

November 5, 1982 - 82/203

Statement by Mr. Alfidja on Mauritius  
Executive Board Meeting 82/144  
November 8, 1982

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At the outset, I would like to convey to the Fund management and staff the deep appreciation of my Mauritian authorities for their valuable contribution to the mutual understanding and close collaboration which continues to exist between Mauritius and the Fund. As usual, the staff have prepared a clear and concise report on the mid-term review of the stand-by program and my authorities and myself are thankful to them for this excellent work.

When the present stand-by program was discussed and approved by the Board on December 21, 1981, Executive Directors attached great importance to the mid-term review which was to cover the period through the end of May 1982. Directors were particularly concerned about developments in specific areas, namely, the fiscal deficit, wages and salaries, subsidies, state enterprises, the revenue system and the exchange rate level. It is comforting to read from the staff report before us that the Mauritian authorities performed remarkably well as all the program targets were not only met but surpassed in many instances and that the quantitative performance criteria were fully observed throughout the review period. It is also pleasing to report that in the areas which constituted a source of great concern to many Executive Directors last December, developments are under full control and the authorities continue to make significant progress in their efforts to redress the situation.

In the fiscal area, the determined efforts to bring about a viable budgetary position have been paying off. The overall budgetary deficit was reduced to the level targeted in the program. These efforts are being sustained as is witnessed by the 1982/83 budget which indicates a reduction of the deficit to the equivalent of 10 per cent of GDP. On the revenue side, not only have the authorities taken stronger revenue measures such as increases in the rate and coverage of stamp duties on imports, but they have addressed the question of taking steps to strengthen tax administration and collection with a view to making the revenue system more elastic and more efficient. In this endeavor, Mauritius has benefited from the Fund's technical assistance program. As a result, the authorities have issued a white paper on a sales tax and intend to submit to Parliament a draft legislation for the introduction of such tax at the beginning of 1983. They also are in the process of implementing the recommendations of the 1980 Fund technical assistance mission regarding the improvement of tax administration and the rationalization of exemptions from import duties. It is in this context that they plan to establish during fiscal year 1982/83 a Unified Revenue Service and a "pay-as-you-earn" scheme with a view to improving tax collection. On the expenditure side, the policy remains one of tight control. The authorities kept recurrent expenditure under check and further reduced the pressure on the budget by a deliberate

streamlining of capital expenditure and postponement of low priority domestically financed projects. Salaries and wages as well as subsidies constitute important elements of recurrent expenditures and my Mauritian authorities share the concern expressed by Executive Directors last December over the potential danger of having unmanageable budgetary imbalances in the event a firm control over these elements was not secured. The 8.5 per cent overall wage increase for government employees in the face of a 13 per cent increase in the consumer price index is a clear indication of the commitment to adhere to a policy of wage restraint. With regard to the question of subsidies, the authorities, while recognizing that great care must be exercised to fully take into account the social realities in the country, especially the needs of the under-privileged segments of the population, stand prepared to take strong and courageous actions so as to have prices reflect market conditions. Accordingly, on the basis of a white paper on the question which has just been issued, the Government has decided to increase the retail price of rice by 25 per cent from Rs 2/kg to Rs 2.50/kg and the retail price of flour by 33 per cent from Rs 1.80/kg to Rs 2.40/kg as from November 22, 1982. As a result, the proportion of subsidies per kilo in total subsidy outlays will decrease from 45 per cent to 30 per cent in the case of rice and from 53 per cent to 35 per cent in the case of flour. The Government has given assurances that total subsidies on rice and flour for 1982/83 will be held within the budgeted amount as presented at the time of the mid-term review. With regard to the question of parastatal enterprises, the authorities fully share the view that these state enterprises must operate in an efficient and self-sustaining fashion. Accordingly, a study has been undertaken with a view to restructuring the relevant entities. The authorities have also taken incentive measures aimed at enhancing private investment and capital formation.

Regarding exchange policies, the multiple currency practice was only a temporary measure and as such it was abolished on August 31, 1982.

Despite the successful implementation of the previous and current stand-by programs with the Fund, my authorities recognize that much still remains to be done in order to put their economy back on the right track. They are particularly concerned about the employment problem which they are determined to address promptly. Accordingly, they have appointed a committee of officials which has been examining the extent of disguised unemployment and underemployment in the parastatals as well as in certain government departments with a view to recommending redeployment of surplus labor for productive work, especially in agriculture. The authorities are looking forward to the committee report and recommendations and there is no doubt that the necessary action will be taken in a timely fashion.

Thus, in light of the success so far achieved by Mauritius very often in extremely difficult circumstances, one can only hope that international institutions such as the IBRD and the Fund, as well as friendly countries, will continue to lend their full and sustained support to this country.