit where a private building, the former BAT building, was paid for Rs160 m., then re-evaluated by Government services themselves to Rs150 m and the Director of Audit rightly points out that this comes close to corruption. Can I know from the hon. Minister what has happened in that case and whether this has already been referred to ICAC?

Dr. Sithanen: Mr Speaker, Sir, if my memory serves me well, a question was asked, I think by hon. Lesjongard and the reply was given by the then Minister responsible for Housing and Lands. If the hon. Leader of the Opposition believes that this is a case to be referred to ICAC, he should go and do it.

(Interruptions)

Mr Bérenger: Mr Speaker, Sir, billions of rupees..

(Interruptions)

Mr Speaker: Order!

Mr Bérenger: The hon. Minister claims to be defending taxpayers and this and that when the Director of Audit has pointed out that billions of rupees are in arrears at the Mauritius Revenue Authority. This is for this financial year and not the past; the report is for the year ending 2008. Can I know from the hon. Minister what measures are being taken for the MRA to perform as it should?

Dr. Sithanen: Mr Speaker, Sir, if the hon. Leader of the Opposition had read carefully the report, the Director of Audit did start by, in fact, highlighting some of the positive measures taken by the MRA to improve tax collection.

(Interruptions)

The Leader of the Opposition must read, my friend! He should read!

(Interruptions)

Mr Speaker: Order!

Dr. Sithanen: He does not have to teach me also!

Mr Speaker: Order! Order I said!

(Interruptions)

Dr. Sithanen: You don't have to teach me also! *Mo ti prend leçon are toi, moi.....*

Mr Speaker: Order, I said! Please!

Dr. Sithanen: *Mal élevé!*

(Interruptions)

Bouffon, to même....

Mr Speaker: Order!

(Interruptions)

Dr. Sithanen: *Guette pou toi!*

Dr. David: On a point of order, Sir, he is just referring to the physical traits of the Minister...

(Interruptions)

Mr Speaker: Does the Minister want me to take the point of order or not? What is the point of order?

Dr. David: Can the Leader of the Opposition refer to ...

(Interruptions)

He should sit down!

Mr Bérenger: This is not a point of order!

(Interruptions)

Mr Speaker: What is the point of order?

Dr. David: Mr Speaker, Sir, he is referring to the physical description of the Minister....

(Interruptions)

Mr Speaker: Order! The physical description is not a point of order. What did he say? I want to know what he said.

Dr. David: Do you want to know what he said?

(Interruptions)

I am referring to Standing Order 22 (1) (i)....

(Interruptions)

He said: 'so la tête kouma laké ...'

(Interruptions)

He said : "So sévé kouma laké sat"

(Interruptions)

Mr Speaker: I will ask the Leader of the Opposition to withdraw the words.

Mr Bérenger: This is not unparliamentary. I will not withdraw!

(Interruptions)

Mr Speaker, on a point of explanation, he had the arrogance of asking me to read the Director of Audit's Report. This is arrogance!

(Interruptions)

Mr Speaker: Order! Order!

(Interruptions)

Order! Did the hon. Leader of the Opposition say that the '*sévé kouma laké sat*' or whatever it is?

Mr Bérenger: Yes, I did! As I told you why I said that, it is because he had the arrogance of telling me to go and read the report.

(Interruptions)

Mr Speaker: Hon. Dr. Hawoldar, if you continue....

Dr. Hawoldar: I am sorry, Sir.

Mr Gunness: *(Interruptions)*

Mr Speaker: I will deal with him later on! Now I am asking the hon. Leader of the Opposition

Mr Bérenger: I am not withdrawing, this is not unparliamentary! I am not withdrawing!

Mr Speaker: My ruling is: in the context of Mauritius, saying that '*sévé is like laké sat*', I will say, is unparliamentary, I will ask the Leader of the Opposition to withdraw.

Mr Bérenger: I am not withdrawing, this is not unparliamentary!

Mr Speaker: I am sorry, Leader of the Opposition. I will ask you to leave the House.

(Interruptions)

(At this stage Members of the MMM & PMSD Opposition left the Chamber)

(Interruptions)

Mr Speaker: Hon. Dr. Hawoldar, what did you say?

(Interruptions)

Dr. Hawoldar: Mr Speaker, Sir, what I said...

Mr Speaker: Did you treat the Leader of the Opposition as racist?

Dr. Hawoldar: Last time, Mr Speaker, Sir, when the question was asked...

Mr Speaker: Did you say that the Leader of the Opposition is a racist?

Dr. Hawoldar: I withdraw, Mr Speaker, Sir.

Mr Lesjongard: Mr Speaker, Sir, I wish to come back to the Director of Audit's report with reference to paragraph 24.1, that is, land acquisition and land and building acquired for the IVTB. I understand from the report that Government has failed in excess of Rs10 m. when this has been evaluated by the Chief Government Valuer falling under the responsibility of the Ministry of Finance, even by surveyors from the Ministry of Housing and Lands. Can I ask the Minister of Finance how Government intends to recover that excess of Rs10 m that has been paid?

Dr. Sithanen: I indicated to a question raised by the hon. Leader of the Opposition, who is no more here, that this question was asked, in fact, if my memory serves me well, by hon. Lesjongard himself and the then Minister of Lands explained clearly what had happened. There was an initial evaluation that was made and it never gives a specific value, it always gives a figure plus or minus 10%. This question was answered by my colleague, the Minister of Housing and Lands.

Mr Lesjongard: I will get to that question I put earlier, Mr Speaker, Sir, on the same issue where the Minister of Housing stated to this House – I do not know whether it is an omission or he misled the House - that there was only one valuation report. This is in black and white and now when we read the Director of Audit's report, it is stated that there were two valuation reports because such reports come from the Ministry of Finance....

(Interruptions)

Pas emmerde moi, laisse mo pose mo question !

(Interruptions)

Laisse mo pose mo question ! Mo pas fine assise tranquille là ! I do not like people disturbing me when I put my question!

Mr Speaker: Can the hon. Member tell me what happened? I will take care of that.

Mr Lesjongard: Somebody prevented me from putting my question on the other side. Either he shuts up and let me put my question! I come here to do my job. Let me do it properly!

Mr Speaker: Carry on!

(Interruptions)

Mr Lesjongard: *Ki été?*

Mr Speaker: Hon. David, you do not have the floor. You do not have the right to intervene! Do you understand me? Keep quiet.

Dr. David: No problem!

Mr Lesjongard: Since it is the Chief Government Valuer who sends such reports, can the Minister confirm whether there was one or two valuation reports?

Dr. Sithanen: Mr Speaker, Sir, the question of the Leader of the Opposition is on waste and inefficiency in general. I would suggest the hon.

Member to come with a specific question on this particular issue and address it to the Minister of Housing and Lands who will give him the answer.

Mr Lesjongard: Mr Speaker, Sir, we are dealing with the Director of Audit's report and we are dealing with public expenditure. It is in this House. The question is clear. He has to enlighten the House as to whether there was one report or two reports, whether his officer has estimated the building and the premises for Rs150 m. or Rs160 m.

Dr. Sithanen: I thought I have already given the reply, Mr Speaker, Sir. I don't know whether the hon. Member is part of the Public Accounts Committee. The PAC can raise this issue. What I would suggest to the hon. Member is that he comes with a substantive question on this specific issue. Otherwise, Mr Speaker, Sir, I cannot reply questions on each and every single item of a report of about 250 pages.

Mr Bodha: May I ask the Vice-Prime Minister whether he will agree that the way he has handled the management of public funds has not been in a competent manner because first, of the dismantling of the economic development units and second, the rash implementation of the MTEF without the proper training for the officers who are going to implement the MTEF and without inculcating the essence and the spirit of the reform among those officers. The result is today that the situation has gone from bad to worse.

Dr. Sithanen: It is certainly not true, Mr Speaker, Sir. There has been no closure of any Ministry, but for efficiency purposes, we have brought the resources together. As I indicated in my reply, Mr Speaker, Sir, to the initial question of the Leader of the Opposition, this is work in progress. There are countries in the world that have taken ten years to embed this reform and some of these reforms were started under the previous Government; some of them in the first Government of the hon. Prime Minister. But to say that things have worsened, Mr Speaker, Sir, it does not make sense. These are the very people who left us, you know, with Rs6 billions in the closet.

Mr Speaker: This has been said so many times in the House.

Mr Bodha: Mr Speaker, Sir, in view of the fact that in the past I have asked questions about the amount of the debt and today we have the figure from the Director of Audit's report, will the hon. Minister agree that, at July

this year, the debt is Rs136 billions to which we should add Rs6 billions with the abolition of a Consolidated Sinking Fund, which means that this Government has been spending as debt Rs1 billion per month? Will he agree to this?

Dr. Sithanen: Mr Speaker, Sir, I can only say what the OECD says, the World Bank says, the IMF says, the ADB says and what all good universities teach us that debt is always calculated as a percentage of GDP. And as a percentage of GDP, Mr Speaker, Sir, debt has come down from 70% of GDP to 60% of GDP. This can be checked from the MCB report. This can be checked from the Bank of Mauritius, Mr Speaker, Sir. I don't know by what magical incantation hon. Bodha always come to the House and wants debt to be computed on an absolute basis. There is no country in the world where this is done, Mr Speaker, Sir.

Mr Jhugroo: As Minister of Finance, is he satisfied with the Director of Audit's report?

(Interruptions)

Dr. Sithanen: Mr Speaker, Sir, I said in my reply that, in some cases, the Director of Audit has stated very clearly that their recommendations in prior years have been taken into account. Obviously, in these cases, I would be happy because the role of the Director of Audit is to draw the attention of Government and also of public sector bodies on how they can improve the management, how we can bring down waste and how we can improve efficiency. There are areas also where improvement have been made, in fact, in education, in health. But there are areas where obviously I am not happy - I have said it - where there are wastages and inefficiencies. I have said it very clearly. It is the responsibility of each Head of Department, of each supervising officer to make sure that we get value for money and that money is not wasted. There are other areas, Mr Speaker, Sir, where I think, in all fairness, the parent Ministries have given explanations to the criticisms that have been levelled by the Director of Audit. In some cases, I think, the responses that have come from the Ministry are fair ones also because some of them are outside their purview.

Mr Bodha: Est-ce que je peux demander au vice Premier ministre ce qu'il va faire pour que ce rapport ne reste pas une lettre morte?

Dr. Sithanen: Mr Speaker, Sir, I have already indicated in my reply what is being done in terms of strengthening the PBB. Hon. Bodha is right. In some areas probably we have to invest more in terms of training, in human resources and in giving more facilities. So, this is a continuous job and it is work in progress. It is not in the interest of any Minister of Finance or any Minister and, certainly not of the Prime Minister, that we don't use public money in a very judicious and in a very fair manner. So, it is not a question that we are trying to defend the indefensible. I am not going to be a Minister who will defend things that cannot be defended, Mr Speaker, Sir. Everybody in the system should assume responsibility for money entrusted to them by Parliament and they have to make sure that we get value for money.

Mr Lesjongard: Mr Speaker, Sir, for the sake of clarification, can the Minister confirm now that there is a new policy at the Valuation Office, that whenever the Chief Government Valuer values property for Government, there is a valuation of 10%?

Dr. Sithanen: I am not aware about this specific policy Mr Speaker, Sir. I'll check and I'll come back to the hon. Member.

Mr Speaker: Time is over! Questions addressed to the hon. Prime Minister. The Table has been advised that Parliamentary Questions Nos. B/1408, 1409 and 1416 addressed to Dr. the hon. Prime Minister have been withdrawn and Parliamentary Question No. B/1410 addressed to Dr. the hon. Prime Minister will be replied by Dr. the hon. Deputy Prime Minister.