23.1 Financing and Monitoring of Enterprise Mauritius

23.1.1 Background

In October 2004, Government set up Enterprise Mauritius (EM), a Government owned public company limited by shares and jointly owned by the public and private sectors.

Objective of the Company

The overall objective of Enterprise Mauritius is to accelerate the development of world-class Mauritian companies to achieve strong positions in global value chains resulting in increased national prosperity.

The company has taken over all the assets and liabilities of MIDA, EPZDA and SUBEX-M and is carrying out their core activities.

23.1.2 Financing of Enterprise Mauritius

Government agreed to provide an annual grant to EM to meet a substantial part of its recurrent expenditure until such time that it becomes self-sustaining. An initial grant of Rs 4 million was disbursed for financial year 2004-05.

In October 2004, Government adopted a new mode of financing; i.e. release of funds be made on the basis of an output agreement to be signed between the parent Ministry and EM at the beginning of each financial year. The agreement would apply as from financial year 2005-06.

Funds totalling Rs 145 million were disbursed to EM in respect of financial years 2005-06 and 2006-07.

Observations

- The need for EM to be self-financing was also highlighted by the Ministry in December 2006.

- However, the income generated by the company is quite minimal, being less than 10 per cent of its total revenue.

- The likelihood for EM to become self-sustaining thus appears to be remote in the short term.
Ministry’s Reply

The Ministry has impressed upon Enterprise Mauritius to make every effort to gradually become self-financing and the percentage of revenue generated should be increased progressively.

23.1.3 Output Agreement

The Output Agreement provides for the following:

- Roles and responsibilities of EM and the Ministry in the supply and purchase of outputs.
- Co-operative work between EM and the Ministry.
- The policy context within which the agreement is established.
- A statement of output and performance measures, which will include comprehensive output specifications for programme, quality and timeliness measures.

Observations

- There was delay in implementing government decision in respect of the new method of financing.
- No output agreement was made for financial year 2005-06 during which a total sum of Rs 84.4 million was transferred to EM.
- The Output agreement for financial year 2006-07 was signed on 30 August 2007, i.e. after disbursement of funds.
- As per agreement the actual amount of funds released by the Ministry in connection with recurrent expenditure was allocated to outputs. This defeats the whole purpose of preparing the agreement itself as there are no performance indicators to measure deliverables.

Ministry’s Reply

The Ministry attributed the above delay to the recent creation of the company. Henceforth, the Ministry will ensure that EM submits well in advance the Output Agreement for consideration.

23.1.4 Monitoring at Ministry’s level

- Control over both activities and projects was limited to regular weekly meetings at Ministry’s level where the outcomes of some projects undertaken by EM were reported.
There was also no follow-up of reports submitted by EM upon Ministry’s request. These included list of activities/projects, progress reports and achievements amongst others.

At Ministry’s meeting held in February 2007, the lack of control over the management of finance and resources at the EM was emphasised.

The audited accounts of the Company for financial years 2004-05 and 2005-06 were not submitted to the Ministry.

Hence, there was a lack of control by the Ministry over both activities and projects being executed to ensure the judicious use of public funds, the more so as the company is almost wholly financed by Government. The Ministry should ensure that value for money is obtained for each tax-rupee spent.

**Ministry’s Reply**

The Ministry will be having regular meetings to monitor progress of achievement of key performance indicators as set out in the programme based budget.

The audited accounts of EM for financial years 2004-05 and 2005-06 will be submitted shortly.

**Overall recommendations**

- There is a need for proper monitoring and control prior to disbursements to avoid wastage of public funds and safeguard Government interest in the achievement of its goals. The Ministry needs to develop a reporting mechanism for regular reviews and control through periodic reports on progress of work.

- The Ministry can enhance its system of recording over the execution of the projects undertaken by EM by having full project documentation and establishing a databank. Consolidation of control information and regular progress reports on key issues will help to assess the technicalities of projects.

- The Ministry may improve its system of controls over the projects/activities of EM by providing for a system of continuous performance appraisal and development. This will help to evaluate the projects against their objectives and success criteria/performance measures.

**Ministry’s Reply**

Appropriate steps are being taken to implement the recommendations.