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Policy Brief NO.2 2016

Mauritius a Small Island Developing State (SIDS) with prudent public debt management trends

1. Introduction

Developing countries, especially in Africa must establish appropriate and dynamic legal frameworks and structures that are responsible for coordinating and managing public debt. All public loan contraction and debt management rules and regulations must be anchored on constitutional provisions and other precise pieces of legislation defining how public loans should be obtained, used and serviced. Contracted debt should be used to promote economic growth, national development and poverty reduction. Government borrowing from either domestic or external sources requires that there is a well-established legal basis for contracting debt. A clear legal and institutional framework governing the mobilization, management and monitoring of resources that have been raised through borrowing should be in place. This policy brief focuses on the adequacy and effectiveness of the governing frameworks on loan contraction and debt management in Mauritius. The extent to which loan contraction and debt management conforms to the 2013 AFRODAD Borrowing Charter will also be given and this will act as the basis for recommendations.

1.1 Mauritius a Small Island Developing State (SIDS)[1]

Mauritius attained independence on 12th March 1968 from Britain, adopted a new constitution and gained its independence as a constitutional monarchy. Sir Seewoosagur Ramgoolan became the independent nation's first Prime Minister, but Queen Elizabeth II remained head of state. Since then democratic elected Governments are working in sustaining good governance and a remarkable economic transformation. Mauritius is a Small Island Developing State (SIDS) located in the African continent and like the other 52 islands is a low-lying coastal country. SIDS are prone to extremely damaging natural disaster because development options are limited, therefore they present special challenges to planning and implementing sustainable development[2]. The country shares similar sustainable development challenges such as: limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, dependence on international trade and a fragile environment[3]. Notwithstanding the unique and particular vulnerabilities of SIDS and their special case for sustainable development, Mauritius is a development success story.

Mauritius is an upper-middle-income country with a nominal per capita income of about US 9,610[4] in 2015. The country growth is attributed to good leadership, consensus building and sound macroeconomic management. The economy is vulnerable to exogenous shocks such as natural disaster, terms of trade shocks and other global challenges. Mauritius is a high middle-

1 Small Island Developing States (SIDS) are a distinct group of developing countries facing specific social, economic and environmental vulnerabilities. SIDS were recognized as a special case both for their environment and development at the United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit, held in Rio de Janeiro, Brazil (3-14 June 1992). This recognition was made specifically in the context of Agenda 21 (Chapter 17 G)

2 UN-OHRLLS. Small Island Developing States, Small Islands Big(ger) Stakes. United Nations. New York. 2011

3 UN OHRLLS

4 World Bank data, 2015

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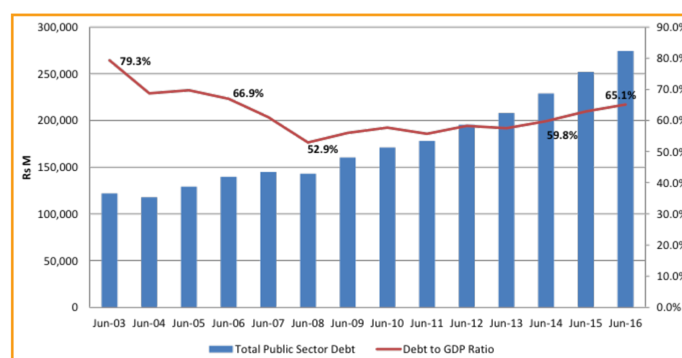
income country with low levels of poverty and inequality. The headcount poverty level was 6.9 percent in 2012; measured by the international standard of United States (U.S.) $2 per day (PPP), poverty was less than 1 percent. On inequality, Mauritius also fared well compared to its peer middle-income countries. Between the two last rounds of HBS in 2006/7 and 2012, inequality, as measured by the Gini coefficient, has risen from 0.388 to 0.414[5]. On the negative side, Mauritius' growth has not been equally shared, despite the general improvement in welfare. Macro-economic policies are supportive of sustainable growth which was 3.2% in 2013, 3.6% in 2014 and 3.5% in 2015. Mauritius overtook South Africa to become the most competitive economy in sub-Saharan Africa. Mauritius is ranked high in terms of competitiveness, investment climate, governance and economic freedom. The World Economic Forum's global competitiveness index ranked Mauritius at 45 out of 148 countries in 2016, topped the 2015 Mo Ibrahim Index of African Governance. The country is ranked 49th globally and first in Africa in the 2015 World Bank doing business report.

2. Mauritius Public Debt

Mauritius total public debt stock has been on a rising trend in recent years and is relatively high for an emerging economy. Nonetheless, according to the most recent debt sustainability analysis conducted by the IMF, the public debt outlook remains broadly positive. While most African countries borrow from the World Bank's International Development Assistance (IDA) window, Mauritius is one of the few African countries eligible for the International Bank for Reconstruction and Development (IBRD) loans[6] which are relatively expensive. After success of the structural adjustment effort, the country turned to more traditional project lending. Mauritius has never being a Heavily Indebted Poor Country (HIPC) nor benefited from the Multilateral Debt Relief Initiative (MDRI). The figure below shows the trends of Mauritius public debt and it value expressed as a percentage of gdp.

Figure 1: Evolution of Total Public Debt, June 2003 – June 2016



Source: Ministry of Finance and Economic Development

Mauritius total public sector debt[7] has witnessed a continuous increase in absolute terms, rising by 251% from Rs121,880 million as of end June 2003 to Rs274,397 million as of end June 2016. When expressed as a percentage of GDP, the trend in total public debt actually displays two distinct phases over the period 2003-2016. As can be seen from Figure 1, the public debt to GDP ratio initially decreased from 79.3% in June 2003 to 52.9% in June 2008 with a relatively steeper decline registered over the period 2006 to 2008 thanks to the implementation of wide ranging structural reforms. Stimulated by lower tax rates and a more business-friendly environment, investment rose and GDP grew rapidly. It enabled Government to bring down the budget deficit and to considerably reduce public debt. The exchange rate appreciation of the domestic currency from 2005 to 2008 also contributed to the decline of the public debt to GDP ratio as the country's foreign currency liabilities declined.

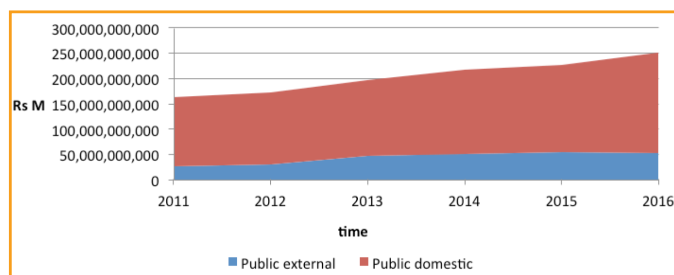
5 World Bank data, 2015
6 Mauritius, 2008 Article IV Consultation - Staff Report - Staff Statement by the IMF.
7 Includes the debt of the central government, public enterprises, agencies, local and regional governments.

The 2008/09 global financial crisis, however, resulted in a reversal of the downtrend in the total public debt to GDP ratio. The government provided a sizeable fiscal stimulus to buffer the local economy against the crisis and with private investment declining and economic growth stagnating well below the pre-crisis levels, fiscal policy has remained broadly expansionary. Inexorably, an increase in borrowing requirements and public debt has ensued from 2009 onwards with the public debt to GDP ratio soaring to 65.1% by end of June 2016.

2.1 Domestic and External Public Debt

Public debt can be decomposed into domestic and external debt. As can be seen in figure 2 below, domestic debt is generally more dominant than external debt. External debt represented less than a quarter of total public debt and 15.6% of GDP as at June 2016. The dominance of domestic debt over external debt is in line with the country's 2008 debt management strategy which emphasizes the foreign currency risk associated with external debt. The strategy thus recommends limiting the size of the public sector external debt stock to a level that will result in an annual debt service of the external debt portfolio not exceeding 10% of export earnings. In this respect, the debt service ratio as at end of June 2016 stood at 3.6%. It has, in fact, remained within the range 3% to 8% over the period 2003 and 2016. Although domestic borrowing can play a positive role in reducing the risks of sovereign finance, policymakers should not be too complacent[8].

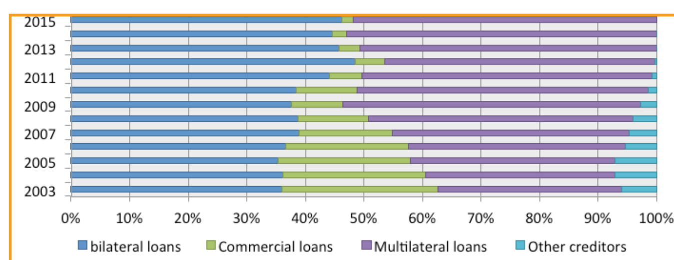
Figure 2: Domestic and External Public Debt, June 2003 to June 2016



Source: Mauritius Ministry of Finance and Economic Development[9]

External debt is low, generally contracted from multilateral and bilateral sources, financed at long maturities and favorable interest rates. Similarly, the country's domestic debt portfolio comprises mainly long and medium-term debt obligations. There is no likelihood of any debt crisis in the near term given political and social stability in the country, a well-managed economy and well-developed domestic financial market. The figure below shows the composition and patterns of external public and publicly guaranteed debt.

Figure3: Composition and patterns of external public and publicly guaranteed debt



Compiled using World Bank data[10]

The general trend is that there is an increase in the share of bilateral and multilateral loans. Between 2011 and 2015, the share of bilateral loans ranged from 40% to 45% of the total external public and publicly guaranteed debts. During that same period, the share of multilateral loans

8 Domestic And External Public Debt In Developing Countries Ugo Panizza

9 http://treasury.mof.govmu.org/English/Resource%20Centre/publications/Pages/default.aspx

10 https://data.worldbank.org/data-catalog/international-debt-statistics

increased from about 50% to 55%. The share of commercial loans decreased from about 25% in 2003 to less than 5% in 2015. The period from 2003 to 2005 saw a marginal increase in the share of loans from other creditor. The period after witnessed a decline and in 2013 to 2015, the share was zero.

2.2 Debt Sustainability

The IMF framework for fiscal policy and public debt sustainability analysis (DSA) for market-access countries (MACs) assesses Mauritius public debt as sustainable. In this respect, results of the DSA for Mauritius suggest "a moderately deteriorating, but manageable, debt outlook. Under the baseline scenario, public debt indicators remain below their relevant indicative thresholds over the medium term. The public debt dynamics are most vulnerable to contingent liability, real GDP growth, and real interest rate shocks. External debt is projected to remain at low levels and to be financed by multi- and bilateral sources at long maturities and favorable interest rates. The main risk to the debt outlook remains insufficient medium-term fiscal consolidation to create space for growth-friendly spending"[11].

Mauritius has no history of failing to meet its debt service obligations at any point in time. The current assessment of the country's public debt and sovereign risk outlook remains generally positive. Moody's credit rating for Mauritius is at Baa1 with a stable outlook. The Economist Intelligence Unit rates Mauritius at the stronger end of the B rating band with an underlying score of 50. The credit worthiness of Mauritius is well established and Government faces no difficulty in accessing both the local and foreign capital markets for raising funds. There is no likelihood of any debt crisis in the near term in light of political and social stability as well the relatively well-managed economy. The predominance of domestic debt in total public debt stock limits exposure to exchange-rate risk and volatile global investor sentiment. Rollover risks are limited given that most of the public debt consists of medium and long term loans while sizeable foreign reserves cover well over 100% of the short-term debt stock. Debt affordability has improved significantly with decline in the ratio of interest payments to Government revenue and also in the ratio of interest payments to GDP.

Mauritius total public debt remains on a sustainable trajectory and is resilient to shocks. However, taking into consideration the marked increase in the public debt to GDP ratio in recent years and current underlying negative factors such as weak external demand, slow economic growth, higher public spending and further build-up of public debt which may weigh on the debt outlook in the foreseeable future, the implementation of appropriate and timely fiscal consolidation measures are required.

Even though the debt sustainability analysis of Mauritius shows that it is below the set target of 60% (57.7% in 2015) hence sustainable; its total public debt is ascending with the dominance of domestic debt over external debt. Mauritius Debt to GDP ratio is third highest in the SADC region after Zimbabwe and Seychelles. Mauritius has legally mandated in the Public Debt Management Act 2008[12] a public debt ceiling of 60% to GDP[13] until 2017 and 50% of GDP after 2018 in order to ensure overall debt sustainability. The main risk relate to insufficient fiscal adjustment leading to the inability to achieve the statutory debt ceiling of 50% by the targeted timeframe of 2018. Putting in place credible medium-term fiscal consolidation and a planned debt reduction strategy is desirable to maintain debt sustainability.

11 IMF, 2015 Article IV Consultation, staff report; press release; and statement by the executive Director for Mauritius, Country report No 16/89, March 2016.

12 Refer to Public Debt Management Act 2008. -

13 SADC member states agreed to achieve and maintain macroeconomic stability, committing to follow stability-oriented economic policies and to be monitored and measured against specific convergence criteria indicators amongst them, a public debt threshold of 60% of GDP.

3. Legal and Institutional Frameworks Governing Public Finance in Mauritius

According to the AFRODAD Borrowing Charter (2013), Governments must establish appropriate and dynamic legal frameworks and structures that will be responsible for coordinating and managing public debt. All public loan contraction and debt management rules and regulations must be anchored on constitutional provisions and other precise pieces of legislation defining how public loans should be obtained, used and serviced. Hence the role of the constitution in sound economic governance is indisputable. Government borrowing from either domestic or external sources requires that there is a well-established legal basis for contracting debt. A clear legal framework governing the mobilization, management and monitoring of resources that have been raised through borrowing should be put in place.

3.1 The Legal Framework

The Republic of Mauritius has a detailed legal framework governing public finance with the Constitution providing the basis. In addition to the Constitution of Mauritius, the Public Debt Management Act 2008 and the Bank of Mauritius Act 2004 deal directly with loan contraction and debt management.

i) The Constitution of the Republic of Mauritius

Specific provisions on public finance are made in Chapter 10 of the Republic of Mauritius Constitution. Article 103 provides for the establishment of a Consolidated Fund:

> *"All revenues or other money raised or received for the purposes of the Government (not being revenues or other money that are payable by or under any law into some other purpose or that may by or under any law be retained by the authority that received them for the purposes or defraying the expense of that authority) shall be paid into and form one Consolidated Fund".*

Article 109 [Amended 48/91; 5/97; 31/00, 33/01] covers public debt. According to this section, debt is a constitutional charge on the Consolidated Fund.

(1) All debt charges for which Mauritius is liable shall be a charge on the Consolidated Fund.

(2) For the purposes of this section, 'debt charges' includes interest, sinking fund charges, the repayment or amortization of debt, and all expenditure in connection with the raising of loans on the security of the revenues of Mauritius or the Consolidated Fund and the service and redemption of debt thereby created.

ii) The Public Debt Management Act 2008

The Public Debt Management (PDM) Act [2008], gives power to the Minister of Finance to raise funds on behalf of the Government under Section 3; then define what shall constitute the public sector debt in section 6; then set the ceiling of the public debt sector under section 7. This is in line with the AFRODAD Borrowing Charter 2013 under the section of Existence of Predictable Rules and Regulations which cites that, "The Legal Framework must stipulate clearly who has powers to borrow on behalf of the government" and that "There should be laws, regulations and policies which stipulate the limits of external public debt borrowing. This should be linked to the country's debt sustainability analysis".

Under Section 3 of the PDM Act, the Minister of Finance is empowered to: Raise funds in the name and on behalf of the Government; From time to time, raise funds in or outside Mauritius to finance investment projects or other commitments of

Government, enter into an agreement with a financial or banking institution, an international financial organization or a foreign government in such manner and on such terms as he thinks fit; Enter into such agreement, sell, purchase or otherwise acquire any immovable property or any right therein, lease movable or immovable property and generally engage in such transactions and perform such activities as may be reasonably necessary for the purpose of issuing Sovereign Sukuks in Mauritius. Enter into any other agreement for the purposes of varying the terms of an agreement entered into under subsection (3).

Under section 6 of the Act public sector debt is defined as any debt incurred:

(a) through the raising of loans, the issuing of securities, overdrafts or by any other means by (i) the central Government; (ii) the Rodrigues Regional Assembly under section 51(c) of the Rodrigues Regional Assembly Act 2001; (iii) the local Government; (iv) a public enterprise, whether or not the loans are wholly or partly guaranteed by the Government;

(b) by way of advances from the Bank of Mauritius to any entity in the public sector. Section 6 also provides for "any debt incurred by the general Government or a public enterprise and which is wholly or partly guaranteed by the Government shall constitute a debt due by the State and carry an absolute and unconditional commitment by the Government to the timely payment of the principal of the debt, and the interest on it, in accordance with the terms and conditions under which the indebtedness was contracted."

Section 7 specifies the public sector debt ceiling. The total outstanding amount of public sector debt shall, at the end of each fiscal year, not exceed 60 per cent of the Gross Domestic Product (GDP) at current market prices for that fiscal year. The percentage shall, at the end of each fiscal year, be reduced so that at the end of the fiscal year ending 31 December 2018, it shall not exceed 50 per cent and that percentage shall remain the ceiling for every subsequent fiscal year. This limit on borrowing is important as it makes the debt sustainable.

It is interesting to note that this Act is commended for (i) giving a detailed definition of public debt which includes debt guaranteed wholly or partly by the state (ii) limits the eligibility of the government on guarantees to regional or local governments, (iii) allowing guarantees to be issued for any purpose except for loans to finance current expenditure, (iv) requiring the minister of finance to make MTDS public no later than a month after the end of every quarter, (v) requiring the minister of finance to prepare a report on details of the outstanding public debt stock and make it public.

iii) Bank of Mauritius Act 2004

The Bank of Mauritius Act [2004] establishes the Central Bank of Mauritius and authorizes it to act as Government banker and financial adviser (section 56). The Act also gives authority to the Bank to act as a banker and adviser to and as fiscal agent of the government; to issue public loans (Section 57) and to grant advances to the Government (Section 58). As per Section 56 of the Act, *"the Bank shall be the banker to the Government, its adviser on monetary and financial matters and the depository of the official foreign exchange reserves of Mauritius and of Government funds. The Bank may also act in such capacities to any Ministry, Government Department, local authority or statutory corporation."* The Bank may undertake the issue and management of loans publicly issued in Mauritius by the Government (Section 57).

iv) Debt Management Strategy 2008

Under the Public Debt Management Act 2008, Section 9(3) requires the Ministry of Finance and Economic Development (MOFED) to prepare the debt management strategy. It stipulates that the "*Ministry shall prepare the debt management strategy and from time to time review it*". The Act also requires that the debt management strategy be made public.

This debt management strategy is intended to serve as the primary policy tool for guiding the day-to-day operations for managing the public sector debt. The strategy sets objectives for the management of government and public sector debt portfolios. The strategy also establishes risk control benchmarks and medium term targets for the composition, currency mix, interest rate mix, maturity profile and relative size of the public sector debt as required under Section (9)(2) of the Public Debt Management Act 2008. The Act defines public sector debt so as to include the debt of government, public enterprises, agencies, local and regional Governments, and establishes a ceiling for public sector debt relative to GDP.

3.2 The Institutional Framework

Institution	Functions
The Debt Management Office (DMO) The Debt Management Office was established in the Ministry of Finance and Economic Development (MOFED) in 2002 as part of a decision to reform public debt management and is the prime institution that deals with debt management	• The Debt Management Office (DMO) ensures coordination and smooth communication among the various stakeholders in the loan contraction and debt management processes; • Provides advice on the management of risk across the government's balance sheet; and • Advises on the management of a wide range of commercial, contractual, and litigation risks on behalf of the government.
The Accountant-General	• Prepares and submit withdrawal applications to Funding Agencies and follow up on disbursements; • Maintains Special Bank Accounts (where applicable) in respect of Project Loans/Grants and, where applicable, make timely transfers to the General Account; • Apply for reimbursements of funds after examination of expenses incurred by implementing agencies (in respect of expenditure pre-financed from budget) and credits the appropriate government revenue item; • Ensures that relevant Chart of Accounts (COA) codes are created in the Treasury Accounting System (TAS) to capture transaction data on Project Loans/Grants; • Determines the most appropriate method of payment to suppliers /contractors/service providers to reduce transaction costs; • Ensures that implementing agencies submit monthly returns of expenditure incurred on Project Loans/Grants duly reconciled with related TAS reports; and • Follow up with implementing agencies on discrepancies between returns and TAS records relating to Project Loan/Grant expenditure.

The National Audit Office	• Develops an independent and objective assessment of the process of governance and to enhance legislative oversight on Government operations; • Audits all the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government; and • Examines in detail Government expenditure and provide a report on the information presented by Government executives. The NAO's report gives an independent assurance to the National Assembly that agencies are operating and accounting for their performance in accordance with Parliament's purpose and is the first step in the process of oversight.
The Public Accounts Committee The PAC was established in 1968 under the Standing Orders and Rules of the Mauritius National Assembly then known as the Legislative Assembly. It is a sessional Select Committee set up to examine audited accounts as reported by the Director of Audit and such other accounts laid before the Assembly as the latter may refer to it together with the Director of Audit's report thereon. Nine members constitute the Committee, with the Chairperson being a member of the Opposition	• Holds Government officials accountable for the spending of public funds and stewardship over public resources; • Gathers evidence and report to Parliament from time to time. It has to satisfy itself that disbursements of public funds are as required, as legally provided, and in compliance with regulations; and • Ensures that cases of negative expenditure and financial irregularities are subject to scrutiny. The setting up of the PAC is an additional means to bring public expenditure under parliamentary control. In this process the report of the Director of Audit remains an invaluable tool for the PAC's work.

4. Assessing Inclusivity: Roles of Parliament and Civil society

There is no legal and institutional recognition of the civil society in the Loan Contraction and debt management process. Moreover, only a few CSOs are interested on the matter of debt related issues. It is however noteworthy that the Government of Mauritius is committed to strengthening the institutional framework and the national capacities to improve strategic planning and budgeting, leading to the transformation of Mauritius to a high income economy that is sustainable and equitable, for future generations.

4.1 Role of Parliament

Best practice requires that existing primary law (Constitution or at least an Act of Parliament) explicitly accord the Legislature the ultimate power to borrow or issue guarantees on Government's behalf, or to delegate this power to the Executive branch or its agents or officials. Primary legislation should define not only to whom borrowing powers are delegated, but also the limits and purposes for borrowing or issuance of guarantees (e.g. for purposes of implementing a Parliament-approved budget). Legal provisions should also outline the due diligence process to be followed when borrowing, spending debt proceeds, processing transactions, accounting, reporting, and complying with internal & external

auditing. In this regards, it can be concluded that there exists a comprehensive legal and institutional framework governing public finance in Mauritius.

However, as compared to other SADC countries whose Constitutions are clear on the need for parliament approval of loans before their acquisition, the 1968 Constitution of Mauritius is silent on such issues. This is also contrary to the AFRODAD's Borrowing Charter 2013, which cites that "The legislative arm of government – Parliament shall approve loans before contracts are signed. This will enable and ensure that the loan contraction process was done within the established guidelines and laws, and can be serviced within the national budget". Mention of public debt in the constitution is only made under Article 109. The loan agreements are only presented before the National Assembly after the agreements have been signed and there is no mention of seeking parliament approval before loan contraction and/or before agreements are signed.

The role of the Mauritian Parliament in decisions on borrowing is essentially characterized by the delegation of borrowing authority to the Executive and the establishment of the basis within which such authority is to be exercised through sound primary legislation as well as strong institutional and governance frameworks.

Parliament discusses the debt strategy and provides oversight over debt management as part of the annual budget discussions. Discussions in the legislature, however, tend to focus primarily on the annual budget speech with little detailed discussion of the medium-term fiscal framework. Although allowed 30 days, the actual time spent deliberating the budget is usually around one to two weeks of very intensive sitting. This raises concern over the effectiveness of current levels of scrutiny[14]. The limited involvement of Parliament weakens the accountability of the budgetary process and prevents an assessment of fiscal strategies to contain public indebtedness[15].

Effective legislative scrutiny of public expenditure is essential to promote transparency, accountability and efficient use of appropriated public funds, including borrowed funds. Under the current Standing Orders and Rules of the National Assembly 1995 (Section 69.2), a Public Accounts Committee (PAC) of the parliament is required to be established with the primary duty to examine the audited accounts of government as laid before the committee by the director of audit. The PAC has inherent weaknesses which significantly limit its monitoring and evaluation function. For instance, it has inadequate administrative and technical means with no dedicated secretariat; its mandate is narrowly focused and out of tune with the ever changing public finance landscape; it has no powers of sanctions; its reports are not even debated in Parliament and there are no appropriate and effective follow up mechanisms of its recommendations.

4.2 Role of Civil Society Organizations (CSOs)

National ownership is crucial for the success of all loan and grant funded development projects. The people, who should be the ultimate beneficiaries of loans taken in their name, should have the right to participate in the decision making process pertaining to public borrowing. This should be done through parliamentary representation; direct citizen participation or citizen participation through their civic organizations or representations. Civic groups,

14 https://www.imf.org/external/pubs/ft/scr/2011/cr11259.pdf
15 IMF, 2015 Article IV Consultation, staff report; press release; and statement by the executive Director for Mauritius, Country report No 16/89, March 2016.

especially watchdogs and interest groups, should be recognized as vehicles to enhance public finance ownership and accountability.

In the Constitution of the Republic of Mauritius, there is no legal basis or provision for the participation of the citizens or CSOs into the loan contraction and debt management. CSO participation then remains very much limited. Currently only one NGO is working on debt issues in the country. Information on debt is however regularly disseminated through MOFED and the Central Bank website however, the process of acquiring loans is not always made public.

The AFRODAD Borrowing Charter 2013, however recommends that the loan contraction process be transparent and participatory, involving citizens and affected communities through giving them adequate time and information to debate the taking-on of the loan, including purpose, terms and conditions of the loan in accordance with the national constitution.

5. Policy Recommendations

In order to improve the loan contraction and debt management in the Republic of Mauritius, below are proffered recommendations formulated, in line with AFRODAD Borrowing Charter 2013 "principles and guidelines responsible lending and borrowing" to ensure effective and sustainable debt management.

i) Though the strategy of borrowing on the domestic market is commendable, the government of Mauritius should be careful to guard against crowding out the private sector from accessing loans from the domestic market. If the government borrows heavily in the domestic market, this limits investment as private player will have less access to financial resources.

ii) The Constitution and laws governing debt management need to be reviewed to make parliament more assertive and empowered to approve all government debt transactions. Parliament should also exercise due diligence when approving or disapproving loans.

iii) Capacity of Parliamentarians, especially Public Account Committee (PAC) members should be enhanced to enable better understanding of macroeconomic policies and issues related to public finance and debt in order to play an effective role in the annual budget process, loan contraction and debt management strategy.

iv) Effective follow-up mechanisms are important for parliament to ensure that audit findings and any recommendations are actually implemented to reduce wastage and indebtedness and improve public expenditure and administration in general. Reports from the PAC should be produced in time and should be taken seriously.

v) Government should move towards full disclosure of information and data related to loan contraction. Even though information on debt is available online in the MOFED and Central Bank of Mauritius website.

vi) The Minister of Finance should present to the National Assembly copies of every loan agreement entered into, and reports should be made to the National Assembly on the performance of the loans where evaluation is made whether the loans are meeting their set objectives or not.

vii) The level of inclusivity of citizens must be enhanced through sensitization of the public and raising awareness on issues of loans, grants and development finance issues. Adequate information and time must be given to debate the taking-on of new loans, including purpose, terms and conditions of the loan in accordance with the national constitution.

viii) Civic society organizations should organize themselves and amplify the voices of the citizens. The involvement of civic societies in public finance management issues will assist citizens to demand transparency and accountability.

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