

# SPEECH

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By the Prime Minister and Minister of Finance, Dr Honorable Navinchandra Ramgoolam,

At the National Assembly,

On the introduction of the Finance and Audit (Amendment) Bill (No. II of 2025)

18th March 2025

Mr Deputy Speaker, Sir, I move that the Finance and Audit (Amendment) Bill (No. II of 2025) be read a second time.

In the past 10 years, we have seen an unprecedented abuse and misuse of government financial resources. As a result of the irresponsible fiscal stewardship, we have today a most precarious financial situation, to say the least, disastrous. The previous government has been running a high budget deficit, accumulating enormous debts on the shoulders of every citizen of this country, including newborn babies.

No responsible government, Mr Deputy Speaker, Sir, can allow such a state of affairs to continue. This is the very reason why we are introducing this Bill in the House, and there is urgency. This is why, again, it comes in first, second and third reading, because Budget Day is approaching very fast, and there are lots of work which need to be done for us to be able to apply what we want to do.

With this Bill, Government will put greater emphasis on policy outcomes rather than how much is being spent. Judging Government policies by the amount of money that is being spent is erroneous and misleading. We want to see the best outcome for every rupee and cent that we are going to spend.

I will give you an example, Mr Deputy Speaker, Sir. I am sure the hon. Minister of Health will not mind my saying so. In the Ministry of Health, we are spending around Rs17 billion on health alone, one item. But can we say that we are getting top-notch public health service? Far from it! What is the point of throwing money without getting results? This is what we are trying to correct.

This Bill will facilitate and have a more responsible approach to fiscal stewardship by providing for the reintroduction of Performance-Based Budgeting and the appropriation of funds based on programmes. The PBB – I nearly said PRB – will be a simpler version that is focused primarily on achieving outcomes and improving service delivery. In other words, Mr Deputy Speaker, Sir, it will be result-oriented.

The previous government never understood, I think, the importance and the merits of Performance-Based Budgeting. In 2015, they replaced PBB with line-by-line item budgeting, which is based on inputs but not on outcomes. They changed the direction, and then they lost focus on the results and outcomes that we are expecting. Our public finances would not have been in such a disastrous situation had they continued with PBB.

They have spent money on reckless projects like this white elephant project, Côte d'Or; just throwing money away.

This is why we will also later on bring the Fiscal Responsibility Act. There would not have been so many contingency liabilities that we see now piled up. It is criminal negligence from what I can see. Today, with this Bill, we are restoring the core strength of budgeting. Under the PBB, the budget of ministries and departments will be presented in terms of programmes and subprogrammes. This will help in improving budget formulation, the whole process, by focusing on the purposes and objectives for which the funds are required, which will lead to a more strategic and result-oriented approach.

In this respect, clause 3 of the Bill defines a programme as a set of activities or interventions contributing to the achievement of a common outcome. A sub-programme is also defined as a distinct set of activities or interventions within a programme.

Mr Deputy Speaker, Sir, the PBB will promote accountability by linking financial resources to specific outcomes, outputs and performance indicators. It will, therefore, make it easier to track how funds are being used and whether they are achieving the intended results. It will also allow ministries and departments to review the processes and identify and eliminate wasteful practices, which will result in greater efficiency and effectiveness in the use of our resources.

Also, Mr Deputy Speaker, Sir, it will bring more discipline. Throwing money without accountability is not going to help. We need to have accountability. This is why clause 3 of the Bill defines an outcome as the impact that the programme intends to achieve, not only in the short-term but also in the medium-term, and it is measured by an outcome indicator.

It also defines an output as the services to be provided to achieve an outcome. This is measured by Key Performance Indicators. The KPI is linked to the ministries. Therefore, the key element is accountability. If they do not achieve a targeted output, I am afraid the ministry will have to be accountable.

Here, clause 4 of the Bill provides for ministries and departments to submit a progress report on the performance in respect to the outputs and outcomes related to the targets that have been set.

Mr Deputy Speaker, Sir, I will now highlight the other main provisions of the Bill. Section 105(2) of the Constitution stipulates that heads of

expenditure should be included in an Appropriation Bill, which is voted in the National Assembly in order to incur the expenditure from the Consolidated Fund.

Currently, in the Finance and Audit Act, the head of expenditure is defined as a vote of expenditure. Thus, appropriation has been made by vote of expenditure. With the reintroduction of PBB, appropriation will be made by programme instead of by vote on expenditure. Thus, clause 3 of the Bill provides for the definition of “head of expenditure” as programme instead of vote of expenditure.

Mr Deputy Speaker, Sir, presently, the Finance and Audit Act refers to estimates as annual estimates. Annual estimates are both revenue and expenditure, and it provides for the estimates to be approved by this august Assembly. It gives the impression that both estimates of expenditure and revenue are approved by the National Assembly, whereas, in fact, according to budgeting principles, only the estimates of expenditure need to be appropriated.

Clause 3 of the Bill clarifies this issue by providing for “estimates of expenditure” and “estimates of revenue” to be defined separately. Only the estimates of expenditure will then have to be approved by the National Assembly.

Along the same vein, clause 5 of the Bill is amending section 22 of the Finance and Audit Act to provide for the Ministry of Finance to issue

financial instructions for the preparation of estimates of revenue and estimates of expenditure, both separately.

In addition, clause 6 is amending section 23A of the Finance and Audit Act to provide for the Ministry of Finance to present estimates of revenue and estimates of expenditure, again, separately. It will be done as from fiscal year 2025-2026 onwards.

Following the enactment of this Bill, the Standing Orders and the Rules of the National Assembly will have to be amended accordingly. In this regard, I will shortly present a Motion in the House to trigger the process for amending the Standing Orders.

The House may also note that the Performance-Based Budgeting system will also be reintroduced in statutory bodies, local authorities, and the Rodrigues Regional Assembly as from fiscal year 2026-2027. We are, in fact, providing a transition period of one year for these bodies.

In this context, all these will have to be amended again to align the budgeting framework with that of Government. By all these, I mean the statutory bodies, the Local Government Act, the Rodrigues Regional Assembly Act and so on. The amendments will be made in the Finance (Miscellaneous Provisions) Bill of 2025.

Mr Deputy Speaker, Sir, Performance-Based Budgeting should go a long way to addressing this recurrent problem. The Ministry of Finance will work together with statutory bodies, the local authorities and the Rodrigues Regional Assembly to facilitate this transition period of one year towards Performance-Based Budgeting.

To conclude, Mr Deputy Speaker, Sir, I would like to reiterate that we are resolute in our endeavour to put our public finances back on a sound footing. We want to focus, again, as I said, on results rather than outcomes. The reintroduction of the PBB is one of our major policy reforms to usher in a new era of transparency and fiscal discipline. It is also a crucial step towards harmonising budgeting with long-term socioeconomic planning.

I should also point out that despite the recurrent problems - we have seen it year in, year out; the Director of Audit points out all these wastages every year, but there has been no resulting improvement, at least for the last 10 years, in wastage of public funds. This should address the problem of wastage of public funds significantly.

I, therefore, expect the full collaboration and cooperation of my colleague ministers but also of all public officers to ensure the successful implementation of this major reform, which is going to be good for the country and for the finances of this country.

With these words, Mr Deputy Speaker, Sir, I commend the Bill to the House.