

**Signature of the Manufacturing and Services Development and
Competitiveness Loan Agreement with the World Bank**

Statement by

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Vice-Prime Minister**

Minister of Finance and Economic Empowerment

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in the Conference Room

Ministry of Finance and Economic Empowerment

**Hon Mahendra Gowressoo, Minister of Business, Enterprise and
Cooperatives**

Mrs. Ruth Kagia, Country Director, World Bank

**Mr Constantine Chikosi, Country Representative of World Bank in
Mauritius**

Distinguished representatives of Development Partners

Members of the Press

Ladies and Gentlemen

We are meeting here today to sign a loan agreement with the World Bank for the financing of the Manufacturing and Services Development and Competitiveness (MSDC) Project.

This Loan Agreement brings the total resources secured from the World Bank since 2006 to around USD 300 million or Rs 9 billion. Out of this some USD 210 million have been in the form of budget support to sustain our economic reform agenda and USD 88 million for infrastructure development,

reform of public enterprises and development of the SME sector. The balance has been in the form of grants for technical assistance and analytical work. The Loan Agreement we are signing today is for an amount of USD 20 million.

The objective of the Manufacturing and Services Development and Competitiveness Programme, which the loan will finance is to support enterprise growth, sharpen competitiveness and generate new employment opportunities in the manufacturing and services sectors. The project will be implemented by the Ministry of Business, Enterprise and Cooperatives.

Concretely the main deliverables of the Project are:

- (i) to improve access to quality Business Development Services,
- (ii) strengthen institutional and policy support for SMEs;
- (iii) improve access to finance to credit-constrained businesses;
and
- (iv) project contract and management.

The most important component of the project is the Mauritius Business Development Growth Scheme. It will support development of private sector enterprises through a Cost Sharing (Matching) Grants to eligible entrepreneurs and assist private sector enterprises to plan and execute business plans. Under that scheme, firms can have recourse to consultancy services to restructure their organisation.

The access to finance component addresses issues such as lack of equity capital, poor capacity to prepare projects to raise finance, and the lack of collateral.

This MSDC project will therefore benefit mostly the SME sector and will assist enterprises in enhancing their competitiveness and in building resilience. Since 2005, Government has been implementing powerful policies to broaden the circle of opportunities for SMEs, as we believe that these enterprises have a crucial role to create jobs, diversify the economy and achieve greater social justice. As part of the transition to the new development paradigm, that we outlined in the 2006 Budget, the development of SMEs has been given a central focus. In fact, many of our reforms in the area of ease of doing business were aimed at leveling the playing field for large as well as for small and medium enterprises.

From one Budget to another, we have maintained our emphasis on promoting the growth of the SME sector. The actions we have been taking are many but let me mention a few of them. We have acted on the doing business environment in a comprehensive way where SMES now find it much easier and also less costly to start a business. There is a more diversified economy and therefore greater opportunities to be seized. The labour laws have been made more flexible. And there is a comprehensive system of support for SMEs where they can get assistance and support through practically every stage in the life of their business, from the preparation of their investment projects to the implementation phase, including production, marketing, and sales. Equally significant is the amount of resources that we have mobilized to help the SMEs which have difficulties to access finance. Moreover we are encouraging and assisting SMEs to grow beyond the domestic market to the larger market of some 500 million consumers in the region.

Government has also shielded the SME sector from the impact of the global crisis. In fact, Mauritius has come out of the worst global economic crisis in many decades with very few, if any, casualties in the SME sector.

I should say that in the past four and a half years, we have announced more than 100 actions to support micro, small and medium sized enterprises. We have mobilized the necessary resources to support our enterprises through the crisis. And I should here express our gratitude to our development partners for their assistance. I would like to mention the EU for supporting the "Improved Competitiveness for Equitable Development (ICED)" program, the AFD which has provided a grant of Euro 1.5 million to the Ministry of Industry under the "Programme Renforcement de Capacite Commerciale (PRCC); and the ADB which has finalized a new intervention programme entitled "Competitiveness and Public Sector Efficiency Programme". In addition to the present loan agreement we have also requested the WB to focus its next Country Partnership Strategy on competitiveness. These are but a few of the programmes where we are working together with our development partners.

Indeed, the policy focus and the actions taken to support the SME sector are unprecedented. But most importantly, the outcomes are positive and very encouraging. In the past four years, these enterprises have generated some 24,000 new jobs, accounting for 60 percent of the total 40,000 jobs created. The SME sector now amounts to around 100,000 enterprises and employs some 45 percent of the workforce compared to 36 percent in 2005.

We will build further on the progress we have unleashed in that sector. As I said in the 2010 Budget Speech, we will break new ground to enlarge the economic space for existing and future entrepreneurs. There will be many

opportunities to be seized in new sectors like the Creative Arts Industry and as new pillars emerge. There will be more economic space and more fertile ground for new SMEs to start up and to thrive. I believe we can set our objective on a significant increase in the number of enterprises in that sector in the next five years and when this happens we also want these enterprises to operate competitively so that we make most efficient use of our resources as a nation.

The loan we are signing today is just another important step to achieve this goal.

I thank you for your attention.